Navios Maritime Holdings Inc.
Form F-1/A
December 15, 2005
As filed with the Securities and Exchange Commission on December 15, 2005

Registration No. 333-129382

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Pre-Effective Amendment No. 1
on
FORM F-1/A

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 (State or other jurisdiction of incorporation or organization)	4412 (Primary Standard Industrial Classification Code Number)	98-0384348 (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(4)

(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, 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.

(4)Previously paid.

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 December 15, 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 Nasdaq National Market System under the symbols BULKW and BULK, respectively, and on December 14, 2005, the last reported sale prices of the warrants and common stock were $0.75 and $5.06, respectively. We also have a current trading market for our units. One unit consists of one share of our common stock and two warrants with each warrant entitling the holder to purchase one share of common stock at an exercise price of $5.00. Our units also trade on the Nasdaq National Market System under the symbol BULKU.

Investing in our securities involves risks.
See ‘‘Risk Factors’’ beginning on page 8.

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 the material 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 29 vessels, aggregating approximately 1.9 million deadweight tons or dwt. Navios owns seven modern Ultra-Handymax (50,000-55,000 dwt) vessels and has 22 Panamax (70,000-83,000 dwt) and Ultra-Handymax vessels under long-term time charters, 14 of which are currently in operation, with the remaining eight scheduled for delivery at various times over the next three years. We have options, many of which are ‘‘in the money,’’ to acquire 14 of the 22 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 the 14 vessels in its long term charter fleet. During September, October and November, 2005, Navios gave notice, to the owners of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels at the option exercise price of approximately $20 million each. Notice of intent to exercise was given to the owner of the Navios Horizon, the sixth purchase option vessel, on November 15, 2005. At this time, Navios has executed all currently exercisable purchase options on its chartered-in fleet. Upon delivery of the six purchase option vessels, Navios will have twelve owned vessels in its fleet. The first of the option vessels, the Navios Meridian, was delivered to the company on November 30, 2005. The remaining five vessels will be delivered to Navios during the first half of 2006. The total acquisition cost of these six additional vessels is expected to be approximately $120 million. Navios believes that the market value of the six vessels exceeds $200 million. As a result, Navios expects to be able to finance 100% of the $120 million option price of the vessels with a new loan facility which will be secured by the vessels. Navios also 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 and, therefore, Navios's net cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to further exceed current assets. Navios has received an indicative offer dated, November 4, 2005, for financing the acquisition of the six purchase option vessels from a prospective lender and is in the process of negotiating a loan agreement.

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 seven 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 Navios through the purchase of all of the outstanding shares of its 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 accordance with Generally Accepted Accounting Principles in the United States of America, (GAAP), ISE is treated as the accounting acquiror and Navios is treated as the predecessor. This transaction was recorded in two steps. In step one, ISE recorded the initial $594.4 million total cash purchase price, less a final purchase price adjustment of $0.6 million and plus $14.2 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 September 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 September 30, 2005 historical balance sheet included in this prospectus reflects the acquisition and downstream merger. In addition, unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2005 and December 31, 2004 which give effect 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.
Nasdaq National Market Symbol of Common Stock	BULK
Nasdaq National Market Symbol of Warrants	BULKW
Nasdaq National Market Symbol of Units	BULKU

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

Our common stock, warrants and units commenced trading on the Nasdaq National Market System on November 3, 2005. Prior to such time, our securities traded on the OTC Bulletin Board.

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 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 successor information is derived from the unaudited consolidated financial statements of Navios as of September 30, 2005 and for the period from August 26, 2005 to September 30, 2005. The Navios historical predecessor information is derived from the unaudited consolidated financial statements for the period from January 1, 2005 to August 25, 2005 and for the nine months ended September 30, 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's balance sheet data as of December 31, 2002, and the historical information 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. 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. 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 historical successor and predecessor results included below and elsewhere in this prospectus are not necessarily indicative of the future performance of Navios.

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		Successor	Predecessor	Predecessor			Year ended December 31,		
	Pro Forma Combined Nine Months ended September 30, 2005	August 26, 2005 to September 30, 2005	January 1, 2005 to August 25, 2005	Nine months ended September 30, 2004	Pro forma 2004	2004	2003	2002	2001
				(In thousands, except per share)					
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)				(unaudite
Statement of Operations Data									
Revenue	179,084	$ 20,454	$158,630	$ 216,274	$ 279,184	$ 279,184	$ 179,734	$ 26,759	$ 21,454
Gains and losses from forward freight agreements	1,971	(898)	2,869	42,492	57,746	57,746	51,115	494	
Time charter voyage and port terminal expense	(101,985)	(10,179)	(91,806)	(141,494)	(180,026)	(180,026)	(136,551)	(6,139)	(1,774
Direct vessel expense	(6,508)	(858)	(5,650)	6,118	(8,224)	(8,224)	(10,447)	(8,192)	(7,439
General and	(11,136)	(866)	(9,964)	(9,300)	(12,819)	(12,722)	(11,628)	(2,263)	(1,234

administrative expense									
Depreciation and amortization expense	(15,992)	(2,187)	(3,872)	(4,438)	(21,322)	(5,925)	(8,857)	(6,003)	(5,274
Gain (loss) on sale of assets	—	—	—	—	61	61	(2,367)	(127)	(430
Interest income	1,592	242	1,350	486	789	789	134	41	195
Interest expense	(20,162)	(3,170)	(1,677)	(2,549)	(27,017)	(3,450)	(5,278)	(3,950)	(6,104
Other income	1,794	368	1,426	482	374	374	1,102	72	248
Other expense	(1,273)	(337)	(757)	(532)	(1,515)	(1,438)	(553)	(6,070)	(2,770
Income (loss) before minority interest	27,385	2,569	50,549	95,303	87,231	126,369	56,404	(5,378)	(3,128
Minority interest		—	—	—		—	(1,306)	(324)	
Equity in net earnings of affiliate companies	916	128	788	613	763	763	403	68	96
Income before income taxes	28,301				87,994				
Provision for income taxes	(859)				(7)				
Net income (loss)	$ 27,442	$ 2,697	$ 51,337	$ 95,916	$ 87,987	$ 127,132	$ 55,501	$ (5,634)	$ (3,032
Basic earnings per share	$ 0.69	$ 0.068	$ 1.287	$ 2.404	$ 2.21	$ 3.19	$ 1.24	$ (0.12)	$ (0.07
Diluted earnings per share	$ 0.56	$ 0.054	$ 1.043	$ 2.404	$ 1.97	$ 3.19	$ 1.24	$ (0.12)	$ (0.07
Balance Sheet Data (at period end)								**(unaudited)**	
Current assets, including		$199,059				$ 187,944	$ 179,403	$ 31,020	$ 4,721

cash					
Total assets	744,812	333,292	361,533	215,800	161,610
Current liabilities, including current portion of long-term debt	229,550	103,527	136,902	38,460	12,204
Total long-term debt, including current portion	492,500	50,506	98,188	129,615	115,972
Mandatory redeemable preferred stock, including current portion	—	—	15,189	9,435	
Shareholders' equity	186,949	174,791	96,292	41,641	38,272

	Successor	Predecessor	Predecessor	Year ended December 31,				
	August 26, 2005 to September 30, 2005	January 1, 2005 to August 25, 2005	Nine months ended September 30, 2004	2004	2003	2002	2001	2000
				(In thousands, except per share)				
	(unaudited)	(unaudited)	(unaudited)				(unaudited)	(unaudited)
Other Financial Data								
Net cash (used in) provided by operating activities	$ (528)	$ 71,945	$ 112,666	$ 137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net cash provided by (used in) investing activities	(1,883)	(4,264)	(3,475)	(4,967)	26,594	(3,682)	(72,616)	(70,136)
Net cash (used in) provided by financing activities	71,767	(50,506)	(29,059)	(111,943)	(29,416)	5,474	61,976	73,764

Book value per common share — actual for successor, pro forma for predecessor (1)	4.69	5.67	4.59	4.38	2.16	0.19	0.84	0.65
Cash dividends per common share — actual for successor, pro forma predecessor(1)	—	—	—	1.00	—	—	—	—
Income (loss) per common share — actual for successor, pro forma for predecessor (1)								
Basic	0.068	1.287	2.404	3.19	1.24	(0.12)	(0.07)	(0.03)
Diluted	0.054	1.043	2.404	3.19	1.24	(0.12)	(0.07)	(0.03)
Cash paid for common stock dividend declared	—	—	—	40,000	—	—	—	—
EBITDA(2)	$ 7,923	$ 56,121	$ 103,001	$ 136,740	$ 70,376	$ 4,750	$ 11,091	$ 2,789

(1) The downstream merger with and into Navios on August 25, 2005, resulted in Navios shares to reflect those issued by ISE. Accordingly, the common stock issued and outstanding immediately after the acquisition is 39,900,000, and this is treated as a 45.621:1 stock split for purposes of disclosures and earnings per share calculations. The periods prior to the acquisition and merger on August 25, 2005 have been retrospectively restated to account for the stock split. In addition, 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 and also adjusted for the 45.621:1 stock split.

