Navios Maritime Holdings Inc.
Form F-1
November 02, 2005
As filed with the Securities and Exchange Commission on November 2, 2005

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM F-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

NAVIOS MARITIME HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Republic of Marshall Islands	4412	98-0384348
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

Navios Maritime Holdings Inc.
67 Notara Street
Piraeus, Greece 185 35
(011) +30-210-4172050]

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Trust Company of the Marshall Islands, Inc.
Trust Company Complex, Ajeltake Island
P.O. Box 1405
Majuro, Marshall Islands MH96960
(***) ***-****

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Kenneth R. Koch, Esq.
Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.
666 Third Avenue
New York, New York 10017

(212) 935-3000

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

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

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

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

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

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

Calculation of Registration Fee

Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (2)	Proposed maximum aggregate offering price (2)	Amount of registration fee (2)
Common Stock, $.0001 par value per share	65,550,000(3)	$5.18	$ 339,549,000	$ 39,964.92

(1) Pursuant to Rule 416 promulgated under the Securities Act of 1933, as amended, there are also registered hereunder such indeterminate number of additional shares as may be required to be issued to the holders of the publicly traded warrants upon exercise to prevent dilution resulting from stock splits, stock dividends or similar transactions pursuant to the terms of the warrants.

(2) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 based on the average of the high and low sales price of the common stock on October 26, 2005, which date was within five business days of the date of filing of this registration statement, as reported on the Over-The-Counter Bulletin Board. The issuance of the shares of common stock we are registering are expected to be issued to the holders of our publicly traded warrants upon exercise by such holders of the warrants. To the extent any of the warrants are exercised, we will receive the amount of the exercise payment made by the holders of the warrants to us in connection with the exercise of the publicly traded warrants.

(3) This registration statement covers the issuance by us of 65,550,000 shares of common stock issuable upon the exercise of our publicly traded warrants, which warrants have an exercise price of $5.00 per share and were issued in connection with the initial public offering of International Shipping Enterprises, Inc., our legal predecessor.

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

1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a), may determine.

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

PROSPECTUS
Subject to completion, dated November 2, 2005

NAVIOS MARITIME HOLDING INC.

65,550,000 Shares of Common Stock
Issuable Upon Exercise of Outstanding Publicly Traded Warrants

Navios Maritime Holdings Inc. is registering 65,550,000 shares of Common Stock, par value $.0001 per share, which shares are underlying our publicly traded warrants. The shares of Common Stock being registered may be issued by us upon exercise by the holders of our outstanding, publicly traded warrants. The warrants have an exercise price of $5.00 per share and were issued by International Shipping Enterprises, Inc., our legal predecessor, in its initial public offering. To the extent any holder of our publicly traded warrants determines to exercise their warrants, we will receive the payment of the exercise price in connection with any such exercise. The warrants and our shares of common stock are currently traded on the Over-The-Counter Bulletin Board under the symbols NMHWF.OB and NMHIF.OB, respectively, and on November 1, 2005, the last reported sale prices of the warrants and common stock were $0.98 and $5.45, respectively. We have received the approval of Nasdaq to list our securities on the Nasdaq National Market System and our securities will commence trading on November 3, 2005 under the symbols BULK for our common stock, BULKW for our warrants and BULKU for our units.

Investing in our securities involves risks.
See ‘‘Risk Factors’’ beginning on page 6.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2005.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information provided by this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since then. In this prospectus, ‘‘Navios,’’ ‘‘we,’’ ‘‘us’’ and ‘‘our’’ refer to Navios Maritime Holdings Inc. (unless the context otherwise requires).

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PROSPECTUS SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary may not contain all of the information that you should consider before exercising your warrants and buying shares of common stock pursuant to this offering. You should carefully read this entire prospectus, including ‘‘Risk Factors’’ and our consolidated financial statements, before making an investment decision.

Navios is one of the leaders in seaborne shipping, specializing in the worldwide carriage, trading, storing, and other related logistics of international dry bulk cargo transportation. For over 50 years, Navios has worked with raw materials producers, agricultural traders and exporters, industrial end-users, ship owners, and charterers. Navios also has in-house technical ship management expertise. At the present time, the core fleet, the average age of which is approximately 3.5 years, consists of a total of 27 vessels, aggregating approximately 1.8 million deadweight tons or dwt. Navios owns six modern Ultra-Handymax (50,000-55,000 dwt) vessels and has 21 Panamax (70,000-83,000 dwt) and Ultra-Handymax vessels under long-term time charters, 15 of which are currently in operation, with the remaining six scheduled for delivery at various times over the next two years. We have options, many of which are ''in the money,'' to acquire 13 of the 21 time chartered vessels. The owned vessels have a substantial net asset value, and the vessels controlled under the in-charters are at rates well below the current market. Operationally, we have, at various times over the last two years, deployed over 50 vessels at any one time, including the core fleet.

Navios has options to purchase 13 of the chartered vessels and the option is referred to as ''in the money,'' when the price to exercise an option and purchase a vessel is below the current market value for the vessel. During September and October, 2005, Navios gave notice, to the lessors of two Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels for an agreed value of approximately $20 million each. It is anticipated that two of these vessels will be purchased during the fourth quarter of 2005 and the remaining two will be acquired during the first quarter of 2006. The purchases are expected to be financed with a new loan facility which will finance 100% of the option price of each vessel. The total purchase cost of these four additional vessels is expected to be approximately $80 million. In addition, management plans to exercise the options we hold on two additional vessels before the end of 2005 at a cost of approximately $20 million each.

Navios also owns and operates the largest bulk transfer and storage facility in Uruguay. While a relatively small portion of our overall enterprise, Navios believes that this terminal is a stable business with strong growth and integration prospects.

As used above and throughout this prospectus, our core fleet means: (1) the six Ultra-Handymax vessels that we own, and (2) the Panamax and Ultra-Handymax vessels that we, as a charterer, employ commercially under long-term charters, which are charters of more than 12 months in duration. We also time charter vessels. Time chartered vessels are vessels that are placed at the charterer's disposal for a set period of time during which the charterer uses the vessels in return for the payment of a daily specified hire. Under time charters, operating costs such as crew, maintenance and insurance are typically paid by the owner of the vessel and fuel and port costs are paid by the time charterer.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc., or ISE, Navios and all the shareholders of Navios, ISE acquired all of the net assets of Navios through the purchase of all of the outstanding shares of common stock of Navios. As a result of such acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, 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, Navios. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company.

In accordance with Generally Accepted Accounting Principals, (GAAP), ISE is treated as the accounting acquiror and Navios is treated as the predecessor. This transaction is recorded in two steps. In step one, ISE recorded the $594.4 million total cash purchase price, plus $13.9 million in allocable transaction costs, by allocating such cost to the net assets acquired in accordance with their fair market value on the acquisition date. The excess of the purchase price over the fair value of the assets acquired was recorded as goodwill. In step two, which immediately followed, ISE merged into Navios. The shareholder’s equity of ISE became the shareholder's equity of Navios. The results of operations of Navios to August 25, 2005 remain as historically reported and from August 26, 2005 forward reflect the combined operations of Navios and ISE.

The financial statements included in this prospectus are for periods ended June 30, 2005 or prior. The purchase of the assets of Navios, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE into Navios, took place on August 25, 2005. Accordingly, the historical financial statements included in this prospectus do not reflect the acquisition. However, an unaudited pro forma consolidated balance sheet which gives effect to the purchase and related financing of Navios by ISE as if it had occurred on June 30, 2005 and unaudited consolidated statements of operations for the six months ended June 30, 2005 and December 31, 2004 which give affect to the purchase and related financing of Navios by ISE as if it had occurred on January 1, 2004, are included in this prospectus.

In this prospectus, all references to Navios, we, or our, refer to Navios Maritime Holdings Inc. the accounting acquiree. References to ISE refer to International Shipping Enterprises, Inc., the accounting acquiror, from its inception to its merger into Navios on August 25, 2005.

Our executive offices are located at 67 Notara Street, Piraeus, Greece 185 35 and our telephone number is (011) +30-210-417-2050. Our website is located at http://www.navios.com. The information contained on our website is not intended to be a part of this prospectus.

The Offering

Shares of Common Stock which may be issued by us	65,550,000 shares of Common Stock issuable upon exercise of our currently outstanding, publicly traded warrants
Shares of Common Stock outstanding after the offering	39,900,000 shares of Common Stock, excluding 65,550,000 shares of Common Stock issuable upon effectiveness of the registration statement of which this prospectus forms a part and upon exercise of the outstanding, publicly traded warrants.
Use of proceeds	Upon exercise of the publicly traded warrants, if any, if at all, Navios will receive the exercise price of $5.00 per share in proceeds from the sales described in this prospectus. If all of the outstanding publicly traded warrants were exercised Navios would receive proceeds upon such exercise of $327,750,000. However, Navios cannot predict the timing or the amount of the exercise of the warrants. Accordingly, we have not allocated any portion of the potential proceeds to any particular use and any proceeds received will be added to working capital. The company will pay the costs related to the registration

	of the issuance of the shares of common stock underlying our publicly traded warrants.
OTC Bulletin Board Symbol of Common Stock	NMHIF.OB
OTC Bulletin Board Symbol of Warrants	NMHWF.OB

There are no currently issued and outstanding options or warrants, other than our currently outstanding, publicly traded warrants.

On October 31, 2005, we received the approval of Nasdaq to list our securities on the Nasdaq National Market System. Our common stock, warrants and units will commence trading on the Nasdaq National Market System on November 3, 2005 under the symbols BULK, BULKW and BULKU, respectively.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among ISE, Navios and all the shareholders of Navios, ISE acquired all of the net assets of Navios through the purchase of all of the outstanding shares of common stock of Navios. As a result of such acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, Navios. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company. For purposes of the federal securities laws and its public filings, Navios qualifies as a ‘‘foreign private issuer’’ as that term is defined in Rule 3b-4 under the Securities Exchange Act of 1934.

Summary Consolidated Financial Data

The Navios historical information is derived from the unaudited consolidated financial statements of Navios as of and for each of the periods ended June 30, 2005 and 2004 and the audited consolidated financial statements of Navios as of December 31, 2004 and 2003 and the results of operations and their cash flows for each of the three years in the period ended December 31, 2004 included elsewhere in this prospectus. Navios historical information as of December 31, 2002, and as of and for the years ended December 31, 2000 and 2001 are derived from the unaudited financial statements which are not included in this prospectus. On December 11, 2002, Navios Corporation completed a business combination with Anemos Maritime Holdings Inc. (Anemos) and Anemos was considered the accounting acquirer in the business combination. The financial statements for the three year period January 1, 2000 to December 31, 2002 include the accounts of Anemos and its wholly-owned subsidiaries for the full year and Navios Corporation for December 11, 2002 through December 31, 2002. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes, to the extent contained elsewhere herein

The purchase of the net assets of Navios by ISE, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE into Navios took place on August 25, 2005. Accordingly, the financial statements and other financial data included in this prospectus do not reflect the acquisition. The historical results included below and elsewhere in this prospectus are not indicative of the future performance of Navios.

	Six months ended June 30,		Year ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
			(In thousands, except per share)				
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Statement of Operations Data							
Revenue	$127,326	$138,063	$ 279,184	$ 179,734	$ 26,759	$ 21,454	$ 9,271
Gains and losses from forward freight agreements	(799)	38,642	57,746	51,115	494		—
Time charter voyage and port terminal expense	(75,933)	(93,317)	(180,026)	(136,551)	(6,139)	(1,774)	(1,101)
Direct vessel expense	(4,354)	(4,255)	(8,224)	(10,447)	(8,192)	(7,439)	(4,263)
General and administrative expense	(6,748)	(6,380)	(12,722)	(11,628)	(2,263)	(1,234)	(733)
Depreciation and amortization expense	(2,982)	(2,935)	(5,925)	(8,857)	(6,003)	(5,274)	(1,797)
Gain (loss) on sale of assets	—	—	61	(2,367)	(127)	(430)	(1,153)
Interest income	861	200	789	134	41	195	107
Interest expense	(990)	(1,640)	(3,450)	(5,278)	(3,950)	(6,104)	(2,191)
Other income	845	367	374	1,102	72	248	137
Other expense	(595)	(496)	(1,438)	(553)	(6,070)	(2,770)	—
Income (loss) before minority interest	36,631	68,249	126,369	56,404	(5,378)	(3,128)	(1,723)
Minority interest	—	—	—	(1,306)	(324)	—	—
Equity in net earnings of affiliate companies	640	347	763	403	68	96	128
Net income (loss)	$ 37,271	$ 68,596	$ 127,132	$ 55,501	$ (5,634)	(3,032)	(1,595)
Balance Sheet Data (at period end)							
Current assets, including cash	$185,028		$ 187,944	$ 179,403	$ 31,020	$ 4,721	$ 7,544
Total assets	333,644		333,292	361,533	215,800	161,610	97,206
Current liabilities, including current portion of long-term debt	115,002		103,527	136,902	38,460	12,204	8,875
Total long-term debt, including current portion	—		50,506	98,188	129,615	115,972	63,453
Mandatory redeemable preferred stock, including current portion	—		—	15,189	9,435	—	—
Shareholders' equity	212,062		174,791	96,292	41,641	38,272	29,720

	Six months ended June 30,	Year ended December 31,

	2005	2004	2004	2003	2002	2001	2000
			(In thousands, except per share)				
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Other Financial Data							
Net cash provided by operating activities	$ 49,647	$ 67,514	$ 137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net cash provided by (used in) investing activities	(2,841)	(1,519)	(4,967)	26,594	(3,682)	(72,616)	(70,136)
Net cash provided by (used in) financing activities	(500)	(27,569)	(111,943)	(29,416)	5,474	61,976	73,764
Book value per common share — historical and pro forma(1)	242.47	178.37	199.86	98.41	41.64	55.29	42.94
Cash dividends, declared per common share — historical and pro forma(1)	—	—	45.74	—	—	—	—
Income (loss) per common share from continuing operations — historical and pro forma(1)	42.62	72.68	145.36	56.72	(5.63)	(4.38)	(2.30)
Cash paid for common stock dividend declared	—	—	40,000	—	—	—	—
EBITDA(2)	$ 40,382	$ 72,971	$ 135,718	$ 69,502	$ 4,278	$ 10,383	$ 2,286

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(1) Per share data has been prepared on a historical basis for the years and periods from January 1, 2003 onwards, while for the three years of 2000 to 2002 it is based on equivalent pro forma basis considering the number of shares allocated to the shareholders of Anemos in the business combination that occurred on December 11, 2002. As a result of the acquisition and merger on August 25, 2005, the per share data on a going forward basis will be substantially different and is more accurately reflected on such basis in accordance with the pro forma information contained in the section ‘‘Acquisition and Merger Pro Forma Financial Information’’ herein.

(2) EBITDA represents net earnings before interest (income and expense), taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by U.S. GAAP, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included in this prospectus because it is a basis upon which we assess our liquidity position and because we believe that it presents useful information to investors regarding a company’s ability to service and/or incur indebtedness. The following table reconciles net cash from operating activities, as reflected in the consolidated statements of cash flows, to EBITDA:

Net Cash from Operating Activities	$ 49,647	$67,514	$137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net increase (decrease) in operating assets	286	(2,603)	(7,195)	20,406	1,915	(9)	422
Net (increase) decrease in operating liabilities	14,743	7,160	3,104	(18,112)	289	(1,805)	(803)
Net Interest cost	129	1,440	2,661	5,144	3,909	8,541	2,084
Amortization of deferred financing costs	(27)	(82)	(773)	(565)	(145)	(117)	(20)
	(124)	(125)	(249)	(309)	(327)	(591)	(483)

Amortization of deferred drydock costs							
Impairment loss	—	—	—	—	—	(400)	—
Provision for losses on accounts receivable	880	203	573	(1,021)	(101)	—	—
Gain/loss on sale of property, equipment and investments	—	—	61	(2,367)	(127)	(430)	(1,138)
Unrealized gain/loss on derivatives, FEC's, interest rate swaps and fuel swaps	(25,309)	(464)	254	45,855	(3,098)	(2,632)	—
Undistributed earnings in affiliates	157	(72)	64	325	68	—	—
Minority Interest	—	—	—	(1,306)	(324)	—	—
EBITDA	$ 40,382	$72,971	$135,718	$ 69,502	$ 4,278	$10,383	$ 2,286

The Summary Consolidated Financial Data presented above and historical financial information presented elsewhere in this prospectus is based on the historical operations of Navios, prior to Navios becoming a publicly traded company by virtue of the acquisition and merger that occurred on August 25, 2005. The pro forma financial information reflecting the acquisition by ISE of Navios and subsequent merger of ISE with and into Navios, with Navios being the surviving entity, is contained in the section titled ''Acquisition and Merger Pro Forma Financial Information'' in this prospectus beginning on page 73.

RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the following risks together with the other information in this prospectus before deciding to exercise your publicly traded warrants and invest in our common stock. 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. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Associated with the Shipping Industry

The cyclical nature of the international dry bulk shipping industry may lead to decreases in charter rates, which may reduce Navios's revenue and earnings

The shipping business, including the dry cargo market, has been cyclical in varying degrees, experiencing fluctuations in charter rates, profitability and, consequently, vessel values. For example, at various times during 2004, charter rates for the international dry bulk shipping industry reached historic highs. Navios anticipates that the future demand for its dry bulk carriers and dry bulk charter rates will be dependent upon continued demand for imported commodities, economic growth in China and the rest of the world, seasonal and regional changes in demand, and changes to the capacity of the world fleet. The capacity of the world fleet seems likely to increase, and there can be no assurance that economic growth will continue. Adverse economic, political, social or other developments could decrease demand and growth in the shipping industry and thereby reduce revenue and earnings. Fluctuations, and the demand for vessels, in general, have 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 and terrorist activities;
- political developments; and
- embargoes and strikes.

An economic slowdown in the Asia Pacific region could reduce demand for shipping services and decrease shipping rates, thus decreasing Navios’s revenues and earnings

Currently, China, Japan and other Pacific Asian economies are the main driving force behind the increase in seaborne dry bulk trades and the demand for dry bulk carriers. Demand from such economies has driven increased rates and vessel values. Conversely, a negative change in economic conditions in any Asian Pacific country, but particularly in China or Japan, may have an adverse effect on Navios’s business, financial position, earnings and profitability, as well as Navios’s future prospects, by reducing such demand and the resultant rates. In particular, in recent years, China has been one of the world’s fastest growing economies in terms of gross domestic product. Navios cannot assure that such growth will be sustained or that the Chinese economy will not experience a decline from current levels in the future. Navios’s results of operations, as well as its future prospects, would likely be adversely affected by an economic downturn in any of these countries as such downturn would likely translate into reduced demand for shipping services and lower shipping rates industry wide and decrease revenue and earnings for Navios.

Servicing debt could limit funds available for other purposes, such as working capital and the payment of dividends

Navios will use cash to pay the principal and interest on its debt. These payments limit funds otherwise available for working capital, capital expenditures and other purposes. As a result of these obligations, Navios's current liabilities now exceed its current assets. This limits the working capital available to grow the business. Navios may need to take on additional debt as it expands the Navios fleet, which could increase its ratio of debt to equity. The need to service its debt may limit funds available for other purposes, including distributing cash to its stockholders, and its inability to service debt could lead to acceleration of its debt and foreclosure on the Navios owned vessels.

The market values of Navios’s vessels, which are at historically high levels, may decrease, which could cause it to breach covenants in its credit facility which could reduce earnings and revenues as a result of potential foreclosures

Factors that influence vessel values include:

- number of newbuilding deliveries;
- changes in environmental and other regulations that may limit the useful life of vessels;
- changes in global dry bulk commodity supply;
- types and sizes of vessels;
- development of and increase in use of other modes of transportation;
- cost of vessel newbuildings;
- governmental or other regulations; and
- prevailing level of charter rates.

If the market values of Navios's owned vessels, which are at historically high levels, decrease, it may breach some of the covenants contained in the financing agreements relating to its indebtedness. If Navios does breach such covenants and is unable to remedy the relevant breach, its lenders could accelerate its debt and foreclose on the collateral, including Navios's vessels. Any loss of vessels would significantly decrease the ability of Navios to generate revenue and income. 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, Navios would incur a loss that would reduce earnings.

Navios may employ vessels on the spot market and thus expose itself to risk of losses based on short term decreases in shipping rates

Navios periodically employs its vessels on a spot basis. The spot charter market is highly competitive and rates within this market are highly volatile, while longer-term time charters provide income at pre-determined rates over more extended periods of time. There can be no assurance that Navios will be successful in keeping its 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 charter rates or the inability of Navios to fully employ its 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 Navios's profitability and cash flows, with the result that its ability to pay debt service and dividends could be impaired.

Maritime claimants could arrest Navios's vessels, which could interrupt its 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 Navios's vessels could interrupt its cash flow and require it to pay large sums of funds to have the arrest lifted. Navios is not currently aware of the existence of any such maritime lien on its 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 Navios's fleet for claims relating to another ship in the fleet.

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 earnings

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 the United Nations Safety of Life at Sea Convention. Navios's owned fleet is currently enrolled with Lloyd's Register of Shipping and the American Bureau of Shipping.

A vessel must undergo Annual Surveys, Intermediate Surveys, and Special Surveys. 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. Navios's 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 Navios's revenues due to the loss of revenues from such vessel until it was able to trade again.

Navios is subject to environmental laws that could require significant expenditures both to maintain compliance with such laws and to pay for any uninsured environmental liabilities resulting from a spill or other environmental disaster

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. Because such conventions, laws, and regulations are often revised, Navios cannot predict the ultimate cost of complying with such conventions, laws, and regulations, or the impact thereof on the resale price or useful life of Navios's vessels. Additional conventions, laws, and regulations may be adopted which could limit Navios's ability to do business or increase the cost of its doing business, which may materially adversely affect its operations, as well as the shipping industry generally. Navios is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, and certificates with respect to its operations.

The operation of vessels is also affected by the requirements set forth in the International Safety Management, or 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. The failure of a shipowner or bareboat charterer to comply with the ISM Code 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. Currently, each of the vessels in Navios's owned fleet is ISM Code-certified. However, there can be no assurance that such certification will be maintained indefinitely.

Although the United States is not a party thereto, many countries have ratified and follow the liability scheme adopted by the International Maritime Organization, or IMO, and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, or the CLC, and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Under these conventions, a vessel's registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain

defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The liability limits in the countries that have ratified this Protocol are currently approximately $4 million, plus approximately $566 per gross registered ton above 5,000 gross tons, with an approximate maximum of $80.5 million per vessel and an exact amount tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

Navios currently maintains, for each of its owned vessels, pollution liability coverage insurance in the amount of $1.0 billion per incident. If the damages from a catastrophic incident exceed this insurance coverage, it would severely hurt its cash flow and profitability and financial position.

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade 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 zone.

Under 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 threatened discharges of oil from their vessels, including bunkers (fuel).

The European Union has introduced and is considering legislation that will affect the operation of vessels and the liability of owners for oil pollution. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority. Any such legislation could require significant expenditures to continue to operate vessels and such expenses could negatively impact cash flows and net income.

Navios is 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, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the US 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, or 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, or 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.

The US Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-US vessels from MTSA vessel security measures, provided such vessels have 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. Navios will implement the various security measures addressed by the MTSA, SOLAS and the ISPS Code and take measures to

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ensure that its vessels 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 Navios's 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 revenues.

Governments could requisition Navios's vessels during a period of war or emergency, resulting in loss of revenues and earnings from such requisitioned vessels

A government could requisition title or seize Navios's 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 Navios's 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 Navios's vessels would have a substantial negative effect on Navios as Navios 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 Navios for the requisition.

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 Navios's business reputation, which may in turn, lead to loss of business

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

- damage or destruction of vessel due to marine disaster such as a collision;
- the loss of a vessel due to piracy and terrorism;
- cargo and property losses or damage as a result of the foregoing or less 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 Navios's costs, as for example, the costs of replacing a vessel or cleaning up a spill or lower its revenues by taking vessels out of operation permanently or for periods of time. The involvement of Navios's vessels in a disaster or delays in delivery or damages or loss of cargo may harm its reputation as a safe and reliable vessel operator and cause it to lose business.

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

Some of Navios's directors, officers and principal stockholders have an affiliation with entities that have similar business activities to those that Navios will have upon completion of the acquisition. These other affiliations and business activities may give rise to certain conflicts of interest in the course of such individuals' affiliation with Navios. Although Navios does not intend to prevent its directors, officers and principal stockholders from having such affiliations, Navios will use its best efforts to cause such individuals to comply with all applicable laws and regulations in addressing such conflicts of interest. The officers and employee directors of Navios will devote their full time and attention to the ongoing operations of Navios and the non-employee directors of Navios will devote such time as is necessary and required to satisfy their duties as a director of a public company.

Trading and complementary hedging activities in freight, tonnage and forward freight agreements subject it to trading risks and Navios may suffer trading losses that reduce earnings

Due to dry bulk shipping market volatility, success in this industry requires constant adjustment of the balance between chartering out vessels for long periods of time and trading them on a spot basis.

For example, a long-term contract to charter a vessel might lock Navios into a profitable or unprofitable situation depending on the direction of freight rates over the term of the contract. Navios seeks to manage and mitigate that risk through trading and complementary hedging activities in freight, tonnage and forward freight agreements, or FFAs. However, there is no assurance that Navios will be able at all times to successfully protect itself from volatility in the shipping market. Navios may not successfully mitigate its risks, leaving it exposed to unprofitable contracts and may suffer trading losses that reduce earnings.

Navios is subject to certain credit risks with respect to its counterparties on contracts and failure of such counterparties to meet their obligations could cause it to suffer losses on such contracts decreasing revenues and earnings

Navios charters out its vessels to other parties, who pay Navios a daily rate of hire. Navios also enters into Contracts of Affreightment (COAs) pursuant to which Navios agrees to carry cargoes, typically for industrial customers, who export or import dry bulk cargoes. Additionally, Navios enters into FFAs. Navios also enters into spot market voyage contracts, where Navios is paid a rate per ton to carry a specified cargo from point A to point B. All of these contracts subject Navios to counterparty credit risk. As a result, Navios will be subject to credit risks at various levels, including with charterers, cargo interests, or terminal customers. If the counterparties fail to meet their obligations, Navios could suffer losses on such contracts which would decrease revenues and earnings.

Navios is subject to certain operating risks, including vessel breakdown or accident, that could result in a loss of revenue from the affected vessels leading to a reduction in revenues and earnings

Navios's exposure to operating risks of vessel breakdown and accidents mainly arises in the context of its six owned vessels. The rest of its core fleet is chartered-in under time charters and, as a result, most operating risks relating to these time chartered vessels reside with their head owners. If Navios pays hire on a chartered-in vessel at a lower rate than the rate of hire it receives from a sub-charterer to whom Navios has chartered out the vessel, a breakdown or loss of the vessel due to an operating risk suffered by the head owner will, in all likelihood, result in Navios's loss of the positive spread between the two rates of hire. Although Navios will have in force a time charterer's interest policy to cover it against the loss of such spread through the sinking or other similar loss of a chartered-in vessel, Navios cannot assure you that it will be covered under all circumstances. In addition, Navios is party to long-term contracts with two commodity houses, ADM and Louis Dreyfus, that will cover a substantial portion of its silo capacity in the Uruguayan terminal for the next several years, and the loss of or a material change to such contracts could have an adverse effect on Navios's financial condition and results of operations. Breakdowns or accidents involving Navios's vessels and losses relating to chartered vessels which are not covered by their insurance would result in a loss of revenue from the affected vessels leading to a reduction in revenues and earnings.

Although Navios has longstanding relationships with certain Japanese shipowners who provide it access to very competitive contracts, Navios cannot assure you that it will always be able to maintain such relationships or that such contracts will continue to be available in the future

Navios has long-standing relationships with certain Japanese shipowners that give it access to time charters that are currently at very competitive rates and which, in some cases, include options to purchase the vessels at attractive prices relative to the current market. Although Navios has no indication that it may not have such access in the future, Navios cannot assure you that it 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.

Navios may require additional financing for exercise of vessel purchase options which could dilute existing stockholders

In the near future, Navios will be required to make substantial cash outlays to exercise options to acquire vessels and it will need additional financing to cover all or a portion of the purchase prices. Navios currently intends to cover the cost of exercising such options with new debt collateralized by

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the vessels to be acquired, but there can be no assurance that Navios will generate sufficient cash or that debt financing will be available. Moreover, the covenants in Navios's senior secured credit facility may make it more difficult to obtain such financing by imposing restrictions on what Navios can offer as collateral. Additional financings, if any, through the issuance of securities would dilute existing stockholders.

Navios intends to continue to grow its fleet which could increase expenses and losses

Navios expects to grow its fleet, either through sales and purchases or the increase of the number of chartered vessels. The addition of these vessels to the Navios fleet will impose significant additional responsibilities on its management and staff, and may require it to increase the number of its personnel. Navios will also have to increase its customer base to provide continued employment for the new vessels. Navios's growth will depend on:

- locating and acquiring suitable vessels;
- identifying and consummating acquisitions or joint ventures;
- integrating any acquired business successfully with Navios's existing operations;
- enhancing its customer base;
- managing its expansion; and
- obtaining required financing.

Growing any business by acquisition, including the contemplated Navios 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. Navios 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.

As Navios expands its business, Navios will need to improve its operations and financial systems, staff, and crew; if it cannot improve these systems or recruit suitable employees, it may not effectively control its operations

Navios's initial operating and financial systems may not be adequate as it implements its plan to expand, and its attempts to improve these systems may be ineffective. If Navios 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 the case that it is harder to oversee a sizable operation than a small one and, accordingly, more likely that errors will occur as operations grow and that additional management infrastructure and systems will be required to attempt to avoid such errors.

Vessels may suffer damage and Navios may face unexpected drydocking costs, which could affect its cash flow and financial condition

If Navios's owned vessels suffer damage, they may need to be repaired at Navios's cost at a drydocking facility. The costs of drydock repairs are unpredictable and can be substantial. Navios may have to pay drydocking costs that insurance does not cover. The loss of earnings while these vessels are being repaired and repositioned, as well as the actual cost of these repairs, could decrease its revenues and earnings substantially, particularly if a number of vessels are damaged or drydocked at the same time.

The shipping industry has inherent operational risks that may not be adequately covered by Navios's insurance

Navios has insurance for its fleet against risks commonly insured against by vessel owners and operators, including hull and machinery insurance, war risks insurance and protection and indemnity

insurance (which include environmental damage and pollution insurance). Navios can give no assurance that it will be adequately insured against all risks or that its insurers will pay a particular claim. Even if its insurance coverage is adequate to cover its losses, Navios may not be able to timely obtain a replacement vessel in the event of a loss. Furthermore, in the future, Navios may not be able to obtain adequate insurance coverage at reasonable rates for its fleet. Navios may also be subject to calls, or premiums, in amounts based not only on its own claim records but also the claim records of all other members of the protection and indemnity associations through which Navios receives indemnity insurance coverage for tort liability. Navios's insurance policies also contain deductibles, limitations and exclusions which, although management believes are standard in the shipping industry, may nevertheless increase its costs.

Navios's loan agreement contains restrictive covenants that may limit its liquidity and corporate activities

Navios's loan agreements impose on Navios certain operating and financial restrictions. These restrictions may limit Navios's ability to:

- incur additional indebtedness;
- create liens on its assets;
- make investments;
- engage in mergers or acquisitions;
- pay dividends;
- make capital expenditures;
- change the management of its vessels or terminate or materially amend the management agreements Navios has relating to each vessel; and
- sell any of Navios's vessels.

Therefore, Navios will need to seek permission from its lender in order to engage in some corporate actions. Navios's lender's interests may be different from those of Navios, and Navios cannot guarantee that it will be able to obtain its lender's permission when needed. This may prevent Navios from taking actions that are in its best interest.

Navios's loan agreement imposes certain conditions on the payment of dividends

As a result of the merger to effectuate the reincorporation, Navios is party to the new senior secured credit facility with an institutional lender, HSH Nordbank AG that was used to finance the Navios acquisition by ISE. The terms of the new credit facility contain a number of financial covenants and general covenants that require Navios, among other things, to maintain a certain solvency ratio and minimum equity amounts. Navios may not be permitted to pay dividends under the new credit facility in excess of certain amounts or if it is in default of any of these loan covenants.

Because Navios generates all of its revenues in US dollars but incurs a portion of its expenses in other currencies, exchange rate fluctuations could cause it to suffer exchange rate losses thereby increasing expenses and reducing income

Navios generates all of its revenues in US dollars but, in the year ended 2004, incurred approximately 5.1% of its expenses in currencies other than US dollars. This difference could lead to fluctuations in net income due to changes in the value of the US dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the US dollar falls in value can increase, decreasing Navios's revenues. For example, in the 12 months ended 2004, the value of the US dollar declined by approximately 8% as compared to the Euro. Navios, as part of its overall risk management policy attempts to hedge these risks in exchange rate fluctuations. Navios may not always be successful in such hedging activities and, as a result, its operating results could suffer as a result of un-hedged losses incurred as a result of exchange rate fluctuations.

Navios's operations expose it to global political risks, such as wars and political instability, that may interfere with the operation of its vessels causing a decrease in revenues from such vessels

Navios is an international company and primarily conducts its operations outside the United States. Changing economic, political and governmental conditions in the countries where Navios is engaged in business or where its vessels are registered will affect it. 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 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 Navios's vessels may face higher risks of being attacked in the Middle East region and interruption of operations causing a decrease in revenues and earnings. In addition, future hostilities or other political instability in regions where Navios's vessels trade could affect its trade patterns and adversely affect its operations by causing delays in shipping on certain routes or making shipping impossible on such routes and thereby causing a decrease in revenues and earnings.

Navios is incorporated in the Republic of the Marshall Islands, which does not have a well-developed body of corporate law

Navios's corporate affairs are governed by its amended and restated articles of incorporation and by-laws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA 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 United States jurisdictions. Shareholder rights may differ as well. While 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, our public stockholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in the State of Delaware.

Navios, and certain of its officers and directors, may be difficult to serve with process as Navios is incorporated in the Republic of the Marshall Islands and such persons may reside outside of the US

Navios will be 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-US jurisdictions. Substantial portions of the assets of these persons and of Navios are located in the Republic of the Marshall Islands, Greece or other non-US jurisdictions. Thus, it may not be possible for investors to affect service of process upon Navios, or its non-US directors or officers or to enforce any judgment obtained against these persons in US courts. Also, it may not be possible to enforce US securities laws or judgments obtained in US courts against these persons in a non-US jurisdiction.

Being a foreign private issuer exempts us from certain Securities and Exchange Commission requirements.

We are a foreign private issuer within the meaning of rules promulgated under the Securities Exchange Act of 1934 (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 Commission 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

- 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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in ‘‘Summary’’ and under the captions ‘‘Risk Factors,’’ ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations,’’ ‘‘Business’’ and elsewhere in this prospectus constitute ‘‘forward-looking statements’’ within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on our current expectations, estimates and projections about our industry, our beliefs and assumptions. Words including ‘‘may,’’ ‘‘could,’’ ‘‘would,’’ ‘‘will,’’ ‘‘anticipates,’’ ‘‘expects,’’ ‘‘inte ''projects,'' ''believes,'' ''seeks,'' ''estimates,'' and similar expressions are intended to identify forward-looking statements. T statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We are not obligated to update these statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events. For purposes of the information contained in this prospectus, when we state that a risk, uncertainty or problem may, could or would have ''a material adverse effect on our business'' or words to that effect, we mean that the risk, uncertainty or problem may, could or would have a ''material adverse effect on the business, result of operations, financial condition, cash flow or prospects of our company.''

USE OF PROCEEDS

Upon exercise of the publicly traded warrants, if any, if at all, Navios will receive the exercise price of $5.00 per share in proceeds from the sales described in this prospectus. If all of our outstanding publicly traded warrants were exercised Navios would receive proceeds upon such exercise of $327,750,000. However, Navios cannot predict the timing or the amount of the exercise of the warrants. Accordingly, we have not allocated any portion of the potential proceeds to any particular use and any proceeds received will be added to working capital. The company will bear the expenses related to the registration of the issuance of the shares of common stock underlying our publicly traded warrants.

DIVIDEND POLICY

At the present time, Navios intends to retain most of its available earnings generated by operations for the development and growth of the business. In addition the terms and provisions of our current secured credit facility limit our ability to pay dividends. However, subject to the approval of lenders, the company's directors may from time to time consider the payment of dividends.

CURRENT OUTSTANDING SHARE CAPITAL

Navios's authorized capital stock consists of 120,000,000 shares of common stock, par value $.0001 and 1,000,000 shares of preferred stock, par value $.0001. As of September 30, 2005, 39,900,000 shares of common stock were outstanding. There are no shares of preferred stock currently outstanding. In addition, we have warrants outstanding to purchase 65,550,000 shares of our common stock. Each warrant entitles the registered holder to purchase one share of our common stock at a price of $5.00 per share, subject to adjustment. There are currently no outstanding options to purchase our securities nor have any option plans or other equity compensation plans been adopted.

PRICE RANGE OF OUR SECURITIES

Currently, the principal trading market for our securities, which includes our common stock, warrants and units, is the Over-The-Counter Bulletin Board, or the OTCBB.

On October 31, 2005, we received the approval of Nasdaq to list our securities on the Nasdaq National Market System. Our common stock, warrants and units will commence trading on the Nasdaq National Market System on November 3, 2005 under the symbols BULK, BULKW and BULKU, respectively.

The following table sets forth, for the periods indicated, the reported high and low quoted closing prices of our common stock, warrants and units on the OTC Bulletin Board since December 10, 2004, the date our legal predecessor, ISE, first became a public company. Prior to August 25, 2005, the date ISE acquired us and subsequently merged with and into us, Navios was a privately held company and there was no public trading market for our securities and the information presented below prior to that date reflects the trading activity of ISE, our legal predecessor. The information presented subsequent to August 25, 2005, reflects the trading activity of us for the period subsequent to us becoming a publicly traded company. Prior to December 10, 2004, there was no established public trading market for our common stock.

On November 1, 2005, the closing price of our common stock, warrants and units was $5.45, $0.98 and $7.38, respectively. The quotations listed below reflect inter-dealer prices, without retail markup, markdown or commission, and may not necessarily represent actual transactions:

	Common Stock		Warrants		Units	
Quarter Ended	High	Low	High	Low	High	Low
December 31, 2004	$ —	$ —	—	—	$ 6.90	$ 6.00
March 31, 2005	$ 7.04	$ 5.25	$ 1.96	$ 0.86	$ 10.75	$ 6.50
June 30, 2005	$ 6.15	$ 5.46	$ 1.74	$ 0.67	$ 9.60	$ 6.55
September 30, 2005	$ 6.07	$ 5.66	$ 1.35	$ 0.84	$ 8.73	$ 7.25
December 31, 2005 (through November 1, 2005)	$ 5.95	$ 4.93	$ 1.25	$ 0.94	$ 8.49	$ 6.72

SELECTED CONSOLIDATED FINANCIAL DATA

The Navios historical information is derived from the unaudited consolidated financial statements of Navios as of and for each of the periods ended June 30, 2005 and 2004 and the audited consolidated financial statements of Navios as of December 31, 2004 and 2003 and the results of operations and their cash flows for each of the three years in the period ended December 31, 2004 included elsewhere in this prospectus. Navios historical information as of December 31, 2002, and as of and for the years ended December 31, 2000 and 2001 are derived from the unaudited financial statements which are not included in this prospectus. On December 11, 2002, Navios Corporation completed a business combination with Anemos Maritime Holdings Inc. (Anemos) and Anemos was considered the accounting acquirer in the business combination. The financial statements for the three year period January 1, 2000 to December 31, 2002 include the accounts of Anemos and its wholly-owned subsidiaries for the full year and Navios Corporation for December 11, 2002 through December 31, 2002. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes, to the extent contained elsewhere herein

The purchase of the net assets of Navios by ISE, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE into Navios took place on August 25, 2005. Accordingly, the financial statements and other financial data included in this prospectus do not reflect the acquisition. The historical results included below and elsewhere in this prospectus are not indicative of the future performance of Navios.

	Six months ended June 30,		Year ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
			(In thousands, except per share)				
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Statement of Operations Data							
Revenue	$ 127,326	$ 138,063	$ 279,184	$ 179,734	$ 26,759	$ 21,454	$ 9,271
Gains and losses from forward freight agreements	(799)	38,642	57,746	51,115	494		—
Time charter voyage and port terminal expense	(75,933)	(93,317)	(180,026)	(136,551)	(6,139)	(1,774)	(1,101)
Direct vessel expense	(4,354)	(4,255)	(8,224)	(10,447)	(8,192)	(7,439)	(4,263)
General and administrative expense	(6,748)	(6,380)	(12,722)	(11,628)	(2,263)	(1,234)	(733)
Depreciation and amortization expense	(2,982)	(2,935)	(5,925)	(8,857)	(6,003)	(5,274)	(1,797)
Gain (loss) on sale of assets	—	—	61	(2,367)	(127)	(430)	(1,153)
Interest income	861	200	789	134	41	195	107
Interest expense	(990)	(1,640)	(3,450)	(5,278)	(3,950)	(6,104)	(2,191)
Other income	845	367	374	1,102	72	248	137
Other expense	(595)	(496)	(1,438)	(553)	(6,070)	(2,770)	—
Income (loss) before minority interest	36,631	68,249	126,369	56,404	(5,378)	(3,128)	(1,723)
Minority interest	—	—	—	(1,306)	(324)	—	—
Equity in net earnings of affiliate companies	640	347	763	403	68	96	128
Net income (loss)	$ 37,271	$ 68,596	$ 127,132	$ 55,501	$ (5,634)	(3,032)	(1,595)
Balance Sheet Data (at period end)							
Current assets, including cash	$ 185,028		$ 187,944	$ 179,403	$ 31,020	$ 4,721	$ 7,544
Total assets	333,644		333,292	361,533	215,800	161,610	97,206
Current liabilities, including current portion of long-term debt	115,002		103,527	136,902	38,460	12,204	8,875
Total long-term debt, including current portion	—		50,506	98,188	129,615	115,972	63,453
Mandatory redeemable preferred stock, including current portion	—		—	15,189	9,435	—	—
Shareholders' equity	212,062		174,791	96,292	41,641	38,272	29,720

	Six months ended June 30, 2005	Six months ended June 30, 2004	Year ended December 31, 2004	2003	2002	2001	2000
			(In thousands, except per share)				
	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Other Financial Data							
Net cash provided by operating activities	$ 49,647	$ 67,514	$ 137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net cash provided by (used in) investing activities	(2,841)	(1,519)	(4,967)	26,594	(3,682)	(72,616)	(70,136)
Net cash provided by (used in) financing activities	(500)	(27,569)	(111,943)	(29,416)	5,474	61,976	73,764
Book value per common share — historical and pro forma[1]	242.47	178.37	199.86	98.41	41.64	55.29	42.94
Cash dividends, declared per common share — historical and pro forma[1]	—	—	45.74	—	—	—	—
Income (loss) per common share from continuing operations — historical and pro forma[1]	42.62	72.68	145.36	56.72	(5.63)	(4.38)	(2.30)
Cash paid for common stock dividend declared	—	—	40,000	—	—	—	—
EBITDA[2]	$ 40,382	$ 72,971	$ 135,718	$ 69,502	$ 4,278	$ 10,383	$ 2,286

(1) Per share data has been prepared on a historical basis for the years and periods from January 1, 2003 onwards, while for the three years of 2000 to 2002 it is based on equivalent pro forma basis considering the number of shares allocated to the shareholders of Anemos in the business combination that occurred on December 11, 2002. As a result of the acquisition and merger on August 25, 2005, the per share data on a going forward basis will be substantially different and is more accurately reflected on such basis in accordance with the pro forma information contained in the section ‘‘Acquisition and Merger Pro Forma Financial Information’’ herein.

(2) EBITDA represents net earnings before interest (income and expense), taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by U.S. GAAP, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included in this prospectus because it is a basis upon which we assess our liquidity position and because we believe that it presents useful information to investors regarding a company’s ability to service and/or incur indebtedness. The

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

Net Cash from Operating Activities	$ 49,647	$67,514	$137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net increase (decrease) in operating assets	286	(2,603)	(7,195)	20,406	1,915	(9)	422
Net (increase) decrease in operating liabilities	14,743	7,160	3,104	(18,112)	289	(1,805)	(803)
Net Interest cost	129	1,440	2,661	5,144	3,909	8,541	2,084
Amortization of deferred financing costs	(27)	(82)	(773)	(565)	(145)	(117)	(20)
Amortization of deferred drydock costs	(124)	(125)	(249)	(309)	(327)	(591)	(483)
Impairment loss	—	—	—	—	—	(400)	—
Provision for losses on accounts receivable	880	203	573	(1,021)	(101)	—	—
Gain/loss on sale of property, equipment and investments	—	—	61	(2,367)	(127)	(430)	(1,138)
Unrealized gain/loss on derivatives, FEC's, interest rate swaps and fuel swaps	(25,309)	(464)	254	45,855	(3,098)	(2,632)	—
Undistributed earnings in affiliates	157	(72)	64	325	68	—	—
Minority Interest	—	—	—	(1,306)	(324)	—	—
EBITDA	$ 40,382	$72,971	$135,718	$ 69,502	$ 4,278	$10,383	$ 2,286

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of Navios's financial condition and results of operations comparing the fiscal years ended December 31, 2004 and 2003 as well as the six months ended June 30, 2005 and 2004. You should consider the foregoing when reviewing the consolidated financial statements and this discussion. You should read this section together with the consolidated financial statements including the notes to those financial statements for the years mentioned above which have been prepared in accordance with U.S. GAAP and which are included in this prospectus.

Overview

On August 25, 2005, ISE, acquired all of the net assets of Navios through the purchase of all of the outstanding shares of our common stock. As a result of such acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, 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, Navios. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company. In connection with the reincorporation, commencing on August 26, 2005, the trading symbols for the securities of Navios became ''NMHIF'' for the common stock, ‘‘NMHWF’’ for the warrants and ‘‘NMHUF’’ for the units.

On October 31, 2005, we received the approval of Nasdaq to list our securities on the Nasdaq National Market System. Our common stock, warrants and units will commence trading on the Nasdaq National Market System on November 3, 2005 under the symbols BULK, BULKW and BULKU, respectively

The price to purchase all of the outstanding shares of the then privately-held Navios consisted of approximately $594.4 million in cash. Approximately $182.4 million of the funds for the acquisition were obtained from funds previously held in escrow from ISE’s initial public offering which were held pending ISE finding a suitable acquisition of an operating business in the shipping industry, approximately $412.0 million of the funds were obtained from a senior secured credit facility entered into on July 12, 2005 with HSH Nordbank AG. and $2,000,000 of the funds were obtained from amounts held on deposit from the initial signing of the stock purchase agreement. $4,000,000 of the purchase price is being held in escrow subject to a purchase price adjustment. The senior secured credit facility was assumed by Navios in connection with the acquisition and reincorporation.

Navios is one of the leaders in seaborne shipping, specializing in the worldwide carriage, trading, storing, and other related logistics of international dry bulk cargo transportation. For over 50 years, Navios has worked with raw materials producers, agricultural traders and exporters, industrial end-users, shipowners, and charterers. Navios also has an in-house technical ship management expertise. Navios’s core fleet, the average age of which is approximately 3.5 years, consists of a total of 27 vessels, aggregating approximately 1.8 million deadweight tons, or dwt. Navios owns six modern Ultra-Handymax (50,000-55,000 dwt) vessels and operates 21 Panamax (70,000-83,000 dwt) and Ultra-Handymax vessels under long-term time charters, 15 of which are currently in operation, with the remaining six scheduled for delivery at various times over the next two years. Navios has options, many of which are ‘‘in the money’’, (i.e. the purchase option price is below the open market value of the vessel subject to the option) to acquire 13 of the 20 time chartered vessels. The owned vessels have a substantial net asset value, and the vessels controlled under the in-charters are at rates well below the current market. Operationally, Navios has, at various times over the last two years, deployed over 50 vessels at any one time, including its core fleet.

Navios's policy has been to take a portfolio approach to managing risk. This policy led the company to time charter out to various shipping industry counterparties considered by management to be superior credit risks, 21 vessels in its core fleet (i.e. vessels owned by Navios or which it has taken into its fleet under charters having a duration of more than 12 months) during 2004 and 2005 for various periods of between one and three years. By doing this Navios has aimed to lock-in, subject to credit and operating risks, favorable forward cash flows which it believes will cushion it against

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volatile market swings. In addition, the company actively trades additional vessels taken in on shorter term charters of less than 12 months duration as well as contracts of affreightment and FFA contracts. These are entered into with a view towards maximizing earnings and hedging the company’s market exposure. In 2004, this policy had the effect of generating TCEs that, while high by the average historical levels of the dry bulk freight market over the last 30 years, were below those which could have been earned had the Navios fleet been operated purely on short term, spot employment. It will also however have the effect of generating higher TCEs than spot employment should the dry bulk market experience a downturn over the course of 2005 through 2006.