(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	$ (528)	$ 71,945	$112,666	$137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net increase (decrease) in operating assets	6,281	(14,525)	(9,846)	(7,195)	20,406	1,915	(9)	422
Net decrease (increase) in operating liabilities	7,638	21,407	7,032	3,104	(18,112)	289	(1,805)	(803)

Net interest cost	2,928	327	2,063	2,661	5,144	3,909	8,541	2,084
Impairment loss	—	—	—	—	—	—	(400)	—
Provision for losses on accounts receivable	(7)	880	556	573	(1,021)	(101)	—	—
Gain/loss on sale of property, plant and investments	—	—	—	61	(2,367)	(127)	(430)	(1,138)
Unrealized gain/loss on derivatives, foreign exchange contracts, fuel swaps and interest rate swaps	(8,517)	(23,728)	(9,384)	254	45,855	(3,098)	(2,632)	—
Undistributed earnings in affiliates	128	(185)	(86)	64	325	68	—	—
Minority interest				—	(1,306)	(324)	—	—
EBITDA	$ 7,923	$ 56,121	$103,001	$136,740	$ 70,376	$ 4,750	$11,091	$ 2,789

The Summary Consolidated Financial Data presented above and historical financial information presented elsewhere in this prospectus is based on the historical operations of predecessor 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 77.

ISE HISTORICAL FINANCIAL INFORMATION

The ISE historical information is derived from the unaudited financial statements of ISE as of and for the six months ended June 30, 2005 and the audited financial statements of ISE as of December 31, 2004, and for the period from September 17, 2004 (inception) to December 31, 2004. The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes, to the extent contained elsewhere herein.

(In thousands, except per share)	Six months ended June 30, 2005 (unaudited)	Period from September 17, 2004 (inception) to December 31, 2004
Income statement data		
Loss from operations	$ (287)	$ (77)
Interest income	1,708	93

Income before provision for income taxes		1,421		16
Provision for income taxes		(567)		(7)
Net income	$	854	$	9
Weighted average number of common shares outstanding		39,900,000		12,743,571
Net income per share—basic and diluted	$	0.02	$	0.00

		June 30, 2005		December 31, 2004
Balance sheet data				
Cash	$	172	$	2,032
Investments held in trust		182,799		180,691
Total assets		191,548		182,825
Total liabilities		8,033		170
Common stock subject to possible conversion		36,097		36,097
Total stockholders' equity		147,418		146,558
Total liabilities and stockholders' equity		191,548	$	182,825

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 conducted by Navios. 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 prevent its directors, officers and principal stockholders from having such affiliations, Navios uses 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 devote their full time and attention to the ongoing operations of Navios and the non-employee directors of Navios 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 is 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 seven 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

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 expects 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 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

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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.

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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. Please see the section entitled "Marshall Islands Company Considerations" beginning on page 90 for a brief discussion of the material differences in shareholder protections under Marshall Island law as compared to Delaware law. 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,’’ ‘‘Operating and Financial Review and Prospects,’’ ‘‘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,’’ ‘‘intends,’’ ‘‘plans,’’ ‘‘projects,’’ ‘‘believes similar expressions are intended to identify forward-looking statements. These 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 in excess of certain amounts or if certain covenants are not met. (See also Long Term Debt Obligations and Credit Arrangements on page 47.) However, subject to the approval of lenders, the company's directors may from time to time consider the payment of dividends and has indicated its intention to declare a quarterly cash dividend of $0.0666 per common share in respect of the fourth quarter of 2005 subject to, among other things, finalizing the financing for vessels being acquired.

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 Nasdaq National Market under the symbols BULK, BULKW and BULKU, respectively. Prior to November 3, 2005, the principal trading market of our securities was the Over-The-Counter Bulletin Board, or the OTCBB.

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 Nasdaq National Market commencing from November 3, 2005 and prior to such time 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 December 14, 2005, the closing price of our common stock, warrants and units was $5.06, $0.75 and $6.60, 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	Average Daily Trading Volume	High	Low	Average Daily Trading Volume	High	Low	Average Daily Trading Volume
December 31, 2004	$ —	$ —	—	—	—	—	$ 6.90	$ 6.00	391,166
March 31, 2005	$ 7.04	$ 5.25	175,441	$ 1.96	$ 0.86	478,750	$ 10.75	$ 6.50	118,375
June 30, 2005	$ 6.15	$ 5.46	116,303	$ 1.74	$ 0.67	167,063	$ 9.60	$ 6.55	145,760
September 30, 2005	$ 6.07	$ 5.66	71,806	$ 1.35	$ 0.84	142,815	$ 8.73	$ 7.25	67,140
December 31, 2005 (through December 13, 2005)	$ 5.95	$ 4.91	185,305	$ 1.25	$ 0.58	69,453	$ 8.49	$ 6.05	65,570

SELECTED CONSOLIDATED FINANCIAL DATA

The Navios historical successor information is derived from the unaudited consolidated financial statements of Navios as of September 30, 2005 and for the period from August 26, 2005 to September 30, 2005. The Navios historical predecessor information is derived from the unaudited consolidated financial statements for the period from January 1, 2005 to August 25, 2005 and for the nine months ended September 30, 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's balance sheet data as of December 31, 2002, and the historical information 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. 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. 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 historical successor and predecessor results included below and elsewhere in this prospectus are not necessarily indicative of the future performance of Navios.

		Successor	Predecessor	Predecessor		Year ended December 31,			
	Pro Forma Combined Nine Months ended September 30, 2005	August 26, 2005 to September 30, 2005	January 1, 2005 to August 25, 2005	Nine months ended September 30, 2004	Pro forma 2004	2004	2003	2002	2001
				(In thousands, except per share)					
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)				(unaudi
Statement of Operations Data									
Revenue	$ 179,084	$ 20,454	$158,630	$ 216,274	$ 279,184	$ 279,184	$ 179,734	$ 26,759	$ 21,45
Gains and losses from forward freight agreements	1,971	(898)	2,869	42,492	57,746	57,746	51,115	494	
Time charter voyage and port terminal expense	(101,985)	(10,179)	(91,806)	(141,494)	(180,026)	(180,026)	(136,551)	(6,139)	(1,77
Direct vessel expense	(6,508)	(858)	(5,650)	(6,118)	(8,224)	(8,224)	(10,447)	(8,192)	(7,43
General and administrative expense	(11,136)	(866)	(9,964)	(9,300)	(12,819)	(12,722)	(11,628)	(2,263)	(1,23
Depreciation and amortization expense	(15,992)	(2,187)	(3,872)	(4,438)	(21,322)	(5,925)	(8,857)	(6,003)	(5,27
Gain (loss) on sale of assets	—	—	—	—	61	61	(2,367)	(127)	(43

Interest income	1,592	242	1,350	486	789	789	134	41	19
Interest expense	(20,162)	(3,170)	(1,677)	(2,549)	(27,017)	(3,450)	(5,278)	(3,950)	(6,10
Other income	1,794	368	1,426	482	374	374	1,102	72	24
Other expense	(1,273)	(337)	(757)	(532)	(1,515)	(1,438)	(553)	(6,070)	(2,7
Income (loss) before minority interest	27,385	2,569	50,549	95,303	87,231	126,369	56,404	(5,378)	(3,12
Minority interest	—	—	—	—	—	—	(1,306)	(324)	
Equity in net earnings of affiliate companies	916	128	788	613	763	763	403	68	9
Income before income taxes	28,301				87,994				
Provision and income taxes	(859)				(7)				
Net income (loss)	$ 27,442	$ 2,697	$ 51,337	$ 95,916	$ 87,987	$ 127,132	$ 55,501	$ (5,634)	$ (3,03
Basic earnings per share	$ 0.69	$ 0.068	$ 1.287	$ 2.404	$ 2.21	$ 3.19	$ 1.24	$ (0.12)	$ (0.0
Diluted earnings per share	$ 0.56	$ 0.054	$ 1.043	$ 2.404	$ 1.97	$ 3.19	$ 1.24	$ (0.12)	$ (0.0
Balance Sheet Data (at period end)								**(unaudited)**	
Current assets, including cash		$ 199,059				$ 187,944	$ 179,403	$ 31,020	$ 4,72
Total assets		744,812				333,292	361,533	215,800	161,61
Current liabilities, including current portion of long-term debt		229,550				103,527	136,902	38,460	12,20
Total long-term debt, including current portion		492,500				50,506	98,188	129,615	115,97
Mandatory redeemable preferred stock, including current portion		—				—	15,189	9,435	