Management believes Asian demand for commodities likely will remain robust on the back of strong expected economic growth. China, which is one of the main importers of most major dry bulk commodities such as iron ore and grains, is expected to continue its rapid growth and urbanization over the next few years. Significant commodities imports from Asia, especially China and India, combined with limited dry bulk capacity supply caused by constraints on available shipyard vessel construction berths and port congestion, should contribute to freight rates for the foreseeable future remaining at levels that are historically high compared to those that have prevailed for most of the last 30 years, albeit not necessarily at the highest levels reached in 2004. As of June 30, 2005, Navios had chartered-in a fleet of vessels with average cost rates per day significantly lower than the market revenue earning capacity of the vessels. The average charter-in rate, or cost, per day, per vessel of the 15 vessels in Navios's long-term chartered-in fleet is $9,737 for 2004 which remains unchanged as of June 30, 2005. The average cost of $9,737 per vessels was derived from the amount for long term hire disclosed in Note 16 to Navios's annual financial statements included elsewhere in this prospectus 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 has the ability to increase its owned fleet through in-the-money purchase options exercisable in the near future. Management believes that Navios's existing cash flow generation should allow it access to available financing in the debt markets to exercise its purchase options.

Management believes that a decrease in global commodity demand from its current level and the delivery of dry carrier newbuildings into the world fleet would have an adverse impact to future revenue and profitability. However, Navios's long-term chartered fleet would offset the impact of a short-term decline in freight rates. The reduced freight rate environment would also have an adverse impact on the value of Navios's owned fleet and the presently in-the-money purchase options. In reaction to a decline in freight rates, available ship financing may also be negatively impacted.

Navios also owns and operates the largest bulk transfer and storage facility in Uruguay. While a relatively small portion of Navios's overall enterprise, Navios believes that this terminal is a stable business with strong growth and integration prospects.

Dry bulk fundamentals remain attractive. The United States, India, Brazil and especially China continue to contribute to strong global economic growth. More specifically, Chinese demand for iron ore, coal and steel products plays a significant part in sustaining dry bulk market at high levels. The high price of oil has contributed to increased movements of steam coal which is expected to continue for the foreseeable future. Additionally, new longer haul trade routes have developed that management anticipates should serve to stimulate ton-mile demand while port congestion continues to absorb global fleet tonnage whose growth is limited as shipyard capacity is dominantly allocated to container and tanker building.

By entering into fixed-rate time charters at charter-in rates much lower than current prevailing rates, Navios has secured a steady earnings structure enabling the company to be profitable at low rates. Navios has also chartered out the majority of its owned and chartered-in vessels for the remaining months of 2005 at levels that far exceed direct costs and charter-in rates. The average cost to Navios of the long-term chartered-in fleet which was $9,737 per day as of December 31, 2004, remains essentially unchanged as of the period ended June 30, 2005

Additionally, Navios benefits from comparatively higher operational leverage than other dry bulk shipping companies because much of Navios fleet consists of vessels chartered in under operating leases that require no capital cost as opposed to other companies that have largely owned vessel that require significant capital investment. Its Uruguay port terminal operations' results are highly correlated to South American grain production, in particular Paraguayan, Uruguayan and Bolivian production, which is expected to significantly increase. With second quarter dry bulk market movements becoming more pronounced relative to those of the first quarter management anticipates that income from increased FFA activity will generate gains more in line with historical averages than first quarter 2005 results.

Management believes that the continuing development of Uruguayan, Paraguayan and Brazilian grain exportation will foster throughput growth and therefore increase revenues at its Nueva Palmira port terminal. Should this development be delayed, grain harvests reduced, or the market experience an overall decrease in the demand for grain, the port terminal operations would be adversely affected.

Factors Affecting Navios's Results of Operations

Navios 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 spot charters (time charters for short-term employment) and contracts of affreightment (COAs); (iii) monitoring the dollar impact of corporate exposure from both physical and FFA transactions; (iv) monitoring market and credit risk limits; (v) adhering to risk management and operation policies and procedures; and (vi) requiring counterparty credit approvals.

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

- Market Exposure: Navios manages the size and composition of its fleet, by chartering and owning vessels, to adjust to anticipated changes in market rates. Navios aims to achieve an appropriate balance between vessel ownership and a long-term chartered in fleet and controls approximately 1.7 million dwt in dry bulk tonnage. Navios's options to extend the duration of vessels it has under long-term time charter (durations of over 12 months) and its purchase options on 13 chartered vessels permits Navios to adjust the cost and the fleet size to correspond to market conditions.
- Available days: Available days is the number of the operating days less the aggregate number of days that the vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that is spent positioning the vessels. 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 unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- Fleet utilization: Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.
- TCE rates: TCE rates are defined as voyage and time charter revenues plus gains or losses on FFAs less voyage expenses during a period divided by the number of available days during the period. Navios includes the gains or losses on FFAs in the determination of TCE rate as neither voyage and time charter revenues nor gains or losses on FFAs 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.

The following table reflects available days, operating days, fleet utilization, and TCE rates for the periods ended June 30, 2005, June 30, 2004, December 31, 2004, December 31, 2003 and December 31, 2002.

	Six Months Ended June 30,		Year Ended December 31,		
	2005	2004	2004	2003	2002
	(Unaudited)	(Unaudited)			
Available Days	4,811	6,362	11,984	12,243	2,549
Operating Days	4,784	6,349	11,932	12,205	2,547
Fleet Utilization	99.4%	99.8%	99.6%	99.7%	99.9%
Time Charter Equivalent (TCE)*	$ 24,011	$ 26,186	$ 25,947	$ 16,242	$ 11,267

*Including gains and losses from FFAs. While FFAs are related to our shipping business, they are for accounting purposes a distinct activity. TCE rates excluding FFA gains were for the six months ended June 30, $24,177 (2005), $20,112 (2004)] and for the years ended December 31, $21,128 (2004), $12,067 (2003) and $11,267 (2002).

While the TCE rates for 2003 and 2004 are historically high compared to those that prevailed during the last 25 years in the dry bulk market for vessels of the types that comprise Navios's fleet, they are lower than spot rates that prevailed on average for such vessels in 2004. This differential is attributable to Navios's policy of employing out its vessels on long-term charters in order to secure visible forward earnings for its fleet at historically high levels extending beyond 2004.

Voyage and Time Charter

Revenues are driven primarily by the number of controlled 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;
- decisions relating to vessel acquisitions and disposals;
- the amount of time spent positioning vessels;
- the amount of time that vessels spend in dry-dock undergoing repairs;
- maintenance and upgrade work;
- the age, condition and specifications of the vessels;
- levels of supply and demand in the dry bulk shipping industry; and
- other factors affecting spot market charter rates for dry bulk carriers.

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. Navios currently has a young fleet. But as such fleet ages or if Navios expands its fleet by acquiring previously owned and older vessels the cost per vessel would be expected to rise and, assuming all else, including rates, remains constant, vessel profitability would be expected to decrease.

Spot Charters, Contracts of Affreightment, and FFAs

Navios enhances vessel utilization through a mix of spot charters, time charters, COAs and strategic backhauls, as follows:

- The operation of voyage charters or spot fixtures for the carriage of a single cargo from load port to discharge port;
- The use of COAs, under which Navios contracts to carry a given quantity of cargo between certain load and discharge ports within a stipulated time frame; and
- The use of FFAs both as economic hedges in reducing risk on specific vessel(s), freight commitments or the overall fleet or operations and in order to increase or reduce the size of its exposure to the dry bulk shipping market.

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

Results of Operations

Voyage and Time Charter

This analysis and evaluation of the consolidated results of operation focuses on the operating performance of Navios's dry bulk fleet. Navios's vessels are deployed under either medium-to-long term time charters or spot market charters. Revenues vary with each type of charter and prevailing shipping rates. Expenses also vary with each type of charter.

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

Consistent with industry practice, Navios uses time charter equivalent, or TCE, revenue which comprises revenue from vessels operating on time charters, or TC revenue, and voyage revenue less voyage expenses from vessels operating on voyage charters in the spot market. TCE revenue serves as a measure of analyzing fluctuations between financial periods and as a method of equating revenue generated from a voyage charter to time charter revenue. TCE revenue also serves as industry standard for measuring revenue and comparing results between geographical regions and among competitors.

Navios operates a fleet of owned Ultra Handymax vessels and a fleet of chartered-in Panamax and Ultra Handymax vessels that are employed to provide world wide transportation of bulk commodities under freight contracts and through sub-time charter employment to other leading shipping companies.

COAs and FFAs

Navios enters into COAs with major industrial end users of bulk products, primarily in the steel, energy and grain sectors. These contracts are entered into with a view to making profit, while also as a means of maintaining relationships, obtaining market information and continuing a market presence in this market segment. Navios has adopted a strategy of entering into COAs to carry freight into known loading areas, such as the US Gulf and the Gulf of St. Lawrence, where subsequent spot or voyage charters can be obtained.

Navios may enter into FFAs as economic hedges relating to identifiable ship and/or cargo positions and as economic hedges of transactions that Navios expects to carry out in the normal course of its shipping business. By using FFAs, Navios manages the financial risk associated with fluctuating market conditions. The effectiveness of a hedging relationship is assessed at its inception. If an FFA qualifies for hedge accounting, any gain or loss on the FFA is first recognized when measuring the profit or loss of related transaction. However, at June 30, 2005 and 2004 and December 31, 2004 and 2003, none of the open FFAs qualified for hedge accounting, and, accordingly, all gains or losses from FFAs were recorded in the statement of income for the periods. FFAs will continue to be so treated and, accordingly, may result in material fluctuations in the results of operations.

FFAs cover periods 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. FFAs are settled in cash monthly based on publicly quoted indices. NOS ASA requires both base and margin collaterals. Certain portions of these collateral funds may be restricted at any given time, as determined by NOS ASA. On June 30, 2005 and 2004, Navios's restricted cash with NOS ASA was $2.9 million and $3.5 million, respectively. Restricted cash also included $0.6 million (2005) and $0.7 million (2004) held in security in the form of letters of guarantee or letters of credit. As of December 31, 2004, and December 31, 2003, Navios's restricted balance with NOS ASA was $2.8 million and $0, respectively. Also included in restricted cash as of December 31, 2004 and 2003 are amounts held as security in the form of letters of guarantee or letters of credit totaling $0.745 million and $0.784 million, respectively.

At the end of each calendar quarter, the fair value of 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 are determined from the NOS's valuation.

Statement of Operations Breakdown by Segment

Navios 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 does not have 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 cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, [including the chief operating decision maker], reviews operating results solely by revenue per day and operating results of the owned and chartered-in fleet and, thus, Navios has determined that it operates fewer than two reportable segments, Vessel Operations and Port Terminal.

Navios has two reportable segments from which it derives its revenues: Vessel Operations and Port Terminal. The reportable segments reflect the internal organization of Navios and strategic businesses that offer different products and services. The Vessel Operations business consists of transportation and handling of bulk cargoes through ownership, operation, and trading of vessels, freight and FFAs. The Port Terminal business consists of operating a port and transfer station terminal. Navios measures segment performance based on net income. For further information about this segment information, please see the footnotes to the Consolidated Financial Statements.

Recently Issued Accounting Pronouncements

In March 2005 the U.S. Securities and Exchange Commission, or SEC, released Staff Accounting Bulletin 107, ‘‘Share-Based Payments,’’ or SAB 107. The interpretations in SAB 107 express views of the SEC staff, or staff, regarding the interaction between SFAS 123R and certain SEC rules and regulations, and provide the staff's views regarding the valuation of share-based payment arrangements for public companies. In particular, SAB 107 provides guidance related to share-based payment transactions with non-employees, the transition from nonpublic to public entity status, valuation methods (including assumptions such as expected volatility and expected term), the accounting for certain redeemable financial instruments issued under share-based payment arrangements, the classification of compensation expense, non-GAAP financial measures, first-time adoption of SFAS 123R in an interim period, capitalization of compensation cost related to

share-based payment arrangements, the accounting for income tax effects of share-based payment arrangements upon adoption of SFAS 123R, the modification of employee share options prior to adoption of SFAS 123R and disclosures in Management's Discussion and Analysis subsequent to adoption of SFAS 123R. The adoption of this interpretation will not have an effect on the Company’s statement of financial position or results of operations.

In March 2005, the FASB issued FIN 47 as an interpretation of FASB Statement No. 143, Accounting for Asset Retirement Obligations (FASB No. 143). This interpretation clarifies that the term conditional asset retirement obligation as used in FASB No. 143, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even through uncertainly exists about the timing and/or method of settlement. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. This interpretation also clarifies when an entity would have sufficient information to reasonably estimate the fair value of an asset retirement obligation. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005. The adoption of this interpretation will not have an effect on the Company’s statement of financial position or results of operations.

In March 2005, the FASB issued Statement No. 154, Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3. The statement applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle. Statement No. 154 requires retrospective applications to prior periods’ financial statements of a voluntary change in accounting principle unless it is impracticable. Opinion 20 previously required that most voluntary change in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. Statement No. 154 improves financial reporting because its requirements enhance the consistency of financial information between periods. The Company does not expect this pronouncement to have a significant impact on its financial condition, statement of operations, and cash flows. This statement will be effective for the Company for the fiscal year beginning on January 1, 2006.

In December 2004, the FASB issued Statement 123(R), Share Based Payment that will require compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the grant-date fair value of the equity or liability instruments issued. In addition, liability awards will be remeasured each reporting period. Compensation cost will be recognized over the period that an employee provides service in exchange for the award. Statement 123(R) replaces FASB Statement No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. This statement is effective for public entities (other than those filing as small business issuers) as of the annual reporting period that begins after June 15, 2005. The adoption of this standard will not have an effect on the Company's statement of financial position or results of operations.

In December 2004, the FASB issued Statement 153, Exchanges of Nonmonetary Assets — an amendment of APB Opinion No. 29. This statement was a result of a joint effort by the FASB and the IASB to improve financial reporting by eliminating certain narrow differences between their existing accounting standards. One such difference was the exception from fair value measurement in APB Opinion No. 29, Accounting for Nonmonetary Transactions, for nonmonetary exchanges of similar productive assets. Statement 153 replaces this exception with a general exception from fair value measurement for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This statement shall be applied prospectively and is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of this standard will not have an effect on the Company's statement of financial position or results of operations.

SFAS 151, Inventory Costs, clarifies that abnormal amounts of idle facility expense, freight, handling costs, and wasted materials (spoilage) should be recognized as current-period charges and by requiring the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. The adoption of this standard will not have an effect on the Company's statement of financial position or results of operations.

SFAS 132R, Employers' Disclosures about Pensions and Other Postretirement Benefits, provides for required disclosures for pensions and other postretirement benefit plans and is designed to improve disclosure transparency in financial statements. The revised standard replaces existing pension disclosure requirements. All new disclosure requirements for the domestic plans of publicly traded entities are effective for years ending after December 15, 2003. Estimated future benefit payments and all other new disclosure requirements for foreign plans are effective for years ending after June 15, 2004. The Company has adopted the disclosure requirements of SFAS 132R.

Critical Accounting Policies

The discussion and analysis of Navios's financial condition and results of operations is based upon its consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States, or US GAAP. The preparation of those financial statements requires Navios to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of its financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. Navios has described below what it believes are its most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of Navios's significant accounting policies, see Note 2 to the Consolidated Financial Statements.

Accounting for derivatives. Navios actively engages in assessing risk associated with fluctuating future freight rates, fuel prices and foreign exchange and, where appropriate, actively hedges identified economic risk with appropriate derivative instruments. Such economic hedges do not always qualify for accounting hedge treatment, and, as such, the usage of such derivatives could lead to material fluctuations in Navios's reported results from operations on a period-to-period basis. In addition, Navios engages in FFA trading as a complementary activity by which we will continue to capitalize on market opportunities. All FFA's are marked to fair value at each balance sheet date and can lead to substantial volatility in earnings.

Impairment of long-lived assets. Navios evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine whether events have occurred which would require modification to their carrying values or useful lives. In evaluating useful lives and carrying values of long-lived assets, Navios reviews certain indicators of potential impairment, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions. Navios determines undiscounted projected net operating cash flows for each vessel and compares it to the vessel carrying value. In the event that impairment occurred, Navios would determine the fair value of the related asset and records a charge to operations calculated by comparing the asset's carrying value to the estimated fair market value. Navios estimates fair market value primarily through the use of third party valuations performed on an individual vessel basis.

Depreciation. Navios records the value of its vessels at their cost (which includes acquisition costs directly attributable to the vessel and expenditures made to prepare the vessel for its initial voyage) less accumulated depreciation. Navios depreciates its vessels on a straight-line basis over their estimated useful lives, estimated to be 25 years from date of initial delivery from the shipyard. Navios believes that a 25-year depreciable life is consistent with that used by other ship owners. Depreciation is based on cost less the estimated residual scrap value. An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it

into later periods. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge.

Deferred drydock costs. Approximately every 30 to 60 months, Navios's vessels are required to be drydocked for major repairs and maintenance that cannot be performed while a vessel is operating. Navios capitalizes the costs associated with drydocking as they occur and amortizes these costs on a straight line basis over the period between such drydocking. Costs capitalized as part of the drydocking include: actual costs incurred at the yard; cost of fuel consumed between a vessel's last discharge port prior to the drydocking and the time such vessel leaves the yard; cost of hiring riding crews to effect repairs on a vessel and parts used in making such repairs that are reasonably made in anticipation of reducing the duration or cost of the drydocking; cost of travel, lodging and subsistence of its personnel sent to the drydocking site to supervise; and the cost of hiring a third party to oversee a drydocking. Navios believes that these criteria are consistent with US GAAP guidelines and industry practice, and that its policy of capitalization reflects the economics and market value of its vessels.

Operating Results

For the three months ended June 30, 2005 compared to the three months ended June 30, 2004

The following table reflects available days, operating days, fleet utilization, and TCE rates for the three months ending June 30, 2005 and 2004.

	Three Months Ended June 30,	
	2005	2004
	(Unaudited)	(Unaudited)
Available days	2,377	3,035
Operating days	2,373	3,033
Fleet Utilization	99.8%	99.9%
Time Charter Equivalent (TCE)*	$ 27,834	$ 22,969

*Including gains and losses from FFAs. While FFAs are an integral part of our shipping business they are, for accounting purposes, a distinct activity. TCE rates excluding FFAs were, for the three months ending June 30, 2004 and 2005, $21,302 and $26,249, respectively.

During the quarter ended June 30, 2005, there were 658 fewer ‘available days’ than for the comparable quarter of 2004. This was the result of the redelivery of chartered-in vessels during 2005. Navios can increase or decrease fleet size by chartering-in vessels for long or short term periods (less than one year). Fleet size will be decreased if charters are not renewed or replaced. Management elected to defer replenishing the fleet in the period ending June 30, 2005 because of the expectation of the availability of lower time charter-in rates in the future.

Fleet utilization remained high during both periods.

The average TCE rate for the quarter ended June 30, 2005 was $4,865 per day higher than the rate for the second quarter of 2004 primarily because vessels that were chartered-out during 2003, and earlier, and redelivered back to Navios during 2004 were time chartered-out at significantly higher revenue rates.

Revenue: Revenues decreased by $5.9 million to $66.0 million for the three months ended June 30, 2005 compared to $71.9 million for the three months ended June 30, 2004. Navios earns revenue from freight operations on both owned and chartered-in vessels and the port terminal. Revenues from vessel operations decreased by $6.3 million, to $63.1 million for the three months ended June 30, 2005, compared to $69.4 million for the three months ended June 30, 2004. This decrease is principally attributable to a reduction in the number of vessels operated by the Company during the respective periods. Total vessel days employed decreased 22% from 33.5 equivalent vessels for the three months ended June 30, 2004 to 26.1 for the three months ended June 30, 2005.

The decrease in the number of vessel days was partially offset by an increase in the average revenue rate achieved which improved from $22,969 per day for the three months ended June 30, 2004 to $ 27,834 per day for the three months ended June 30, 2005.

Revenues from the port terminal increased by $0.4 million to $2.9 million for the three months ended June 30, 2005 as compared to $2.5 million for the three months ended June 30, 2004. Terminal throughput volume increased approximately 13% to 0.71 million tons of agricultural and other products for the three months ended June 30, 2005 from 0.63 million tons for the three months ended June 30, 2004. The company was able to increase throughput primarily because of an increase in the Uruguayan and Paraguayan soybean crops in 2005.

Gains and Losses on FFAs: Income from FFAs decreased by $1.3 million to a gain of $3.8 million during the three months ended June 30, 2005 as compared to a gain of $5.1 million during the three months ended June 30, 2004. Navios records the change in the fair value of derivatives on a quarterly basis. None of the FFA contracts qualified for hedge accounting treatment in either period. Accordingly, changes in the fair value of FFAs were recognized in the statement of operations. 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 significant volatility in earnings. The extent of the impact on earnings is dependent on two factors: market conditions and Navios’s net position in the market.

Market conditions were volatile in both periods but the company executed fewer trades in 2005. As an indicator of volatility, for the three months ending June 30, 2005 the Baltic Panamax time charter index decreased 52% from $37,344 per day at the beginning of April, 2005 to $18,103 by June 30, 2005. Comparable statistics for 2004 reflect a reduction of 48% from $40,734 to $21,362 per day respectively. During the three months ending June 30, 2005 the company completed 59 trades versus 104 trades for the period in 2004. Fewer trades were executed in 2005 because Management chose to reduce trading exposure.

Time Charter, Voyage Expense and port terminal expense: Time charter and voyage expenses decreased $5.5 million to $38.5 million for the three months ended June 30, 2005 as compared to $44.0 million for the three months ended June 30, 2004. The decrease was primarily due to utilizing 26 equivalent vessels for the three months ended June 30, 2005 as compared to 33 for the three months ended June 30, 2004. The average chartered-in rate increased from $16,790 per day for the three months ended June 30, 2004 to $19,766 per day for the three months ended June 30, 2005.

Direct costs from the port terminal increased $0.2 million to $1.2 for the three months ended June 30, 2005, compared to $1.0 million for the three months ended June 30, 2004. This increase resulted primarily from variable cost related to increased shipments of 0.08 million tons.

Direct Vessel Expenses: Direct vessel expenses for operation of the owned fleet increased $0.1 million to $2.2 million for the three months ended June 30, 2005 as compared to $2.1 million for the three months ended June 30, 2004. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. The increase resulted primarily from increased repair and maintenance cost related to normal usage.

General and Administrative Expenses: General and administrative expenses decreased by $0.1 million, to $3.1 million for the three months ended June 30, 2005 as compared to $3.2 million for the three months ended June 30, 2004. Professional fees and expenses totaling $0.8 million, incurred in connection with the sale of Navios's stock to ISE were offset by reduced cost for the following items: salary and bonus of $0.2 million, professional and legal fees of $0.4 million (there were one time costs in 2004), and the $0.3 million cost of the Navios 50th anniversary celebrations held in Norwalk, Athens, Montevideo and Tokyo in 2004.

Depreciation and Amortization: Depreciation and amortization, which includes depreciation of the owned dry bulk fleet, totaled $1.5 million for the three months ending June 30, 2005 and remained essentially unchanged between the periods.

Net Interest Expense and Income: Interest expense decreased by $0.3 million, to $0.5 million for the three months ended June 30, 2005 as compared to $0.8 million for the prior year. This decrease was mainly due to a lower average principal amount of bank loans outstanding of $50.0 million at the June 30, 2005 as compared to $95.4 million as at June 30, 2004. Interest income was $0.6 million for the three months ended June 30, 2005 as compared to $0.1 million for the three months ended June

30, 2004 due to higher average cash balances which increased from $56.6 million in 2004 to $87.1 million in 2005 and higher interest earnings rates for the periods which increased from 0.9% in 2004 to 2.8% in 2005.

Net Income: Net income decreased by $2.5 million to $24.3 million for the three months ended June 30, 2005 as compared to $26.8 million for the prior year. Net income from vessel operations decreased by $2.7 million, to $22.8 million for the three months ended June 30, 2005 as compared to $25.5 million for the same period in the prior year. Net income from the port terminal increased by $0.2 million to $1.5 million for the three months ended June 30, 2005 as compared to $1.3 million for the prior year.

For the six months ended June 30, 2005 compared to the six months ended June 30, 2004

The following table reflects available days, operating days, fleet utilization, and TCE rates for the six months ending June 30, 2005 and the six months ending June 30, 2004:

	Six Months Ended June 30,	
	2005 (Unaudited)	2004 (Unaudited)
Available days	4,811	6,362
Operating days	4784	6,349
Fleet Utilization	99.4%	99.8%
Time Charter Equivalent (TCE)*	$ 24,011	$ 26,186

* Including gains and losses from FFAs. While FFAs are an integral part of our shipping business they are, for accounting purposes, a distinct activity. TCE rates excluding FFAs, were for the six months ending June 30, 2004 and 2005, $20,112 and $24,177 respectively.

During the six months ended June 30, 2005, there were 1,551 fewer ‘available days’ than for the comparable quarter of 2004. This was the result of the redelivery of charter-in vessels during 2005. Navios can increase or decrease fleet size by chartering-in vessels for long or short term periods (less than one year). Fleet size will be decreased if charters are not renewed or replaced. Management elected to defer replenishing the fleet in the period ending June 30, 2005 because of the expectation of the availability of lower time charter-in rates in the future.

Fleet utilization remained high during both periods.

The average TCE rate was $2,175 per day lower for the six months ending June 30, 2005 than for the first six months of 2004, primarily because of the reduced contribution from gains from FFAs. Gains from FFAs were down $6,240 per day from $6,074 per day in the period ending June 30, 2004 to a loss of $(166) dollars per day in the period ending June 30, 2005. Navios recognizes the change in fair value of derivatives on a quarterly basis. No FFA’s qualified for hedge accounting treatment in either period. Accordingly, changes in the fair value of FFAs were recognized in the income statement. The FFA market has experienced significant volatility in the past few years. Navios recorded a loss of $4.6 million from FFAs during the three months ending March 31, 2005 and a gain of $3.8 million in the three months ending June 30, 2005 versus a gain of $33.6 million in the three months ending March 31, 2004 and a gain of $5.1 million in the three months ending June 30, 2004. Earnings, primarily from physical time charter-out activity, increased $4,065 per day partially offsetting reduced FFA gains. Improved time charter-out earnings resulted mainly because vessels that were chartered-out during 2003 and earlier and redelivered back to Navios during 2004 were time chartered-out at significantly higher revenue rates.

Revenue: Revenues decreased by $10.8 million to $127.3 million for the six months ended June 30, 2005 compared to $138.1 million for the six months ended June 30, 2004. Navios earns revenue from freight operations on both owned and chartered-in vessels and the port terminal. Revenues from vessel operations decreased by $10.9 million, to $123.1 million for the six months ended June 30, 2005, as compared to $134.0 million for the six months ended June 30, 2004. This decrease is principally

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attributable to a reduction in the number of vessels operated by Navios during the respective periods. Total vessel days employed decreased from 34.9 equivalent vessels for the six months ended June 30, 2004 to 26.4 for the six months ended June 30, 2005.

Revenues from the port terminal increased by $0.2 million to $4.2 million for the six months ended June 30, 2005 as compared to $4.0 million for the six months ended June 30, 2004. Terminal throughput volume decreased minimally to 1.0 million tons of agricultural and other products for the six months ended June 30, 2005 from 1.1 million tons for the six months ended June 30, 2004. The throughput remained constant over the two comparative periods.

Gains and Losses on FFAs: Income from FFAs decreased by $39.4 million to a loss of $0.8 million during the six months ended June 30, 2005 as compared to a gain of $38.6 million during the six months ended June 30, 2004. Navios records the change in the fair value of derivatives on a quarterly basis. None of the FFA contracts qualified for hedge accounting treatment in either period. Accordingly, changes in the fair value of FFAs were recognized in the statement of operations. 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 significant volatility in earnings. The extent of the impact on earnings is dependent on two factors: market conditions and Navios’s net position in the market.

Market conditions were volatile in both periods but the company executed fewer trades in 2005. As an indicator of volatility, for the six months ending June 30, 2005 the Baltic Panamax time charter index decreased 47% from $34,227 per day at the beginning of January, 2005 to $18,103 by June 30, 2005. Comparable statistics for 2004 were 42% from $36,784 to $21,362 per day respectively. During the six months ending June 30, 2005 the company completed 103 trades versus 178 trades for the period in 2004. Fewer trades were executed in 2005 because management chose to reduce trading exposure.

Time Charter, Voyage Expense and Port Terminal Expense: Time charter and voyage expenses decreased $17.4 million to $75.9 million for the six months ended June 30, 2005 as compared to $93.3 million for the six months ended June 30, 2004. The decrease was primarily due to utilizing 27 equivalent vessels for the six months ended June 30, 2005 as compared to 35 for the six months ended June 30, 2004. The average chartered-in rate increased from $17,247 per day for the six months ended June 30, 2004 to $19,777 per day for the six months ended June 30, 2005.

Direct costs from the port terminal increased $0.3 million to $2.0 million for the six months ended June 30, 2005, compared to $1.7 million for the six months ended June 30, 2004. This increase is minimal and is consistent with the throughput which remained at almost the same levels between the two periods.

Direct Vessel Expenses: Direct vessel expenses for operation of the owned fleet increased $0.1 million to $4.4 million for the six months ended June 30, 2005 as compared to $4.3 million for the six months ended June 30, 2004. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. The increase resulted primarily from increased repair and maintenance cost related to normal usage.

General and Administrative Expenses: General and administrative expenses increased by $0.3 million, to $6.7 million for the six months ended June 30, 2005 as compared to $6.4 million for the six months ended June 30, 2004. The increase resulted primarily from the payment of $1.8 million for professional fees and expenses incurred in relation to the sale of Navios' stock to ISE. The increased cost was partially offset by reduced cost for the following items: severance $0.2 million, salary and bonus of $0.8 million, professional and legal fees of $0.6 million, and the $0.3 million cost of the Navios 50th anniversary celebrations held in Norwalk, Athens, Montevideo and Tokyo in 2004.

Depreciation and Amortization: Depreciation and amortization, which includes depreciation of the owned dry bulk fleet, totaled $3.0 million for the six months ending June 30, 2005 and remained essentially unchanged between the periods.

Net Interest Expense and Income: Interest expense decreased by $0.6 million, to $1.0 million for the six months ended June 30, 2005 as compared to $1.6 million for the prior year. This decrease was

mainly due to a lower average principal amount of bank loans outstanding of $50.1 million for the six months ended June 30, 2005 as compared to $96.4 million for the six months ended June 30, 2004. Interest income was $0.9 million for the six months ended June 30, 2005 as compared to $0.2 million for the six months ended June 30, 2004 due to higher average cash balances which increased from $48.1 million in 2004 to $73.9 million in 2005 and higher interest earnings rates for the periods which changed from 0.9% in 2004 to 2.7% in 2005.

Net Income: Net income decreased by $31.3 million to $37.3 million for the six months ended June 30, 2005 as compared to $68.6 million for the prior year. Net income from vessel operations decreased by $31.4 million, to $35.4 million for the six months ended June 30, 2005 as compared to $66.8 million for the same period in the prior year. Net income from the port terminal was $1.8 million for the six months ended June 30, 2005 and was unchanged from the same period in 2004.

For the year ended December 31, 2004 compared to the year ended December 31, 2003

Revenue: Revenues increased by $99.5 million, or 55.4% to $279.2 million for the year ended December 31, 2004 compared to $179.7 million for the prior year. Navios earns revenue from freight operations on both owned and chartered-in vessels and the port terminal. Revenues from vessel operations increased by $98.7 million, or 57.1% to $271.5 million for the year ended December 31, 2004, compared to $172.8 million for the prior year. This increase is principally attributable to increases in the average daily time charter rate to $25,947 in 2004 from $16,242 in 2003, offset slightly by a decrease in average fleet size from 33.4 vessels to 32.6 vessels.

Gains on FFAs: Income from FFAs increased by $6.6 million, or 12.9%, to $57.7 million during the year ended December 31, 2004 as compared to $51.1 million during the year ended December 31, 2003. This was mainly due to an increase in the volume of trading as well as an overall increase in the market price. The increase in the number of participants in FFA derivative trading has deepened the market and allowed for higher volume and increased liquidity. In 2004 the company executed 336 trades compared to 328 in 2003. Additionally, as a representative indicator the average spot value for a standard Baltic type panamax for 2004 was $37,750 per day compared to $20,150 per day for 2003. Management believes that the FFA market will continue to grow in volume and number of participants as more traditional shipping industry participants and financial institutions enter the market place. Freight Investor Services, a London-based broker, estimates that the total number of trades (including both tanker and dry bulk) increased to 8,300 in 2004 from 5,800 in 2003. The increase in the market volume and participation will provide additional liquidity; however, FFA gains and losses are difficult to forecast as the future levels of volatility and trading are unpredictable.