Shareholders’ equity	186,949			174,791	96,292	41,641	38,27	

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	Successor August 26, 2005 to September 30, 2005	Predecessor January 1, 2005 to August 25, 2005	Predecessor Nine months ended September 30, 2004	Year ended December 31, 2004	2003	2002	2001	2000
			(In thousands, except per share)					
	(unaudited)	(unaudited)	(unaudited)				(unaudited)	(unaudite
Other Financial Data								
Net cash (used in) provided by operating activities	$ (528)	$ 71,945	$ 112,666	$ 137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net cash provided by (used in) investing activities	(1,883)	(4,264)	(3,475)	(4,967)	26,594	(3,682)	(72,616)	(70,136
Net cash (used in) provided by financing activities	71,767	(50,506)	(29,059)	(111,943)	(29,416)	5,474	61,976	73,764
Book value per common share — actual for successor, pro forma for predecessor (1)	4.69	5.67	4.59	4.38	2.16	0.19	0.84	0.65
Cash dividends per common share — actual for successor, pro forma predecessor(1)	—	—	—	1.00	—	—	—	
Income (loss) per common share — actual for successor, pro forma for predecessor (1)								
Basic	0.068	1.287	2.404	3.19	1.24	(0.12)	(0.07)	(0.03
Diluted	0.054	1.043	2.404	3.19	1.24	(0.12)	(0.07)	(0.03
Cash paid for common stock dividend declared	—	—	—	40,000	—	—	—	
EBITDA(2)	$ 7,923	$ 56,121	$ 103,001	$ 136,740	$ 70,376	$ 4,750	$ 11,091	$ 2,789

(1)

The downstream merger with and into Navios on August 25, 2005, resulted in Navios shares to reflect those issued by ISE. Accordingly, the common stock issued and outstanding immediately after the acquisition is 39,900,000, and this is treated as a 45.621:1 stock split for purposes of disclosures and earnings per share calculations. The periods prior to the acquisition and merger on August 25, 2005 have been retrospectively restated to account for the stock split. In addition, 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 and also adjusted for the 45.621:1 stock split.

(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	$ (528)	$ 71,945	$ 112,666	$ 137,218	$ 21,452	$ 2,219	$ 7,826	$ 2,224
Net increase (decrease) in operating assets	6,281	(14,525)	(9,846)	(7,195)	20,406	1,915	(9)	422
Net decrease (increase) in operating liabilities	7,638	21,407	7,032	3,104	(18,112)	289	(1,805)	(803)
Net interest cost	2,928	327	2,063	2,661	5,144	3,909	8,541	2,084
Impairment loss	—	—	—	—	—	—	(400)	—
Provision for losses on accounts receivable	(7)	880	556	573	(1,021)	(101)	—	—
Gain/loss on sale of property, plant and investments	—	—	—	61	(2,367)	(127)	(430)	(1,138)
Unrealized gain/loss on derivatives, foreign exchange contracts, fuel swaps and interest rate swaps	(8,517)	(23,728)	(9,384)	254	45,855	(3,098)	(2,632)	—
Undistributed earnings in affiliates	128	(185)	(86)	64	325	68	—	—
Minority interest				—	(1,306)	(324)	—	—
EBITDA	$ 7,923	$ 56,121	$ 103,001	$ 136,740	$ 70,376	$ 4,750	$ 11,091	$ 2,789

The Summary Consolidated Financial Data presented above and historical financial information presented elsewhere in this prospectus is based on the historical operations of predecessor 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 77.

ISE HISTORICAL FINANCIAL INFORMATION

The ISE historical information is derived from the unaudited financial statements of ISE as of and for the six months ended June 30, 2005 and the audited financial statements of ISE as of December 31, 2004, and for the period from September 17, 2004 (inception) to December 31, 2004. The information is only a summary and should be read in conjunction with each company's historical consolidated financial statements and related notes, to the extent contained elsewhere herein.

(In thousands, except per share)		Six months ended June 30, 2005 (unaudited)		Period from September 17, 2004 (inception) to December 31, 2004 (unaudited)
Income statement data				
Loss from operations		(287)	$	(77)
Interest income		1,708		93
Income before provision for income taxes		1,421		16
Provision for income taxes		(567)		(7)
Net income		854	$	9
Weighted average number of common shares outstanding		39,900,000		12,743,571
Net income per share—basic and diluted		0.02	$	0.00

		June 30, 2005		December 31, 2004
Balance sheet data				
Cash	$	172	$	2,032
Investments held in trust		182,799		180,691
Total assets		191,548		182,825
Total liabilities		8,033		170
Common stock subject to possible conversion		36,097		36,097
Total stockholders' equity		147,418		146,558
Total liabilities and stockholders' equity		191,548	$	182,825

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OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following is a discussion of Navios Maritime Holdings Inc. as ‘‘Successor’’ to and as ‘‘Predecessor’’ of the acquisition / reincorporation discussed in the following paragraphs and in Note 2 to the Consolidated Financial Statements for the unaudited interim periods ended September 30, 2005 and 2004. Also following is a discussion of the Predecessor company’s financial condition and results of operations for the fiscal years ended December 31, 2004 and 2003. All of these financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). You should read this section together with the consolidated financial statements including the notes to those financial statements for the years mentioned above which are included in this prospectus.

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

Overview

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc. (ISE), Navios and all the shareholders of Navios, ISE acquired 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, whose name was and will continue to be Navios Maritime Holdings Inc. 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. Following the acquisition, Navios's corporate headquarters has been relocated to 67 Notara Street, Piraeus, Greece 185 35. The telephone number is (011) +30-210-417-2050. Navios reports to the Securities and Exchange Commission under the rules governing Foreign Private Issuers.

This transaction was recorded in two steps. In step one, ISE recorded the $594.4 million total cash purchase price, plus $14.2 million in allocable transaction costs, by allocating such cost to the 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 effected a ‘‘downstream merger’’ with and into Navios. The assets and liabilities of ISE (which reflected the acquisition of Navios) became the assets and liabilities of Navios. The shareholders’ equity of ISE became the shareholders’ equity of Navios. The results of operations of Navios to August 25, 2005 are labeled as ‘‘Predecessor’’ and remain as historically reported. The results of operations from August 26, 2005 forward are labeled as ‘‘Successor’’ and reflect the combined operations of Navios and ISE. The Stock Purchase Agreement required a purchase price adjustment based on an EBITDA target for the period January 1, 2005 to August 31, 2005. The $594.4 million cash purchase price reflects a preliminary price adjustment based on an EBITDA target included in the contract. A final adjustment of $0.6 million is due Navios based on a final calculation which has been agreed between the parties. Payment of this item, which is expected before December 31, 2005, is secured by funds placed in escrow by the selling shareholders at the closing date.

Approximately $412.0 million of the purchase price was obtained from a $514.4 million senior secured credit facility, entered into on July 12, 2005 and funded on August 25, 2005, with HSH Nordbank AG. The senior secured credit facility was assumed by Navios in connection with the acquisition and reincorporation. As required by the terms of this facility, $21.9 million was repaid on

September 26, 2005. An additional $105.0 million is due before the end of December, 2005 and $94 million is due during 2006. On September 30, 2005, Navios's current assets totaled $199.1 million, while current liabilities totaled $228.5 million, resulting in a negative working capital position of $29.4 million. On September 30, 2005, Navios had sufficient cash to make the $105.0 million in principal payments due during the balance of 2005. Navios's cash forecast indicates that Navios will generate sufficient cash during the balance of 2005 and all of 2006 to make the required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position during the remainder of 2005 and throughout 2006. See also Liquidity and Capital Resources and Note 6 to the Navios Maritime Holdings, Inc. Consolidated Financial Statements for additional information on this facility.