Management of Navios includes the gains or losses on FFAs in the determination of time charter equivalent (''TCE'') rates as neither voyage and time charter revenues nor gains or losses on FFAs are evaluated in isolation, rather the two are evaluated together to determine total earnings per day. This increase in TCE rates was caused by the combination of increased demand for dry bulk transportation by commodities producers and the corresponding lag in dry bulk supply adjustment due to shipyard focus on container and tanker building and port congestion. Management believes this trend is likely to continue albeit not at the extremely high levels the dry bulk market experienced in the first and second quarters of 2004. Global commodities demand is expected to remain strong, especially in Asia. However, shipyard capacity is expected to remain tight due to much of the construction berth capacity being allocated to newbuildings of tankers and container ships rather than dry bulk ships. Port infrastructure is expected to continue to cause port congestion in the near term.

Revenues from the port terminal increased by $0.7 million, or 10.1%, to $7.6 million for the year ended December 31, 2004 as compared to $6.9 million for the prior year. This increase was attributable to an increase in terminal throughput volume of approximately 12% to 2.03 million tons of agricultural and other products held in the terminal from 1.81 million tons of agricultural and other products. Strong development of South American, mainly Uruguayan, Paraguayan and Bolivian, grain exports, resulting in new contracts with global grain companies, account for the rise in volume. Management believes this trend will continue and Navios has invested in an additional silo at the terminal in response to expected increased grain and commodity throughput volume. The silo became

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operational in the second quarter of 2004 and management believes that it could contribute 500,000 tons of additional annual throughput.

Time charter, voyage and port terminal expense: Time charter and voyage expenses increased $43.5 million, or 31.8%, to $180.0 million for the year ended December 31, 2004 as compared to $136.5 million for the prior year. Direct costs from vessel operations increased by $42.9 million to $176.6 million for the year ended December 31, 2004 as compared to $133.7 million for the prior year. Direct costs include expenses related to particular voyages, including time charter hire paid and voyage freight and paid bunkers. The increase was mainly due to higher chartered-in rates for vessels added to the fleet in 2004 as the average time charter hire rate per day increased to $16,118 per day in 2004 compared to $11,157 per day in 2003. The higher demand from commodity producers for dry bulk capacity was not matched by commensurate supply of newbuildings. This market tightness was further intensified by port congestion that drew vessels out of the market while delayed in ports.

Port terminal expense increased by $0.6 million to $3.4 million for the year ended December 31, 2004 as compared to $2.8 million for the prior year. This increase was attributable primarily to increased labor costs and repair and maintenance expenses. Labor costs increased approximately $0.22 million due to higher day laborer staffing levels required to process the higher volume handled over the period ended December 31, 2004. Furthermore, costs of $0.23 million were incurred to repair a crane located at the port terminal. Navios expects labor costs to continue to increase due to the addition of the new silos in 2004.

Direct costs represented 64.5% of revenues for the year ended December 31, 2004 compared to 76.0% for the prior year.

Direct Vessel Expenses: Direct vessel expenses decreased $2.2 million, or 21.2%, to $8.2 million for the year ended December 31, 2004 as compared to $10.4 million for the prior year. Direct expenses for owned vessels include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. The decline in direct vessel expense was due to the disposal of three owned vessels and one leased vessel in 2003. Vessel operating days decreased 27.0% to 2,196 days in 2004 from 3,010 days in 2003. The decrease in vessel operating days resulted from the sale of three owned vessels during 2003. The decrease was partially offset by an 8.7% increase in average running costs per day which increased to $3,745 per day in 2004 from $3,445 per day in 2003. The increase in average running cost per day resulted from increased labor, insurance and repair costs. Direct vessel expenses represented 2.9% of revenues for the year ended December 31, 2004 as compared to 5.8% for the prior year. Navios has the ability to increase its owned fleet through in-the-money purchase options exercisable in the near future. Navios intends to exercise some of these options and as a result direct vessel expenses are expected to increase in the future.

General and Administrative Expenses: General and administrative expenses increased by $1.1 million, or 9.5%, to $12.7 million for the year ended December 31, 2004 as compared to $11.6 million for the prior year. The increase resulted primarily from a $1.3 million increase in discretionary bonuses in 2004 to $3.4 million as compared to the prior year. Also, professional fees increased $.7 million primarily as a result of corporate restructuring. Discretionary bonuses increased as additional compensation was awarded to certain employees for their contribution to Navios's strong performance for the year ended December 31, 2004. Increased professional fees were primarily related to the closure of an office that Anemos Maritime Holdings had maintained in London. These increased costs were partially offset by reduced salaries and benefit costs related to the closure of the London office. General and administrative expenses represented 4.6% of revenues for the year ended December 31, 2004 as compared to 6.5% for the prior year.

Depreciation and Amortization: Depreciation and amortization, which include depreciation of the owned dry bulk fleet and amortization of capital leases, decreased by $2.9 million, or 33.0%, to $5.9 million for the year ended December 31, 2004 as compared to $8.8 million for the prior year. The decrease is primarily due to a reduction in the number of owned and leased vessels in the fleet. In addition, capital lease amortization declined by $1.9 million in 2004 as compared to the prior year as a result of the sale of the leased vessel. Depreciation and amortization represented 2.1% of revenues for the year ended December 31, 2004 as compared to 4.9% for the prior year. Depreciation and

amortization is expected to increase when vessels are acquired from the exercise of the purchase options for several of the vessels in 2005 and 2006.

Net Interest Expense and Income: Net interest expense decreased by $2.4 million, or 47.1%, to $2.7 million for the year ended December 31, 2004 as compared to $5.1 million for the prior year. This decrease is mainly due to a lower average principal amount of bank loans outstanding in 2004 as compared to the prior year as part of the cash generated over the period was used to pre-pay debt. The average outstanding principal amount of bank loans was $87.7 million in 2004 compared to $122.3 million in 2003. Furthermore, the weighted average effective interest rate on debt decreased to 2.3% in 2004 from 2.7% in 2003. Interest income was $789,000 for the year ended December 31, 2004 as compared to $134,000 for the prior year due to a higher average cash balance and a slightly higher interest rate on deposits. The average cash balance was $62.6 million in 2004 compared to $18.8 million in 2003. Furthermore, the weighted average effective interest rate on deposits increased to 1.37% in 2004 from 1.04% in 2003.

Net Income: Net income increased by $71.6 million, or 129.0%, to $127.1 million for the year ended December 31, 2004 as compared to $55.5 million for the prior year. Net income from vessel operations increased by $71.2 million, or 135.4% to $123.8 million for the year ended December 31, 2004 as compared to $52.6 million for the prior year. Net income from the port terminal increased by $0.3 million, or 10.0%, to $3.3 million for the year ended December 31, 2004 as compared to $3.0 million for the prior year.

For the year ended December 31, 2003 compared to the year ended December 31, 2002

On December 11, 2002, the shareholders of Anemos Maritime Holdings, or Anemos, and Navios Corporation, a subsidiary of Navios, each contributed their respective interests for shares of a newly created entity incorporated in the Marshall Islands. For accounting purposes, Anemos was considered the acquirer. As a result of the acquisition, Navios recognized as an asset $2.1 million for the brand name and $0.23 million for goodwill. To the extent that 345 out of 365 days of 2002 include only Anemos's results, the financials of 2002 are not directly comparable to the ones of 2003.

In 2003, Navios experienced a number of developments with respect to its operations. Navios's equity increased by 130%, to $96.3 million, at December 31, 2003 from $41.8 million at December 31, 2002 as a result of net income of $55.5 million and redemption of common stock of $0.9 million. In addition, in February and March 2003, Navios completed the construction of the M/V Navios Kypros and the M/V Navios Hios. During 2003, Navios sold the following vessels: the M/V Navios Pioneer, the M/V Agios Konstantinos, the M/V Artemis and the M/V Navios Aegean for net sale proceeds of $63.0 million. Furthermore, as of December 31, 2003, Navios had bank loans of $98.2 million as compared to $123.9 million at December 31, 2002. This reduction is the result of scheduled principal repayments and loan prepayments due to the disposal of three vessels.

Revenue: Revenues increased by $153.0 million to $179.7 million for the year ended December 31, 2003 compared to $26.7 million for the prior year. Navios earns revenue from freight operations on both owned and chartered-in vessels and the port terminal. This increase is attributable to a substantially larger Navios fleet resulting from the consolidation of Navios Corporation and Anemos in December 2002 and to the higher freight market. Increases in TCE rates resulted from higher demand for sea-borne transportation of dry bulk commodities and port congestion at a time when these demand factors were not matched by a commensurate increase in the supply of dry bulk carrier newbuilding.

Gains and losses from FFAs: Income from FFAs increased by $50.6 million to $51.1 million during the year ended December 31, 2003 as compared to $0.5 million during the year ended December 31, 2002. FFA income for the year ended December 31, 2002 incorporates only 20 days of activity. Anemos never traded FFAs and thus no FFA trading gains are reflected in its financial results for the period prior to the combination with Navios Corporation in December 2002.

Time Charter, voyage and port terminal expenses: Time charter, voyage and port terminal expenses increased $130.4 million to $136.5 million for the year ended December 31, 2003 as compared to $6.1 million for the prior year. The increase was due to the fact that prior to the December 2002 business combination, Anemos had no time chartered-in vessels in its fleet. Furthermore, direct costs associated with the port terminal increased in 2003 due to the fact that the port terminal was acquired as part of the December 2002 business combination, so port terminal expenses for the year ended December 31, 2002 represents only 20 days of costs. Direct costs represented 76.0% of revenues for the year ended December 31, 2003, as compared to 22.9% for the prior year.

Direct Vessel Expenses: Direct vessel expenses increased $2.2 million to $10.4 million for the year ended December 31, 2003 as compared to $8.2 million for the prior year. The increase is attributable to an increase in the size of the owned fleet. Navios took delivery of two new vessels early in 2003. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. Direct vessel expenses represented 5.8% of revenues for the year ended December 31, 2003 as compared to 30.6% for the prior year.

General and Administrative Expenses: General and administrative expenses increased by $9.4 million, to $11.6 million for the year ended December 31, 2003 as compared to $2.3 million for the prior year. The increase is attributable to the addition of all of Navios’s general and administrative cost upon the business combination with Anemos in December 2002. General and administrative expenses represented 6.5% of revenues for the year ended December 31, 2003 as compared to 8.5% for the prior year.

Depreciation and Amortization: Depreciation and amortization, which includes depreciation of the owned dry-bulk fleet and amortization of capital leases, increased by $2.8 million to $8.8 million for the year ended December 31, 2003 as compared to $6.0 million for the prior year. The increase in depreciation stems from the larger amount by which the two new vessels were depreciated. Depreciation and amortization represented 4.9% of revenues for the year ended December 31, 2003 as compared to 22.4% for the prior year.

Net Interest Expense: Net interest expense increased by $1.2 million to $5.1 million for the year ended December 31, 2003 as compared to $3.9 million for the prior year. The increase is attributable to servicing interest due on additional debt incurred to finance the acquisition of the two new vessels delivered to Navios in early 2003.

Net Income: Net income increased by $61.1 million to $55.5 million for the year ended December 31, 2003 as compared to a net loss of $5.6 million for the prior year that was attributable to the Anemos Maritime Holdings side of the business combination that took place in December 2002.

Liquidity and Capital Resources

Navios has historically financed capital requirements with cash flow from operations, equity contributions from stockholders and bank term loans. Main uses of funds have been capital expenditures for the acquisition of new vessels, new construction and upgrades at the port terminal, expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards, repayments of bank loans and payments of dividends. Subsequent to its acquisition, Navios anticipates that internally generated cash flow and borrowings under the secured credit facility which was acquired in the acquisition of Navios by ISE, will be sufficient to fund the operations of the fleet and the port terminal, including working capital requirements.

Cash provided by operating activities for the six months ended June 30, 2005 and 2004

Net cash provided by operating activities decreased $17.9 million to $49.6 million for the six months ended June 30, 2005 as compared to $67.5 million for the six months ended June 30, 2004.

In determining net cash provided by operating activities, net income is adjusted for the effects of certain non-cash transactions. Net income decreased $31.3 million from $68.6 million for the six months ended June 30, 2004 to $37.3 million for the six months ended June 30, 2005.

The change in provisions for losses on accounts receivable decreased net cash provided by $0.2 million during the six months ended June 2004 and by $0.9 million for the period ending June 30,

2005. The $0.7 million change between the two periods resulted primarily from the settlement of a claim against Enron relating to their non-performance of certain FFA contracts. The original balance of $8.0 million had been fully reserved and was eliminated when the Enron receivable was sold for $0.3 million.

Changes in the balance sheet accounts related to the net unrealized loss on FFAs were $25.0 million for the six months ended June 30, 2005 and $0.6 million for the six months ended June 30, 2004. These changes reflect the effects of fair valuing the FFA contracts at the relevant reporting periods and recording the resulting losses in the statement of operations. None of the FFA contracts qualified for hedge accounting under FAS 133.

Cash provided by operating activities for the years ended December 31, 2004 and 2003

Net cash provided by operating activities increased $115.8 million to $137.2 million for the year ended December 31, 2004 as compared to $21.4 million for the year ended December 31, 2003. The increase in cash provided by operating activities in 2004 resulted primarily from higher net income and improvements in working capital during the year ended 2004.

In determining net cash provided by operating activities, net income is adjusted for the effects of certain non-cash transactions. The unrealized gain or loss on FFAs that results from recognizing derivatives at fair value at the balance sheet date can be significant non-cash items that affect the reconciliation of net income to cash provided by operating activities. For the year ended December 31, 2004, Navios recognized an unrealized gain on FFAs of $0.6 million. For the year ended December 31, 2003, the unrealized gain on FFAs was $45.9 million. The significant unrealized gain in 2003 resulted from the company having a net long position in FFA contracts at December 31, 2003 (net long position means more FFA contracts were bought than sold). Navios's net long position was the equivalent of 8.6 vessels for one year. These contracts were purchased prior to and during the very steep increase in the dry bulk market that occurred between September and December 2003. Management considers the Panamax time charter average published by the Baltic Exchange to be a good bellweather indicator of market. During this three month period the Panamax time charter average increased from less than $20,000 dollars per day to over $35,000 dollars per day. The unrealized gain of $0.8 million in 2002 reflects 20 days of Navios FFA activity. Anemos Maritime Holdings Inc. did not trade FFAs.

Significant changes in working capital were as follows:

For the six months ended June 30, 2005 and 2004

Accounts receivable balances decreased $0.6 million for the six months ending June 30, 2004 and increased $3.3 million in the six months ending June 30, 2005. Both changes are within normal business fluctuation levels.

Prepaid voyage cost decreased $1.4 million in the six months ending June 30, 2004. The decrease occurred primarily in prepaid charter hire cost which decreased from $9.1 million in December 2003 to $7.8 million in June 2004. The decrease reflects the reduction in the number of chartered-in vessels. Prepaid voyage cost decreased $3.1 million during the six months ending June 30, 2005. The decrease also occurred primarily in prepaid charter hire cost which decreased from $7.1 million in December 2004 to $2.8 million in June 2005. The decrease reflects the reduction in the number of chartered vessels.

Other prepaid balances decreased $0.7 million in the six months ending June 30, 2004. The decrease resulted primarily from a decrease in the amount advanced to discharge port agents which changed from $1.1 million in December 2003 to $0.4 million in June 2004. Advances decreased because the number of vessels discharging cargos decreased from 20 in December 2003 to 8 in June 2004. Other prepaid balances increased $1.4 million in the period ending June 2005. The largest increase occurred as a result of a new insurance claim that increased the claims receivable balance by $0.5 million from $0.2 million in December 2004 to $0.7 million in June 2005. The primary reason for the increase relates to amounts paid by Navios which will be reimbursed through insurance coverage

once the claim is finalized and submitted. The claim arose as a result of the accidental grounding of the MV. Navios Kypros in Thailand in December 2004.