At the time of the August 25, 2005 acquisition, ISE’s senior management anticipated implementing a strategic post-acquisition plan for the relocation of Navios's offices in the United States from South Norwalk, Connecticut to New York City and of its existing offices in Piraeus, Greece to larger offices in Piraeus to house Navios's headquarters. Management has commissioned an internal task force to implement this plan. This cost will include the cost of lease terminations, the write off of leasehold improvements at the offices vacated and severance. This plan will be implemented during the first half of 2006. A provision for the $1,070 cost of this plan has been included in the accompanying financial statements.

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 has in-house ship management expertise that allows it to oversee every step of technical management of the owned fleet from production of the vessels in Japan to subsequent shipping operations throughout the life of the vessels, including the superintendence of maintenance, repairs and drydocking.

Following is the ‘core fleet’ employment profile, including new buildings to be delivered. The ‘core fleet’ consists of 29 vessels totaling 1.9 million deadweight tons. It includes seven modern Ultra-Handymax (52,000-55,000 dwt) vessels which the Company owns, 15 Panamax (70,000-83,000 dwt) and 7 Ultra-Handymax vessels under long-term time charter. The 21 vessels in current operation aggregate approximately 1.3 million deadweight tons and have an average age of 3.5 years. Navios has currently fixed 65.7% of its 2006 available days.

Vessel	Type	Built	DWT	Charter Rate(1)	Expiration Date(2)
Owned Vessels:					
Navios Achilles	Ultra Handymax	2001	52,063	15,533	10/08/2006
Navios Apollon	Ultra Handymax	2000	52,073	16,150	08/21/2007
Navios Herakles	Ultra Handymax	2001	52,061	29,597	02/01/2006
Navios Hios	Ultra Handymax	2003	55,180	19,237	09/15/2006
Navios Ionian	Ultra Handymax	2000	52,068	17,212	03/01/2006
Navios Kypros	Ultra Handymax	2003	55,222	24,063	04/27/2006
Navios Meridian	Ultra Handymax	2002	50,316	20,045	10/15/2006

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Long Term Chartered-in Vessels:

Vessel	Type	Built	DWT

				Purchase Option (3)	Charter Rate(1)	Expiration Date(2)
Navios Arc	Ultra Handymax	2003	53,514	Exercised	17,908	07/15/2006
Navios Horizon	Ultra Handymax	2001	50,346	Exercised	12,588	05/30/2006
Navios Mercator	Ultra Handymax	2002	53,400	Exercised	21,175	10/01/2006
Navios Vector	Ultra Handymax	2002	50,300	No	8,811	12/17/2007
Linda Oldendorff	Panamax	1995	75,100	No	31,350	01/03/2006
Navios Aurora	Panamax	2005	75,200	Yes	24,063	05/27/2008
Navios Cielo	Panamax	2003	75,834	No	18,961	03/15/2006
Navios Galaxy	Panamax	2001	74,195	Exercised	24,062	12/25/2007
Navios Hyperion	Panamax	2004	75,500	Yes	15,400	01/05/2007
Navios Magellan	Panamax	2000	74,333	Exercised	18,763	04/07/2006
Navios Orbiter	Panamax	2004	76,000	Yes	16,150	10/20/2006
Navios Orion	Panamax	2005	76,000	No	21,175	01/15/2007
Navios Star	Panamax	2002	76,662	Yes	15,343	01/13/2007
Navios Titan	Panamax	2005	82,300	No	20,000	10/09/2007

Long Term Chartered-in Vessels on Order:

Vessel	Type	To Be Built	Purchase Option	DWT
Navios TBN	Ultra Handymax	05/2006	Yes	53,500
Navios TBN	Panamax	08/2006	No	82,800
Navios TBN	Panamax	01/2007	Yes	75,500
Navios TBN	Ultra Handymax	04/2007	Yes	53,500
Navios TBN	Panamax	09/2007	Yes	82,000
Navios TBN	Panamax	11/2007	No	75,200
Navios TBN	Panamax	03/2008	Yes	76,500
Navios TBN	Ultra Handymax	05/2008	No	55,100

(1)Net Time Charter Rate per day (includes commissions)

(2)Estimated dates assuming earliest redelivery by charterers

(3)Generally, the Company may exercise its purchase options after three years of service.

Navios has options to purchase the 14 vessels in its long term charter fleet. During September, October and November, 2005, Navios gave notice, to the owners of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels at the option exercise price of approximately $20 million each. Notice of intent to exercise was given to the owner of the Navios Horizon, the sixth purchase option vessel, on November 15, 2005. At this time, Navios has executed all currently exercisable purchase options on its chartered-in fleet. Upon delivery of the six purchase option vessels, Navios will have twelve owned vessels in its fleet. The first of the option vessels, the Navios Meridian, was delivered to the company on November 30, 2005. The remaining five vessels will be delivered to Navios during the first half of 2006. The total acquisition cost of these six additional vessels is expected to be approximately $120 million. Navios believes that the market value of the six vessels exceeds $200 million. As a result, Navios expects to be able to finance 100% of the $120 million option price of the vessels with a new loan facility which will be secured by the vessels. Navios also 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 and, therefore, Navios's net cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to further exceed current assets. Navios has received an indicative offer dated, November 4, 2005, for financing the acquisition of the six purchase option vessels from a prospective lender and is in the process of negotiating a loan agreement.

Navios's policy has been to take a portfolio approach to managing risk. This policy led the Navios to time charter out to various shipping industry counterparties, considered by Navios to be superior credit risks, the 21 vessels that it is presently operating (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 unfavorable market corrections. In addition, Navios actively trades additional vessels taken in on shorter term charters of less than 12 months duration as well as Contracts of Affreightment (COA's) and Forward Freight Agreements (FFA's).

FFA's are swap agreements covering periods generally ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFA's are executed either over-the-counter, between parties, or through NOS ASA, a Norwegian clearing house. FFA's 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. At the end of each calendar quarter, the fair value of FFA's traded over-the-counter are determined from an index published in London, United Kingdom and the fair value of those FFA's traded with NOS ASA are determined from the NOS's valuation. FFA's are entered into with a view towards maximizing earnings and managing Navios's market exposure.

In 2004, this policy had the effect of generating Time Charter Equivalents (TCE's) 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 have the effect of generating higher TCE's than spot employment should the dry bulk market experience a downturn over the course of 2005 through 2006.

As of September 30, 2005, Navios's long term chartered-in a fleet had an average cost of $9,702 per day, significantly lower than the market revenue earning capacity of the vessels. The average cost per vessel was derived from the amount for long term hire as 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 FFA's. Furthermore, Navios has the ability to increase its owned fleet through in-the-money purchase options exercisable in the near future. Navios believes that existing cash flow generation should allow it access to available financing in the debt markets to exercise its purchase options.

Navios believes Asian demand for commodities 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 purchases by Asian countries, especially China, and India, combined with limited new dry bulk capacity, caused by constraints on available shipyard vessel construction berths and port congestion, should contribute to historically high freight rates for the foreseeable future compared to those that have prevailed for most of the last 30 years, albeit not necessarily at the highest levels reached in 2004.

Navios 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, the cost advantage of Navios's long term fleet, which is chartered-in at historically favorable fixed rates, would help to mitigate the impact of any short-term decline in freight rates. The reduced freight rate environment may 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.

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

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for the foreseeable future. Additionally, new longer haul trade routes have developed that Navios 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 it to be profitable at low rates.

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

Operating results for Navios's Uruguay port terminal are highly correlated to South American grain production and export, in particular Paraguayan, Uruguayan and Bolivian production and export. Navios believes that the continuing development of Uruguayan, Paraguayan and Bolivian 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 (COA's); (iii) monitoring the financial impact of corporate exposure from both physical and FFA transactions; (iv) monitoring market and counterparty credit risk limits; (v) adhering to risk management and operation policies and procedures; and (vi) requiring counterparty credit approvals.

Navios 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 long and short term chartered in vessels and controls approximately 1.9 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 chartered vessel (See separate table) 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. 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.
- Time Charter Equivalents rates (TCE's): TCE rates are defined as voyage and time charter revenues plus gains or losses on FFA's less voyage expenses during a period divided by the number of available days during the period. Navios includes the gains or losses on FFA's in

the determination of TCE rates as neither voyage and time charter revenues nor gains or losses on FFA's 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.

Voyage and Time Charter

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

- the duration of the charters;
- the level of spot market rates at the time of charter
- 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 and upgrades;
- the age, condition and specifications of the vessels; and
- the aggregate level of supply and demand in the dry bulk shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to long-term which may be many years. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue. Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. Vessel charter rates are affected by world economics, international events, weather conditions, strikes, governmental policies, supply and demand, and many other factors that might be beyond the control of management.

Consistent with industry practice, Navios uses time charter equivalent (TCE), revenue which consists of 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, as a method of analyzing fluctuations between financial periods and as a method of equating revenue generated from a voyage charter to time charter revenue. TCE revenue also serves as industry standard for measuring revenue and comparing results between geographical regions and among competitors.

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.

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 (COA's), and Forward Freight Agreements (FFA's)

Navios enhances vessel utilization and profitability through a mix of spot charters, time charters, COA's 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 COA's, 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 FFA's both as economic hedges in reducing market risk on specific vessels, freight commitments or the overall fleet and in order to increase or reduce the size of its exposure to the dry bulk shipping market.

In addition, Navios, through selecting COA's 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.

Contracts of Affreightment (COA) and Forward Freight Agreements (FFA)

Navios enters into COA's with major industrial end users of bulk products, primarily in the steel, energy and grain sectors. These contracts are entered into not only with a view to making profit but also as a means of maintaining relationships, obtaining market information and continuing a market presence in this market segment. Navios has adopted a strategy of entering into COA's 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 FFA's 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 FFA's, 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 the related transaction. However, at September 30, 2005 and 2004 and December 31, 2004 and 2003, none of the open FFA's qualified for hedge accounting, and, accordingly, all gains or losses from FFA's were recorded in the statement of operations. FFAs will continue to be so treated and, accordingly, may result in material fluctuations in the results of operations.

FFA's cover periods generally ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFA's 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 September 30, 2005 and 2004, Navios's restricted cash with NOS ASA was $1.3 million and $0 million, respectively. As of December 31, 2004, and December 31, 2003, Navios's restricted balance with NOS ASA was $2.8 million and $0, 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, Navios reviews operating results solely by revenue per day and operating results of the owned and chartered-in fleet and, thus, the Company has determined that it has two reportable segments, 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 segment information, please see the footnotes to the Consolidated Financial Statements.

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Recently Issued Accounting Pronouncements

In November 2005, the FASB issued Financial Staff Position (FSP) numbers 115-1 and 124-1 providing guidance for the application of FAS 115. This FSP addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. It also states that impairment of investments in debt securities must be assessed on an individual basis. Adoption of this interpretation is not expected to have a significant effect on Navios's statement of financial position or results of operations.

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 Navios'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 uncertaintity 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 Navios'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. Navios 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 Navios 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

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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 Navios'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 Navios'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 Navios's statement of financial position or results of operations.

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.

NASDAQ Listing:

On October 31, 2005, Navios received the approval of NASDAQ to list its securities on the NASDAQ National Market System. Navios's common stock, warrants and units commenced trading on the NASDAQ National Market System on November 3, 2005 under the symbols BULK, BULKW and BULKU, respectively.

For the combined three month period ended September 30, 2005 compared to the three months ended September 30, 2004

The following table presents combined revenue and expense information for the three months ended September 30, 2005. This information was derived from the unaudited consolidated revenue and expense accounts of Navios as predecessor for the period July 1 to August 25, 2005 and from the unaudited consolidated revenue and expense accounts of Navios as successor for the period August 26 to September 30, 2005. This combined revenue and expense information is being presented solely to assist comparisons across the three month financial period. The successor period for 2005 in the combined statement of operations includes the effect of fair value purchase accounting adjustments.

The successor and predecessor periods in the combined revenue and expense accounts are not comparable as the successor period revenue and expense accounts include increases to certain charges. The principle increases relate to amortization of intangible assets and increased depreciation, all of which arise as a result of recognizing an increase in the fair value of the assets and liabilities acquired from Navios, and increased interest charges arising as a consequence of additional indebtedness to finance the acquisition.

The combined information is a Non-US GAAP financial measure and should not be used in isolation or substitution of the Predecessor and Successor results.

	Successor August 26, 2005 To September 30, 2005	Predecessor July 1, 2005 To August 25, 2005	Combined Three Months Ended September 30, 2005	Predecessor Three Months Ended September 30, 2004
Revenue	$ 20,454	$ 31,304	$ 51,758	$ 78,211
Gain (loss) on FFA's	(898)	3,668	2,770	3,850
Time charter, voyage and port terminal expense	(10,179)	(15,873)	(26,052)	(48,177)
Direct vessel expense	(858)	(1,296)	(2,154)	(1,863)
General and administrative expense	(866)	(3,216)	(4,082)	(2,920)
Depreciation and amortization	(2,187)	(890)	(3,077)	(1,503)
Interest income	242	489	731	286
Interest expense	(3,170)	(687)	(3,857)	(909)
Other income	368	581	949	115
Other expense	(337)	(162)	(499)	(36)
Income before equity in net earnings of affiliates	2,569	13,918	16,487	27,054
Equity in net earnings of affiliated companies	128	148	276	266
Net income	$ 2,697	$ 14,066	$ 16,763	$ 27,320

Set forth below are selected historical and statistical data for Navios as predecessor (2004) and for the combined company (2005), that the Company believes may be useful in better understanding the Company's financial position and results of operations.

	Three months ended September 30, 2005	2004
FLEET DATA		
Available days*	2,075	2,996
Operating days	2,073	2,993
Fleet utilization	99.9%	99.9%
AVERAGE DAILY RESULTS		
Time Charter Equivalents (Including FFA'S)	$ 22,055	$ 24,520
Time Charter Equivalents (Excluding FFA's)	$ 20,720	$ 23,235

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*Navios has currently fixed out (i.e. arranged charters for) 65.7% of its 2006 available days.

During the quarter ended September 30, 2005, there were 921 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 its fleet's 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. The Company elected to defer replenishing the fleet in the period ended

September 30, 2005 because of the expectation of the availability of lower time charter-in rates in the future.

The average Time Charter Equivalent (TCE) rate for the quarter ended September 30, 2005 was $22,055, $2,465 per day less than the rate for the third quarter of 2004. This was primarily due to the drop in the average chartered-out rates and the decline in number of available days.

Revenue: Combined revenues of the predecessor and successor companies decreased to $51.8 million for the three months ended September 30, 2005 compared to the $78.2 million that the predecessor company recorded for the three months ended September 30, 2004. Navios earns revenue from both owned and chartered-in vessels, contracts of affreightment and the port terminal. Revenues

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from vessel operations decreased by approximately $26.5 million for the three months ended September 30, 2005 as a result of a reduction in the number of vessels operated by the Company during the respective periods. Total equivalent vessels employed decreased 30% from 33 equivalent vessels for the three months ended September 30, 2004 to 23 for the three months ended September 30, 2005. Revenues from the port terminal increased by $0.92 million to $2.7 million for the three months ended September 30, 2005 as compared to the three months ended September 30, 2004. Port terminal throughput volume increased approximately 5% to 0.66 million tons of agricultural and other products for the three months ended September 30, 2005 from 0.63 million tons for the three months ended September 30, 2004. Navios was able to increase throughput primarily because of an increase in the Uruguayan and Paraguayan soybean crops in 2005.

Gains and Losses on FFA’s: Income from FFA’s decreased by $1.1 million to a gain of $2.8 million during the three months ended September 30, 2005 as compared to the same quarter of last year. Navios records the change in the fair value of derivatives at each balance sheet date. None of the FFA’s qualified for hedge accounting treatment in the periods presented. Accordingly, changes in the fair value of FFA’s 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 FFA’s has, and can, cause 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 so Navios executed fewer trades in 2005 to reduce trading exposure. As an indicator of volatility, for the three months ended September 30, 2005 the Baltic Panamax time charter index increased 17% from $17,531 per day at July 1, 2005 to $20,555 by September 30, 2005. Comparable statistics for 2004 reflect an increase of 44% from $22,593 per day at July 1, 2004 to $32,549 per day at September 30, 2004. During the three months ended September 30, 2005 Navios completed 84 trades versus 111 trades for the same period in 2004.

Time Charter, Voyage and Port Terminal Expense: Time charter and voyage expenses decreased $22.1 million to $26.1 million for the three months ended September 30, 2005 as compared to $ 48.2 million for the three months ended September 30, 2004. The was primarily due to the decrease in equivalent vessels from 33 for the three months ended September 30, 2004 to 23 for the three months ended September 30, 2005. The average chartered-in rate also decreased from an average of $13,794 per day for the three months ended September 30, 2004 to $9,169 per day for the three months ended September 30, 2005.