Accounts payable balances decreased $5.2 million from $14.2 million in December 2003 to $9.0 million in June 2004. The primary reason for the decrease was a change in the amount currently due FFA trading partners which decreased $4.7 million from $11.0 million in December 2003 to $6.3 million in June 2004. Accounts payable balances decreased $3.3 million from $14.9 in December 2004 to $ 11.6 in June 2005. The primary reason for the decrease was again amounts due FFA trading partners which decreased $3.3 million from $11.7 in December 2004 to $8.4 in June 2005.

Accrued expenses increased $0.7 million from $6.9 million in December of 2003 to $7.6 millions in June 2004. $1.4 million of the increase was caused by an increase in the current portion of the accrual for the difference between the actual lease payments on chartered-in vessels and the amount expensed on a straight line basis in accordance with US GAAP. This was partially off set by the reduction in the accrual for discharge port expenses of $0.9 million at December 31, 2003. Accrued expenses balances decreased $2.1 million from $7.1 million in December of 2004 to $5.0 millions in June 2005. The major causes of the decrease included $0.7 million related to the cash settlement of litigation regarding the SD Victory and a decrease in the accrual for loss making voyages in progress from $1.3 million on three vessels in December of 2004 to $0 million in June 2005. Estimated losses on voyages are provided for in full at the time such losses become evident.

Deferred voyage revenue decreased $0.9 million from $17.0 million in December 2003 to $16.1 million in June 2004. Changes in deferred revenue are directly related to changes in prepaid voyage cost increases or decreases and deferred voyage revenue increases or decreases. For the six months ending June 2004 prepaid voyage cost increased $1.4 million. Deferred revenue decreased $3.6 million during the six months ended June 30, 2005. Prepaid voyage expenses decreased $3.1 from $11.1 in December 2004 to $8.0 in June 2005.

Derivative accounts decreased $4.5 million between the two comparative quarters. There are two components attributable to this movement, payments made on Interest Rate Swaps and FFA trading on the NOS exchange. Payments on interest rate swaps totaled $1.2 million during the six months ended June 30, 2004 compared to $0.9 for the six months ended June 30, 2005. Two factors caused this change, first interest rates were lower during 2004 and the liability exposure was consequently greater in terms of the swap arrangement and second, the notional balance applied by the banks to calculate interest decrease over time and are lower in 2005 because of notional principal payments applied to the outstanding balance. Navios started trading FFAs through the NOS exchange in April of 2004, so the volume of trades for the first six months of 2004 compared to 2005 was much lower. NOS, as an exchange, has the right to call on its participants to post call margins depending on the status of the portfolio. At December 31, 2004 Navios had received $0.3 million of cash for a corresponding portfolio gain of $5.0 million of which $1.9 was an unrealized gain. At June 30, 2005 the market rates had started to decline and Navios was called upon to increase the amount of funds on call to $2.9 million while the portfolio was showing a loss of $0.1 of which $2.8 was an unrealized. This resulted in the $4.7 million movement in the unrealized component of the portfolio, from a $1.9 million gain to a $2.8 million loss.

For the years ended December 31, 2004 and 2003

Accounts receivable are comprised of trade accounts receivable as well as amounts due from settlement of FFAs. In 2004, cash provided by operating activities increased by $2.7 million as a result of a decrease in accounts receivable. The decrease in accounts receivable is primarily attributable to the fact that at December 31, 2003 there was an unusual receivable balance of $2.6 million for coal cargo due from one customer. This amount was paid during 2004. In 2003, cash provided by operating activities decreased by $12.9 million as a result of an increase in accounts receivable. The increase primarily related to a $10.9 million increase in receivables due from the settlement of FFAs at December 31, 2003. The remaining $2.0 million increase in receivables is attributable to the increase in Navios's fleet at December 31, 2003 compared to December 31, 2002.

Prepaid voyage costs consist predominately of charter hire paid in advance and prepaid bunker fuel on time chartered ships. In 2004, cash provided by operating activities increased by $4.3 million as

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a result of a decrease in prepaid voyage costs. Prepaid charter hire decreased $1.6 million and prepaid bunker fuel decreased $2.0 million. Other miscellaneous prepaid items including insurance premiums decreased $0.7 million. These changes reflect the reduction of the number of vessels in the fleet. In total the number of vessels on which the company had prepaid amounts decreased from 32 in 2003 to 22 in 2004. In 2003, cash provided by operating activities decreased by $8.0 million as a result of an increase in prepaid voyage costs. This reflects an increase in the number of vessels in the fleet. In total the number of vessels on which the company had prepaid amounts increased from 26 in 2002 to 32 in 2003. In addition due to higher charter hire and bunker fuel cost in 2003 the average prepaid amount per vessel increased from $0.3 million in 2002 to $0.5 million in 2003.

Accounts payable are comprised of trade accounts payable as well as amounts payable for the settlement of FFAs. In 2004, cash provided by operating activities increased by $0.7 million as a result of an increase in accounts payable. The fluctuation occurred in the normal course of business. In 2003, cash provided by operating activities increased by $10.9 million as a result of an increase in accounts payable. The increase was primarily a result of an increase in amounts due to FFA trading counterparties of $9.5 million.

Deferred voyage revenue primarily reflects freight and sub-time charter amounts collected on voyages that have not been completed. In 2004, cash provided by operating activities decreased by $1.8 million as a result of a decrease in deferred voyage revenue. This decrease is attributable to the fact that the number of vessels generating revenue decreased from 37 in 2003 to 28 in 2004. This is offset by the fact that the average amount of deferred revenue per vessel changed from $0.4 million in 2003 to $0.5 million per vessel in 2004. In 2003, cash provided by operating activities increased by $7.6 million as a result of an increase in deferred voyage revenue. This increase is attributable to the fact that the number of vessels generating deferred revenue increased from 31 in 2002 to 37 in 2003. Furthermore, the average deferred revenue per vessel increased from $0.2 million in 2002 to $0.4 million in 2003.

Cash provided by (used in) investing activities for the six months ened June 30, 2005 and 2004

Cash used in investing activities was $2.8 million for the six months ended June 30, 2005 as compared to $1.5 million for the six months ended June 30, 2004, an 86.7% increase. The investments in both periods were partial payments for silos under construction at the port terminal.

Fixed assets under construction represent the amounts paid by Navios in accordance with the terms of the purchase agreements for the construction of four vertical silos during 2004 and a new horizontal silo with ancillary equipment during 2005.

Cash provided by (used in) investing activities for the years ended December 31, 2004 and 2003

Cash used in investing activities was $5.0 million for the year ended December 31, 2004. $1.9 million was the remaining amount related to the construction of four vertical silos that were completed during April 2004. An additional $2.8 million is classified as fixed assets under construction and represents the amounts paid by Navios in accordance with the terms of purchase agreements entered into for the construction of a new horizontal silo with ancillary equipment for grain storage. Therefore, this amount does not represent the cost of construction as at the balance sheet date. As of December 31, 2004, Navios had outstanding commitments of approximately $3.2 million with Dieste & Montanez S.A. in Uruguay for the construction of such new horizontal silo with ancillary equipment for soybean storage. This new construction will be funded from internally generated cash flow.

Cash provided by investing activities was $26.6 million for the year ended December 31, 2003. During 2003, Navios generated $63.0 million in cash from the disposal of four vessels: the M/V Navios Pioneer, the M/V Agios Konstantinos, the M/V Artemis, and the M/V Navios Aegean. Navios paid $34.3 million for the acquisition of two vessels: the M/V Navios Kypros and the M/V Navios Hios. An additional $1.5 million is classified as fixed assets under construction and represents the amounts paid by Navios in accordance with the terms of purchase agreements entered into for the construction of four new vertical silos. These silos were completed in the second quarter of 2004.

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Cash used in investing activities was $3.7 million for the year ended December 31, 2002. In 2002, the installment payments of $7.7 million were paid primarily in connection with the acquisition of the Navios Hios and Navios Kypros. This was offset by proceeds of $1.0 million that Navios received from the sale of Chian Sportsman. Furthermore, as part of the acquisition of Navios in December 2002, the company acquired approximately $3.0 million of cash, net of costs associated with the business combination.

Cash provided by (used in) financing activities for the six months ended June 30, 2005 and 2004

Cash used in financing activities was $0.5 million for the six months ended June 30, 2005 as compared to cash used in financing activities of $27.6 million for the six months ended June 30, 2004. During the six months ended June 30, 2004, Navios repaid $3.4 million of outstanding debt primarily associated with vessels. Navios also paid $15.2 million to redeem all of its mandatory redeemable preferred stock. Furthermore the company redeemed $9.0 of common stock.

During the six months ended June 30, 2005 and 2004, no dividends were declared or paid. During all of 2004, dividends totaling $40 million were paid. No dividends were paid in 2003 or 2002.

Cash provided by (used in) financing activities for the years ended December 31, 2004 and 2003

Cash used in financing activities was $111.9 million for the year ended December 31, 2004. In 2004, Navios refinanced all of its credit facilities with two revolving debt facilities and one term loan and paid down $41 million in principal. This resulted in $139.2 million in principal payments offset by $91.5 million in proceeds from new term loans. In addition, in 2004, Navios redeemed all of its mandatorily redeemable preferred stock for $15.2 million. There was no outstanding preferred stock as of December 31, 2004. Furthermore, in 2004 Navios redeemed $9 million in common stock and distributed $40 million in dividends to its shareholders.

Cash used in financing activities was $29.4 million for the year ended December 31, 2003. During 2003, Navios repaid $76.8 million of outstanding debt primarily associated with the vessels that were disposed of during the year. Navios incurred additional debt of $45 million in conjunction with the acquisition of the two new vessels. Navios also received approximate $6.4 million from the issuance of mandatorily redeemable preferred stock offset by scheduled redemptions of $0.7 million.

Cash provided by financing activities was $5.5 million for the year ended December 31, 2002. Navios generated $2.2 million from the issuance of common stock and $9.4 million from the issuance of mandatorily redeemable preferred stock. Navios also received $2.5 million from long-term borrowings and paid $8.7 million in scheduled principal payments.

Pro forma Information

The following discussion describes the effect of the acquisition of Navios by ISE as if the transaction had occurred, on January 1, 2004 for the pro forma statement of operations purposes, and on June 30, 2005 for the pro forma balance sheet purposes. This discussion should be read in conjunction with the Pro Forma Unaudited Condensed Consolidated Financial Statements contained elsewhere in this prospectus. ISE was formed on September 17, 2004 as a ‘‘blank check’’ company with the stated purpose of acquiring either vessels or a business in the bulk shipping business. On December 16, 2004, ISE raised approximately $182.6 million through the sale of common equity. Of this amount, approximately $180.6 million was placed in a trust account to be used in an acquisition.

The pro forma balance sheet at June 30, 2005 reflects the payment of the $594.4 million (agreed consideration of $607.5 million less the initial price adjustment of $13.1 pursuant to the terms of the Stock Purchase Agreement) purchase price for all the outstanding shares of Navios, the payment of $13.9 of costs incurred in connection with the transaction and the preliminary allocation of the purchase price to the assets acquired and liabilities assumed. The acquired assets have been recorded at their preliminary estimated fair market value on the acquisition date (August 25, 2005). The assets of ISE, as the ‘‘Accounting Acquirer’’, have been added at their book value. The equity of Navios, the ‘‘Accounting Survivor’’ has been adjusted to reflect the equity of ISE.

Approximately $182.4 million of the funds for the acquisition were obtained from funds previously held in escrow from ISE’s initial public offering and approximately $412.0 million of the funds were obtained from a senior secured credit facility entered into on July 12, 2005 with HSH Nordbank AG. The senior secured credit facility was assumed by Navios in connection with the acquisition and downstream merger. Of the $514.4 million borrowed under this facility on August 25, 2005, $412.0 million was used in connection with the acquisition of Navios and the balance was added to working capital. The interest rate under the facility, depending on the tranche being borrowed, is LIBOR or the applicable interest rate swap rate, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.5% to 2.75% per annum. For a more complete understanding of the acquisition and related financing, refer to the following sections in "Liquidity and Capital Resources" for a discussion of (i) the pro forma post acquisition contractual obligation, (ii) long term debt obligations and credit agreement, and (iii) working capital position.

Net Interest Expense and Income: On a pro forma basis, interest income increased an additional $1.8 million for the six months ended June 2005 representing the interest earned by ISE on the investments held in trust account, consisting primarily of short-term Treasury Bills. All the funds in the trust account were applied towards the settlement of the purchase price at August 25, 2005. There will still be interest earned for the period from July 1st to August 25, 2005 and then there will be a drop in the interest income for the period subsequent to August 25, 2005. Interest expense for the six months ended June 30, 2005 increased by $14.5 million to reflect one half year's interest charges on the 514.4 million of debt drawn on August 25, 2005. Interest expense for the full year ended December 31, 2004 increased by $27.5 million, reflecting a full year's interest expense on the new facility.

Depreciation and Amortization: Depreciation and amortization have been adjusted to reflect the preliminary fair value and estimated remaining lives of the assets on the acquisition date. On a pro forma basis, the depreciation and amortization charge for the six months ended June 30, 2005 increased by $11.9 million, which includes increased depreciation (i) on the owned dry bulk fleet of $2.6 million, (ii) on the port terminal of $0.5 million, and amortization (iii) on the trade name and other customer relationships of $1.9 million and (iv) on the leases with favorable purchase options of $6.9 million. For the full year ended December 31, 2004, depreciation and amortization increased by $23.5 million, which includes increased depreciation (i) on the owned dry bulk fleet of $4.6 million, (ii) on the port terminal of $1.1 million, and amortization (iii) on the trade name and other customer relationships of $3.9 million and (iv) on the leases with favorable purchase options of $13.9 million.

Taxes: On a pro forma basis there are still taxation expenses incurred for the period ended June 30, 2005 included two additional taxes (i) $0.1 million for capital based taxes and $0.6 million for income taxes. At the closing on August 25, 2005 ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands. Final tax returns will be determined and submitted for the period ended August 25, 2005 and no further income tax obligations are anticipated.

Long Term Debt Obligations and Credit Arrangements

As of June 30, 2005, all of the Company's $50.6 million debt was classified as current. At June 30, 2004 the long-term and short term portions of debt were $88.0 million and $6.8 million, respectively. Prior to the closing of the acquisition of Navios by ISE, all amounts outstanding under current Navios loan facilities in the approximate amount of $50.6 million were paid in full, using available Navios funds. No prepayment penalties were incurred as a result of the payment and termination of Navios's credit facilities.

The new senior secured credit facility with HSH Nordbank AG, established by ISE to provide a portion of the funds necessary to acquire Navios, was assumed by Navios in the acquisition/reincorporation. Of the $514.4 million borrowed under this facility on August 25, 2005, $412.0 million was used in connection with the acquisition of Navios. Pursuant to the terms of this facility, drawn on August 25, 2005, ISE borrowed $514.4 million to be used for the acquisition and for general corporate and working capital purposes. The interest rate under the facility, depending on the tranche being borrowed, is LIBOR or the applicable interest rate swap rate, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.5% to 2.75% per annum. Amounts drawn under the facility are secured by the assets of Navios. Of the $514.4 million, $126.9 million is due during 2005; $221.0 million is due during the three years ended December 31, 2008 and the balance during the four years ended December 31, 2012. Outstanding amounts under the facility may be prepaid without penalty in multiples of $1.0 million upon 10 days' written notice. The facility requires mandatory prepayment of amounts outstanding under the facility in the event of a sale or loss of assets, including the sale of a vessel in the ordinary course of business. The credit facility contains a number of covenants, including covenants limiting the power to, subject to specified exceptions, the payment of dividends and redemptions, mergers and acquisitions, the incurrence of indebtedness and liens, and transactions with affiliates. The credit facility also requires compliance with a number of financial covenants including tangible net worth, debt coverage ratios, specified tangible net worth to the total debt percentages and minimum liquidity. It is an event of default under the credit facility if such covenants are not complied with or if Angeliki Frangou, our Chairman and Chief Executive Officer beneficially owns less than 20% of the issued stock or does not remain actively involved in the operating business.

As of December 31, 2004, long-term debt obligations decreased $47.7 million to $50.5 million from $98.2 million at December 31, 2003. On October 5, 2004, Navios entered into a revolving credit facility of $51.0 million collateralized by the vessels M/V Navios Apollon, M/V Navios Herakles and M/V Navios Ionian. The revolving credit facility bears interest at LIBOR plus 1% and matures in October 2013. The amount outstanding as of December 31, 2004 was $18.1 million.