Direct Vessel Expenses: Direct vessel expenses for operation of the owned fleet increased $0.3 million to $2.1 million for the three months ended September 30, 2005 as compared to $1.9 million for the three months ended

September 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 expense increased by $1.2 million from $2.9 million for the three months ended September 30, 2004 to $4.1 million for the three months ended September 30, 2005. This increase resulted primarily from the payment of $1.4 million in accordance with the terms and conditions of an employment agreement.

Depreciation and Amortization: Depreciation and amortization, which includes depreciation of the owned dry bulk fleet, are not comparable for the predecessor and successor companies. As a part of the acquisition of Navios by ISE, the dry bulk fleet was recorded at its fair market value on August 25, 2005. This new value will be depreciated over the remaining economic lives of the individual vessels. Amortization for the period from August 26, 2005 onward will include amortization of the intangible assets recorded on August 25, 2005 as a result of the acquisition of Navios by ISE, with the exception of vessel purchase options and goodwill which will not be amortized. See further discussion of Navios's amortization policy under Liquidity and Capital Resources.

Net Interest Expense and Income: Interest expense from August 26 onward is based on the $514.4 million in new debt incurred on August 25, 2005 ($492.5 million outstanding at September 30, 2005), the major portion of which was used to finance the acquisition by ISE. As a result, interest

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expense for the period from August 26 to September 30, 2005 is not comparable to periods prior to that date. (See Long Term Debt Obligations and Credit Arrangements discussed below) Net interest income increased $0.4 million to $0.7 million for the three months ended September 30, 2005 as compared to $0.3 million for the corresponding period in the prior year. This is attributable to higher average cash balances of $132.7 million in 2005 compare to $98.2 million in 2004, as well as a higher weighted average interest rate of 3.26% in 2005 compared to 1.35% in 2004.

Net Other Income: Other income increased by $0.8 million to $0.9 million for the three months ended September 30, 2005. This increase is mainly due to marked to market favorable gains realized on the interest rate swaps as the interest rates continue to increase on both the short and long term.

Net Other Expense: Other expense increased by $0.5 million to $0.5 million for the three months ended September 30, 2005. This change is mainly due to realized losses on the settlement of payables raised in other currencies.

For the combined nine month period ended September 30, 2005 compared to the nine months ended September 30, 2004

The following table presents combined revenue and expense information for the nine months ended September 30, 2005. This information was derived from the unaudited consolidated revenue and expense accounts of Navios as predecessor for the period January 1 to August 25, 2005 and from the unaudited consolidated revenue and expense account of Navios as successor for the period August 26 to September 30, 2005. This combined revenue and expense information is being presented solely to assist comparisons across the nine month financial period. The successor period for 2005 in the combined statement of operations includes the effect of fair value purchase accounting adjustments.

The successor and predecessor periods in the combined revenue and expense account are not comparable as the successor period revenue and expense accounts include increases to certain charges. The principle increases relate to amortization of intangible assets and increased depreciation, all of which arise as a result of recognizing an increase in the fair value of the assets and liabilities acquired from Navios, and increased interest charges arising as a consequence of additional indebtedness to finance the acquisition.

The combined information is a Non-US GAAP financial measure and should not be used in isolation or substitution of the Predecessor and Successor results.

	Successor August 26, 2005 To September 30, 2005	Predecessor January 1, 2005 To August 25, 2005	Combined Nine Months Ended September 30, 2005	Predecessor Nine Months Ended September 30, 2004
Revenue	$ 20,454	$ 158,630	$ 179,084	$ 216,274
Gain (loss) on FFA's	(898)	2,869	1,971	42,492
Time charter, voyage and port terminal expense	(10,179)	(91,806)	(101,985)	(141,494)
Direct vessel expense	(858)	(5,650)	(6,508)	(6,118)
General and administrative expense	(866)	(9,964)	(10,830)	(9,300)
Depreciation and amortization	(2,187)	(3,872)	(6,059)	(4,438)
Interest income	242	1,350	1,592	486
Interest expense	(3,170)	(1,677)	(4,847)	(2,549)
Other income	368	1,426	1,794	482
Other expense	(337)	(757)	(1,094)	(532)
Income before equity in net earnings of affiliates	2,569	50,549	53,118	95,303
Equity in net earnings of affiliated companies	128	788	916	613
Net income	$ 2,697	$ 51,337	$ 54,034	$ 95,916

Set forth below are selected historical and statistical data for Navios as predecessor (2004) and for the combined company (2005), that Navios believes may be useful in better understanding Navios's financial position and results of operations.

	Nine months ended September 30, 2005	2004
FLEET DATA		
Available days*	6,886	9,358

Operating days		6,857		9,342
Fleet utilization		99.6%		99.8%
AVERAGE DAILY RESULTS				
Time Charter Equivalents (Including FFA's)	$	23,421	$	25,687
Time Charter Equivalents (Excluding FFA's)	$	23,135	$	21,146

*Navios has currently fixed out 59.6 % of its 2006 available days.

During the nine months ended September 30, 2005, there were 2,472 fewer 'available days' than for the comparable period 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. Navios elected to defer replacing vessels chartered-in for periods of less than twelve months during the nine months ended September 30, 2005 because of the expectation of the availability of lower time charter-in rates in the future.

The average Time Charter Equivalent (TCE) rate was $2,266 per day lower for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004, primarily because of the reduced contribution from gains from FFA's. Gains from FFA's were down $4,255 per day from $4,541 per day in the period ended September 30, 2004 to a gain of $286 dollars per day in the period ended September 30, 2005. Navios recognizes the change in fair value of derivatives at each balance sheet date through the statement of operations. Earnings, primarily from physical time charter-out activity, increased by $1,989 per day partially offsetting reduced FFA gains, for year to date September 30, 2005. Improved time charter-out earnings for the nine months ended September 30, 2005 was partly due to the fact that vessels that were chartered-out during 2003 and earlier, redelivered back to Navios during 2004 and were time chartered-out at significantly higher revenue rates.

Revenue: Combined revenues of the predecessor and successor companies decreased by $37.2 million to $179.1 million for the nine months ended September 30, 2005 compared to the nine months ended September 30, 2004. Navios earns revenue from both owned and chartered-in vessels, contracts of affreightment. This decrease is principally attributable to a reduction in the number of vessels operated by Navios during the respective periods. Total vessel days employed decreased from 34 equivalent vessels for the nine months ended September 30, 2004 to 25 for the nine months ended September 30, 2005. Revenues from the port terminal increased by $0.3 million to $6.9 million for the nine months ended September 30, 2005 as compared to $6.6 million for the nine months ended September 30, 2004. Terminal throughput volume of 1.7 million tons of agricultural and other products remained unchanged for the nine months ended September 30, 2005 as compared to the nine months ended September 30, 2004.

Gains and Losses on FFA's: Income from FFA's decreased by $40.5 million to a gain of $2.0 million during the nine months ended September 30, 2005 as compared to a gain of $42.5million during the nine months ended September 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 FFA's 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 FFA's has, and can cause, significant volatility in earnings. The extent of the impact on earnings is dependent on two factors: market conditions and The Company's net position in the market.

Market conditions were volatile in both periods but Navios executed fewer trades in 2005 to reduce trading exposure. As an indicator of volatility, for the nine months ended September 30, 2005 the Baltic Panamax time charter index decreased 47% from $34,227 per day at the beginning of January 2005 to $20,555 by September 30, 2005. Comparable statistics for 2004 were 12% from $36,784 to $32,549 per day respectively. During the nine months ended September 30, 2005 Navios completed 171 trades versus 261 trades for the period in 2004.

Time Charter, Voyage Expense and Port Terminal Expense: Time charter and voyage expenses decreased $39.5 million to $102.0 million for the nine months ended September 30, 2005 as compared to $141.5 million for the nine months ended September 30, 2004. This resulted from the decrease in the average chartered-in rate from $13,589 per day for the nine months ended September 30, 2004 to $12,511 per day for the nine months ended September 30, 2005. Also contributing to the decrease was the decline in the number of equivalent vessels from 34 for the nine months ended September 30, 2004 to 25 for the nine months ended September 30, 2004. Direct costs from the port terminal increased $0.4 million to $3.0 million for the nine months ended September 30, 2005, compared to $2.6 million for the nine months ended September 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 $0.4 million to $6.5 million for the nine months ended September 30, 2005 as compared to $6.1 million for the nine months ended September 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 expense increased by $1.5 million from $9.3 million for the nine months ended September 30, 2004 to $10.8 million for the nine months ended September 30, 2005. This increase resulted primarily from the payment of $1.4 million in accordance with the terms and conditions of an employment agreement as well as from the payment of $2.2 million for professional fees and expenses incurred in relation to the agreed sale of Navios’s stock to ISE. The increased cost was partially offset by reduced amounts for severance cost of $0.1 million, salary and bonus $0.8 million, professional and legal fees of $0.7 million (there were one time costs in 2004) and $0.3 million cost of the Navios 50^{th} 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, are not comparable for the predecessor and successor companies. As a part of the acquisition of Navios by ISE, the dry bulk fleet was written up to its fair market value on August 25, 2005. This new value will be depreciated over the remaining economic lives of the individual vessels. Amortization for the period from August 26, 2005 onward will include amortization of the intangible assets recorded on August 25, 2005 as a result of the acquisition of Navios by ISE, with the exception of vessel purchase options and goodwill which will not be amortized. See further discussion of Navios's amortization policy under Liquidity and Capital Reserves.

Net Interest Expense and Income: Interest expense from August 26 onward is based on the $514.4 million in new debt incurred on August 25, 2005 ($492.5 million outstanding at September 30, 2005), the major portion of which was used to finance the acquisition by ISE. As a result, interest expense for the period from August 26 to September 30, 2005 is not comparable to periods prior to that date. (See Long Term Debt Obligations and Credit Arrangements discussed below) Net interest income increased $1.1 million to $1.6 million for the nine months ended September 30, 2005 as compared to $0.5 million for the corresponding period in the prior year. This is attributable to higher average cash balances of $93.5 million in 2005 compare to $64.8 million in 2004, as well as a higher weighted average interest rate of 2.9% in 2005 compared to 1.17% in 2004.

Other Income: Other income increased by $1.3 million to $0.9 million for the nine months ended September 30, 2005. This increase is mainly due to marked to market favorable gains realized on the interest rate swaps as the interest rates continue to increase on both the short and long term.

Other Expense: Other expense increased by $0.6 million to $0.9 million for the nine months ended September 30, 2005. This change is mainly due to realized losses on the settlement of payables raised in other currencies.

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 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%

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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 assumed in the acquisition / reincorporation, will be sufficient to fund the operations of the fleet and the port terminal, including working capital requirements. However, See ''Exercise of Vessel Purchase Options'', ''Working Capital Position'' and ''Long Term Debt Obligations and Credit Arrangements'' for further discussion of Navios's working capital position.

The following table presents combined cash flow information for the nine months ended September 30, 2005. This information was derived from the unaudited consolidated statements of cash flows of Navios as predecessor for the period January 1 to August 25, 2005 and from the unaudited consolidated statements of cash flows of Navios as successor for the period August 26 to September 30, 2005. This combined cash flow information is being presented solely to assist comparisons across the nine month financial periods.

	Successor August 26, 2005 To September 30, 2005 (Unaudited)	Predecessor January 1, 2005 To August 25, 2005 (Unaudited)	Combined Nine Months Ended September 30, 2005 (Unaudited)	Predecessor January 1, 2004 To September 30, 2004 (Unaudited)
Net cash (used in) provided by operating activities	(528)	71,945	71,417	112,726
Net cash (used in) investing activities	(1,883)	(4,264)	(6,147)	(3,475)
Net cash provided by (used in) financing activities	71,767	(50,506)	21,261	(29,059)
Increase in cash and cash equivalents	69,356	17,175	86,531	80,132
Cash and cash equivalents, beginning of the period	63,933	46,758	46,758	26,450
Cash and cash equivalents, end of period	$ 133,289	$ 63,933	133,289	$ 106,582

Cash provided by operating activities for the combined nine months ended September 30, 2005 as compared to the nine months ended September 30, 2004:

Net cash provided by operating activities decreased by $41.3 million to $71.4 million for the nine- months ended September 30, 2005 as compared to $112.7 million for the nine-months ended September 30, 2004. The decrease resulted primarily from lower net income in the nine-months ended September 30, 2005. In determining net cash provided by operating activities, net income is adjusted for the effects of certain non-cash items including depreciation and amortization and unrealized gains and losses on derivatives. Depreciation and amortization, which includes depreciation of the owned dry bulk fleet, is not comparable for the predecessor and successor companies. As a part of the acquisition of Navios by ISE, the dry bulk fleet, the assets at the Company's port terminal and intangible assets were written up to fair market value on August 25, 2005. These new values will be depreciated over the remaining economic lives of the individual vessels and assets.

Forward Freight Agreements (FFA's) settle on the last working day of each month. Although all outstanding FFA's were marked to market on August 25, 2005, there was no settlement on that date and, therefore, no transfer to accounts receivable or accounts payable. The volume of FFA derivative trades were curtailed during the first nine months of during 2005 based on a strategic management decision to minimize the open positions to curtail the level of volatility prior to the culmination of the acquisition of Navios by International Shipping Enterprises. The volume of open trades at September 30, 2005 was substantially lower than at December 31, 2004. A large component of the $47.1 million marked to market value recorded at December 31, 2004 settled monthly during the nine months ended September 30, 2005. This resulted in the reversals of the unrealized gains as of December 31, 2004 being greater than the September 30, 2005 marked to market net asset being recorded.

Accounts payable balance decreased $6.4 million from $14.9 million to $8.5 million for the combined nine months ended September 30, 2005. The primary reason for the decrease was a change in the amount due to FFA trading partners, which decreased by $6.4 million, as a result of the decreased number of trades at September 30, 2005 as compared to December 31, 2004. The corresponding liability resulting from the marked to market valuation related to the FFA derivatives at August 25, 2005, is included in the short term derivative liability on the balance sheet.

With the acquisition of Navios by ISE on August 25, 2005 and the down stream merger which took place on the same day, ISE contributed an accounts payable balance of $10.5 million (mainly acquisition costs). During the 36-day period ended September 30, 2005, the majority of theses ISE payables were settled.

The accounts payable balance at September 30, 2004 compared to December 31, 2003, decreased by $ 4.1 million. This decrease is mainly attributable to a $3.4 million drop in the FFA payables component included in the payables, from $10.9 at December 31, 2003 to $7.4 million at September 30, 2004.

Accrued expenses increased $1.3 million to $8.4 million at September 30, 2005 from $7.1 million in December of 2004. The main reason for the increase is a $1.4 million accrual raised for the payment in accordance with an employment agreement as a result of the change in control of the Company, and a $1.1 million accrual for establishing a restructuring reserve. This increase was

partially offset by the decrease in the accrual of $0.7 million related to the cash settlement on a long standing litigation regarding the formerly chartered in vessel, 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 September 2005. Estimated losses on voyages are provided for in full at the time such losses become evident.

Derivative accounts decreased $5.1 million between the two comparative nine month periods. There are two components attributable to this movement, payments made on Interest Rate Swaps and FFA trading on the NOS exchange.

With the acquisition of Navios by ISE on August 25, 2005 and the down stream merger which took place on the same day, ISE contributed an accrued expenses balance of $2.3 million. This balance reduced by $0.7 million during the last 36 day period ending September 30, 2005.

Payments on interest rate swaps totaled $1.1 for the nine months ended September 30, 2005 compared to $1.6 million during the nine months ended September 30, 2004 . Two factors caused this change. First, interest rates on average were lower during 2004 and the liability exposure was consequently greater in terms of the swap arrangements 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.

Although the market rates were favorable in term of the Navios portfolio at September 30, 2004, new trades being negotiated through NOS required additional margin deposits. Navios was called upon to increase the amount of funds on call to $3.2 million while the portfolio was showing a gain of $3.6 of which $2.8 was an unrealized. 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 September 30, 2005 the market rates had started to decline and although Navios did fewer trades through NOS during 2005, Navios was still called upon to increase the amount of funds on call to $2.9 million while the portfolio was showing a loss of $0.5 of which $0.8 was an unrealized. This resulted in a $2.7 million movement in the unrealized component of the portfolio, from a $1.9 million gain to a $0.8 million loss.

Navios started trading FFA's through the NOS exchange in April of 2004, so the volume of trades for the first nine months of 2004 compared to 2005 was lower. NOS, as an exchange, has the right to call on its participants to post call margins depending on the marked to market status of the portfolio.