In October 2004, Navios entered into (i) a revolving credit facility of $55.0 million, and (ii) a $10.0 million term loan. Each of the loans was secured by the vessels M/V Navios Achilles, M/V Navios Hios, and M/V Navios Kypros. The revolving credit facility was also secured by a guarantee of Navios Maritime Holdings Inc. The revolving credit facility and the term loan are floating rate loans and mature in October 2013 and October 2010, respectively. In October 2004, DnB NOR Bank made available a $5.0 million line of credit for working capital requirements. Interest accrues at a floating rate and the loan expires in October 2005, subject to annual renewal. All of the Company's outstanding borrowings were repaid, without any prepayment charges or penalties, from available cash resources on August 18, 2005 as required by the stock purchase agreement with ISE and agreed with the lenders.

Pre-acquisition Contractual Obligations as at December 31, 2004

	(in millions) Payment due by period ($)				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long term debt repaid in connection with the acquisition (1)	50.5	1.0	3.0	46.5	
Operating Lease Obligations (Time Charters)	274.7	48.6	98.5	67.9	59.7
Construction Obligations (2)	3.0	3.0	—	—	—
Rent Obligations	2.8	0.4	0.8	0.9	0.7

(1) All of the Company's outstanding borrowings were repaid, without any prepayment charges or penalties, from available cash resources on August 18, 2005 as required by the stock purchase

agreement with ISE and agreed with the lenders.

(2) The construction obligation was for construction of a new silo at the port terminal in Uruguay. This project was completed subsequent to June 30, 2005.

Post-acquisition Contractual Obligations on a pro forma basis adjusted to reflect the acquisition financing.

	(in millions) Payment due by period ($)				
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long term debt – new facility drawn at date of acquisition (1)(2)	514.4	173.9	147.5	105.6	87.4
Operating Lease Obligations (Time Charters) (2)	274.7	48.6	98.5	67.9	59.7
Rent Obligations	2.8	0.4	0.8	0.9	0.7

(1) This amount identifies the $514.4 million senior secured credit facility which was drawn on August 25, 2005. Approximately $412.0 million was used in connection with the acquisition of Navios and the balance added to general cash balances. The amount identified does not include interest costs associated with the senior secured credit facility which are LIBOR or applicable interest rate swap rates, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.5% to 2.75% per annum.

(2) As further discussed in the following paragraph, ‘‘Exercise of Vessel Purchase Options’’, Navios has given notice of its intention to purchase four vessels and intends to purchase another two. Following the acquisition of these six vessels, Operating Lease Obligations (Time Charters) will be (in millions); (i) $226.8 in total; (ii) $28.1, less than one year; (iii) $71.9, 1-3 years; (iv) $66.9, 3-5 years and (iv) $59.7, more than 5 years. Approximately $120 million in new debt will be required to finance the acquisition of these six vessels. Although management is in advance discussions with lenders with regard to this debt, the terms of such debt have not yet been determined and there is no commitment in place, therefore, nothing has been reflected above in relation to such potential long term debt.

Exercise of Vessel Purchase Options

Vessel Name	Vessel Type	Built	DWT
Notice of exercise of option given:			
Navios Meridian	Ultra-Handymax	2002	50,316
Navios Mercator	Ultra-Handymax	2002	53,553
Navios Galaxy	Panamax	2001	74,195
Navios Magellan	Panamax	2000	74,333
Notice of exercise to be given during fourth quarter:			
Navios Horizon	Ultra-Handymax	2001	50,346

Navios Arc	Ultra-Handymax	2003	53,514

During September and October, 2005, Navios gave notice, to the lessors of two ultra-handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels for an agreed value of approximately $20 million each. It is anticipated that two of these vessels will be acquired during the fourth quarter of 2005 and the remaining two will be acquired during the first quarter of 2006. The total acquisition cost of these four additional vessels is expected to be approximately $80 million. In addition, management plans to give notice of its intention to exercise the options it holds on two additional vessels before the end of 2005 at a cost of approximately $20 million each. Exercise of these options will decrease chartered-in expense as a percentage of revenue, but this decrease will be offset by the direct vessel expenses, the additional depreciation and the interest charges associated with these vessels. Exercising the options is anticipated to have a favorable impact on EBITDA.

Although Navios's new senior secured credit facility with HSH Nordbank AG has covenants restricting incurrence of additional debt and liens, the company is permitted to obtain loans collateralized solely by vessels being purchased. Navios believes that each of the vessels it intends to purchase has a current market value significantly in excess of the option price and that financing can

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be obtained that will fund the full option purchase price of each vessel. Navios is in advanced negotiations with a lender for a facility that will provide such financing.

EBITDA: EBITDA represents net income before interest, taxes, depreciation and amortization. Navios uses EBITDA because Navios believes that EBITDA is a basis upon which liquidity can be assessed and because Navios believes that EBITDA presents useful information to investors regarding Navios's ability to service and/or incur indebtedness. Navios also uses EBITDA (i) in its credit agreement to measure compliance with covenants such as interest coverage and debt incurrence; (ii) by prospective and current lessors as well as potential lenders to evaluate potential transactions; and (iii) to evaluate and price potential acquisition candidates.

EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of Navios's results as reported under GAAP. Some of these limitations are: (i) EBITDA does not reflect changes in, or cash requirements for, working capital needs, and (ii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, EBITDA should not be considered as a principal indicator of Navios's performance.

EBITDA decreased by $32.6 million, to $40.4 million for the six months ended June 30, 2005 compared to $73.0 million for the six months ended June 30, 2004. This decrease is due primarily to the reported FFA loss of $0.8 million for the first six months of 2005 compared to a $38.6 million net gain during the first six months of 2004. In addition, EBITDA was negatively impacted by $1.8 million of transaction costs relating to the sale of Navios to ISE.

EBITDA decreased by $3.2 million, to $25.8 million for the three months ended June 30, 2005 compared to $29.0 million for the three months ended June 30, 2004. One cause was a $2.0 unfavorable change in the fair value of interest rate swaps, which moved from $1.5 favorable in the three months ending June 30, 2004 to $0.5 million unfavorable for the three months ending June 30, 2005. Professional fees and expenses of $0.6 million relating to the sale of stock Navios to ISE also unfavorably affected the quarter's results.

EBITDA increased by $66.2 million, or 95.2%, to $135.7 million for 2004, compared to $69.5 million for 2003. This increase is due primarily to the increase in net voyage revenue generated by Navios's fleet as a result of the overall stronger dry bulk market during 2004 as compared to 2003. The increase was offset by the increase in vessel operating expenses and general and administrative expenses for 2004 as compared to 2003

Working Capital Position

As stated in the previous paragraph, approximately $126.9 million of the senior secured credit facility is due before the end of December, 2005. A further $94 million is due during 2006. On a pro forma basis, after reflecting the repayment of the previous facility, the acquisition of Navios and the draw down of the new facility, Navios would have a negative working capital position. Navios has sufficient cash to make the $126.9 million in principal payments due during 2005. In addition, Navios's forecast indicates that Navios expects to generate sufficient cash during 2005 and 2006 to make required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position during the remainder of 2005 and throughout 2006.

During September and October, 2005, Navios gave notice, to the lessors of two ultra-handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels for an agreed value of approximately $20 million each. In addition, management plans to exercise the options it holds on two additional vessels before the end of 2005 at a cost of approximately $20 million each. It is anticipated that two of these vessels will be acquired during the fourth quarter of 2005 and the remaining four will be acquired during 2006. The market value of the six vessels exceeds $200 million. As a result, Navios will be able to finance 100% of the $120 million option price with a new loan facility. Management believes that the charter revenue, net of expenses, for these vessels will

be sufficient to meet the principal and interest obligations on this new debt, therefore, Navios's cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to further exceed current assets.

While projections indicate that existing cash balances and operating cash flow will be sufficient to service exisiting indebtedness as well as the new indebtedness to be incurred in connection with the six vessels to be acquired, management continues to review the company's debt structure with a view toward increasing working capital. In addition, management is in discussions with lenders and is exploring options for rescheduling to later periods a portion of the debt payments presently scheduled for 2006 and beyond. However, there can be no assurance that Navios's projections can be met or that existing debt can be rescheduled.

Concentration of Credit Risk

There were two counterparties who accounted for more than 10% of Navios's counterparty risk during the six months ended June 30, 2005 and represented 19.3% and 11.2% respectively. During the six months ended June 30, 2004 there were no counterparties who accounted for more than 10% of Navios's counterparty risk.

Effects of Inflation

Navios does not consider inflation to be a significant risk to the cost of doing business in the foreseeable future. Inflation has a moderate impact on operating expenses, drydocking expenses and corporate overhead.

Off-Balance Sheet Arrangements

Charter hire payments to third parties for certain chartered-in vessels are accounted for as operating leases. Navios is also committed to making rental payments under operating leases for its office premises. With the exception of payments made during the first half of 2005, future minimum rental payments under Navios's non-cancelable operating leases are unchanged from the amounts disclosed in footnote 16, Commitments and Contingencies, of the 2004 annual statements included in this prospectus.

As of June 30, 2005, Navios was contingently liable for letters of guarantee and letters of credit amounting to $0.6 million issued by various banks in favor of various organizations. These are collateralized by cash deposits which are included as a component of restricted cash. Navios issued guarantees to third parties totaling $1.0 million at June 30, 2005, as compared to $0 at June 30, 2004, pursuant to which Navios irrevocably and unconditionally guarantees its subsidiaries' obligations under the dry bulk shipping FFAs. The guarantees remain in effect for a period of 6 months following the last trade date, which was June 30, 2005.

Related Party Transactions

In September 2004, ISE, our legal predecessor, issued 4,250,000 shares of ISE common stock, which, by virtue of the acquisition of Navios by ISE and reincorporation through the merger of ISE with and into Navios, became Navios common stock, to the individuals set forth below for $25,000 in cash, at an average purchase price of approximately $0.006 per share, as follows:

Name	Number of Shares	Relationship to Navios
Angeliki Frangou	4,000,000	Chairman of the Board and Chief Executive Officer
Vasiliki Papaefthymiou	210,000	Secretary and Director
Spyridon Magoulas	15,000	Director
Julian David Brynteson	15,000	Former Director
John Stratakis	10,000	Director

On November 29, 2004, ISE's board of directors authorized a stock dividend of approximately 0.676 shares of common stock for each outstanding share of common stock, effectively lowering the purchase price to approximately $0.004 per share.

The holders of the majority of these shares will be entitled to make up to two demands that Navios register these shares pursuant to a registration rights agreement previously entered into. The holders of the majority of these shares may elect to exercise these registration rights at any time after the date on which these shares of common stock are released from escrow, which, except in limited circumstances, is not before December 2007. In addition, these stockholders have certain ''piggy-back'' registration rights on registration statements filed subsequent to the date on which these shares of common stock are released from escrow. Navios will bear the expenses incurred in connection with the filing of any such registration statements.

As of December 16, 2004, Ms. Frangou had advanced a total of approximately $350,000 to ISE, on a non-interest bearing basis, for payment of offering expenses on ISE's behalf. These loans were paid without interest on December 21, 2004. In addition, Ms. Frangou agreed to loan ISE funds to cover its transaction expenses, including bank commitment fees and deposits, in connection with the acquisition of Navios that exceed the amount of funds held outside of ISE's trust, which loan in the aggregate amount of approximately $8.6 million was repaid, without interest, at the closing of the acquisition of Navios.

Navios owns 50% of the common stock of Acropolis Chartering and Shipping Inc., or Acropolis. Navios also uses Acropolis as a broker and paid commissions to Acropolis during the years ended December 31, 2004 and 2003 of $877,000, and $597,000, respectively. During the years ended December 31, 2004 and 2003, Navios received dividends of $699,000 and $78,000, respectively. As of December 31, 2004, $147,000 was due to Acropolis. During 2005, Navios received dividends totaling $972,378.

During 2003 and 2002, prior to Navios becoming a public company, Navios used Levant Maritime Company Ltd., or Levant, as an agent. Agency fees paid to Levant amounted to $1,003,000 and $846,000 respectively. Levant was managed by a former director and shareholder of Navios, and Navios ceased using Levant's services as of December 31, 2003.

In November 2002, prior to Navios becoming a public company, a predecessor company to Navios issued a promissory note for $367,000 to Kastella Trading, Inc., or Kastella, a Marshall Islands Corporation. Interest accrued at 4.6% per year and was payable at the note's due date. Kastella was wholly-owned by one of the predecessor company's executives. This loan was repaid in full in 2004.

In August 2004, prior to Navios becoming a public company, Navios advanced to one of its shareholders and executive officers the amount of $50,000. The loan was repaid in full during the year. No interest was calculated for the duration of this loan.

All ongoing and future transactions between Navios and any of its officers and directors or their respective affiliates, including loans by Navios's officers and directors, if any, will be on terms believed by Navios to be no less favorable than are available from unaffiliated third parties, and such transactions or loans, including any forgiveness of loans, will require prior approval, in each instance by a majority of Navios's uninterested ''independent'' directors or the members of Navios's board who do not have an interest in the transaction, in either case who had access, at Navios's expense, to its attorneys or independent legal counsel.

Quantitative and Qualitative Disclosure About Market Risks

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

Interest Rate Risk

Debt Instruments – On June 30, 2005 and December 31, 2004, Navios had a total of $50.0 million and $50.5 million, respectively, in long term indebtedness. The debt is dollar denominated and bears interest at a floating rate. The new senior secured credit facility with HSH Nordbank AG, established by ISE to provide a portion of the funds necessary to acquire Navios, was assumed by Navios in the acquisition/reincorporation. $514.4 million was borrowed under this facility on August 25, 2005. The interest rate under the facility, depending on the tranche being borrowed, is LIBOR or the applicable interest rate swap rate, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.5% to 2.75% per annum. Amounts drawn under the facility are secured by the assets of Navios. The fair market value of Navios's fixed rate debt was, and continues to be, its face value. Because the interest on the debt is at a floating rate, changes in interest rates would have no effect on the value of the debt.

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

At December 31, 2004, Navios had entered into a total of four swaps with the Royal Bank of Scotland and Alpha Bank with a total notional principal amount of $49.7 million. The swaps were entered into at various points in 2001 and mature in 2006 and 2010 in the respective amounts of $26.0 million and $23.7 million.

Navios estimates that it would have to pay $3.1 million to terminate these agreements as of December 31, 2004. Navios's net exposure to interest rate fluctuations is approximately $0.8 million at December 31, 2004. Navios's net exposure is based on total floating rate debt less the notional principal of floating to fixed interest rate swaps. A one hundred basis point change in interest rates would increase or decrease interest expense by $8,000 per year as of December 31, 2004. The swaps are set by reference to the difference between the 3 month LIBOR (which is the base rate under Navios's long term borrowings) and the yield on the US ten year treasury bond. The swaps effectively fix interest rates at 5.5%. However, once market interest rates exceed 7.5%, Navios would only be subject to the market interest rates in excess of the 7.5%.

Foreign Currency Risk

Foreign Currency Forward Contracts – In general, the shipping industry is a dollar dominated industry. Revenue is set in US dollars, and approximately 94% of Navios's expenses are also incurred in US dollars. To cover expenses incurred in Euros, Navios entered into short term forward exchange contracts. These contracts hedge against the fluctuations of the Euro against the US Dollar. Through these contracts Navios purchased €2.5 million at an average exchange rate of $1.32 with a fair value of $3.3 million in the year ending December 31, 2004. These contracts mature within twelve months of the balance sheet date for all periods. Contracts entered into during 2004 will settle monthly between March and June 2005. The fair value of these contracts as of December 31, 2004, amounted to $126,000.

Charter Rate Risk

Forward Freight Agreements (FFAs) – Navios enters into FFAs as economic hedges relating to identifiable ship and/or cargo positions and as economic hedges of transactions that Navios expects to carry out in the normal course of its shipping business. By using FFAs, Navios manages the financial risk associated with fluctuating market conditions. The effectiveness of a hedging relationship is assessed at its inception. If an FFA qualifies for hedge accounting, any gain or loss on the FFA is first recognized when measuring the profit or loss of related transaction. However, for the years ended December 31, 2004 and 2003, none of the FFAs qualified for hedge accounting, and, accordingly, all gains or losses from FFAs have been recorded in the statement of operations for such periods. It is anticipated that FFAs will continue to be so treated, and, accordingly, may result in material fluctuation in results from operations.

FFAs cover periods ranging from one month to one ye