Cash provided by (used in) investing activities for the combined nine months ended September 30, 2005 as compared to nine months ended September 30, 2004:

The Company has made a $1.8 million deposit in connection with the acquisition of the first of the purchase option vessels, which was delivered on November 30, 2005.

Purchase of property and equipment represent, in most part, the amounts paid by Navios in accordance with the terms of the purchase agreement for the construction of the new horizontal silo with ancillary equipment during 2005.

Cash provided by (used in) financing activities for the combined nine months ended September 30, 2005 as compared to nine months ended of 2004:

On August 18, 2005, the Company closed out its then existing credit agreement and repaid the $49.8 outstanding on that date. This prepayment was made using available funds and no penalties were incurred. During the period August 26 to September 30, 2005, the first scheduled principal payment of $21.8 million was made on the new credit agreement.

The $102.3 million cash received from the downstream merger is the cash of ISE at the point of its August 25, 2005 merger with and into Navios.

During 2004, Navios redeemed all of its mandatorily redeemable preferred stock for $15.2 million. There was no outstanding preferred stock as of September 30, 2004. Furthermore, in 2004 Navios redeemed $9.0 million of common stock.

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 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 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 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.

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 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.

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 should not be considered in isolation or as a substitute for analysis of Navios's results as reported under US 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 $6.3 million to $23.5 million for the three months ended September 30, 2005 compared to $29.8 million for the three months ended September 30, 2004. The major contibutor to this lower EBITDA was the reduction of the operating days which decreased from 2,993 days during the three months ended September 30, 2004 down to 2,073 days for the same period in 2005 as vessels redelivered back to head owners and were not replaced with new charters. Revenue dropped by $26.4 million down to $51.8 during the three months ended September 30, 2005 while time charter, voyage and port terminal expenses decreased by $22.1 million down to $26.1 million during the three months ended September 30, 2005 which favorably impacted EBITDA.

EBITDA decreased by $39.0 million, to $64.0 million for the nine months ended September 30, 2005 compared to $103.0 million for the nine months ended September 30, 2004. This $40.5 million decrease is primarily due to the substantially lower FFA net gain of $2.0 reported during the first nine months of 2005 compared to a $42.5 million net gain during the first nine months of 2004. In addition, EBITDA was negatively impacted by reduction of the operating days which decreased from 9,342 days during the nine months ended September 30, 2004 down to 6,857 days for the same period in 2005 as vessels redelivered back to head owners and were not replaced with new charters.

EBITDA increased by $66.3 million, or 94.2%, to $136.7 million for 2004, compared to $70.4 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.

Long Term Debt Obligations and Credit Arrangements: On August 18, 2005, prior to the closing of the acquisition of Navios by ISE, all amounts outstanding under the predecessor Navios loan facility, in the approximate amount of $49.8 million, were paid in full using available predecessor Navios funds. No prepayment penalties were incurred as a result of the payment and termination of this credit facility.

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 and the balance for general working capital requirements. The interest rate under the facility, depending on the tranche 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, Navios's Chairman and Chief Executive Officer, beneficially owns less than 20% of the issued stock or does not remain actively involved in the operating business.

Contractual Obligations as at September 30, 2005 (Successor):

Payment due by period ($ in millions)

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 (i)(ii)	492.5	175.5	137.3	105.5	74.2
Operating Lease Obligations (Time Charters) (ii)	239.1	13.0	98.5	67.9	59.7
Rent Obligations (iii)	2.8	0.4	0.8	0.9	0.7

(i) 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 is 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.

(ii) As further discussed in the following paragraph, Exercise of Vessel Purchase Options, Navios has given notice of its intention to purchase six vessels. 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 Navios 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.

(iii) At the time of the August 25, 2005 acquisition, ISE's senior management anticipated implementing a strategic post-acquisition plan for the relocation of Navios offices in the United States from South Norwalk, Connecticut to New York City and of its existing offices in Piraeus, Greece to larger offices in Piraeus to house Navios's headquarters. Management has commissioned an internal task force to implement this plan. This will include the cost of lease terminations, the write off of leasehold improvements at the offices vacated and severance. This plan will be implemented during the first half of 2006. A provision for $1,070 has been included in the accompanying financial statements. The effect of these moves on future rental obligations has not yet been determined and, therefore, has not been reflected in this table.

Contractual Obligations as at December 31, 2004 (Predecessor)

	(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 (i)	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 (ii)	3.0	3.0	—	—	—
Rent Obligations	2.8	0.4	0.8	0.9	0.7

(i) All of the Predecessor'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.

(ii) 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.

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
Navios Horizon	Ultra-Handymax	2001	50,346
Navios Arc	Ultra-Handymax	2003	53,514

Navios has options to purchase the 14 vessels in its long term charter fleet. During September, October and November, 2005, Navios gave notice, to the owners of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels at the option exercise price of approximately $20 million each. Notice of intent to exercise was given to the owner of the Navios Horizon, the sixth purchase option vessel, on November 15, 2005. At this time, Navios has executed all currently exercisable purchase options on its chartered-in fleet. Upon delivery of the six purchase option vessels, Navios will have twelve owned vessels in its fleet. The first of the option vessels, the Navios Meridian, was delivered to the company on November 30, 2005. The remaining five vessels will be delivered to Navios during the first half of 2006. The total acquisition cost of these six additional vessels is expected to be approximately $120 million. Navios believes that the market value of the six vessels exceeds $200 million. As a result, Navios expects to be able to finance 100% of the $120 million option price of the vessels with a new loan facility which will be secured by the vessels. Navios also 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 and, therefore, Navios's net cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to further exceed current assets. Navios has received an indicative offer dated, November 4, 2005, for financing the acquisition of the six purchase option vessels from a prospective lender and is in the process of negotiating a loan agreement.

Working Capital Position: As required by the terms of the new senior credit facility, $21.9 million was repaid on September 26, 2005. An additional $105.0 million is due before the end of December, 2005 and $94 million is due during 2006. On September 30, 2005, Navios's current assets totaled $199.1 million, while current liabilities totaled $229.6 million, resulting in a negative working capital position of $29.4 million. On September 30, 2005, Navios had sufficient cash to make the $105.0 million in principal payments due during the balance of 2005. Navios's cash forecast indicates that it will generate sufficient cash during the balance of 2005 and all of 2006 to make the required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position during the remainder of 2005 and throughout 2006.

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

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 in excess of certain amounts or if certain covenants are not met. (See also Long Term Debt Obligations and Credit Arrangements on page 47.) However, subject to the approval of lenders, Navios's directors may from time to time consider the payment of dividends and has indicated its intention to declare a quarterly cash dividend of $0.0666 per common share in respect of the fourth quarter of 2005 subject to, among other things, finalizing the financing for vessels being acquired.

Concentration of Credit Risk: There were no counterparties who accounted for more than 10% of Navios's counterparty risk during the nine months ended September 30, 2005 or during the nine months ended September 30, 2004.

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 chartered-in vessels are treated as operating leases for accounting purposes. Navios is also committed to making rental payments under operating leases for its office premises. With the exception of payments made during the first nine months of 2005, future minimum rental payments under Navios's non-cancelable operating leases are unchanged from the amounts disclosed in Navios's 2004 Consolidated Financial Statements. As of September 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 September 30, 2005, as compared to $0 at September 30, 2004, pursuant to which Navios irrevocably and unconditionally guarantees its subsidiaries obligations under the dry bulk shipping FFA’s. The guarantees remain in effect for a period of 6 months following the last trade date, which was September 29, 2005.

Related Party Transactions: Prior to the acquisition and reincorporation of ISE on August 25, 2005, an initial stockholder of ISE, Inc. (who became an officer and principal shareholder of Navios) advanced a total of $8.6 million to ISE in the form of non-interest bearing loans. These funds were used to pay costs related to the acquisition and were repaid by Navios following completion of the August 25, 2005 transaction.

As at September 30, 2005, Navios has a $1.3 million receivable from its selling shareholders based on a targeted EBITDA calculation required by the agreement and on a negotiated settlement of certain other matters. This receivable is secured by $4 million of the purchase price which was escrowed by the selling shareholder to cover such contingencies.

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 FFA’s (for charter rate risk).

Interest Rate Risk:

Debt Instruments – On September 30, 2005 and December 31, 2004, Navios had a total of $492.5 million and $50.5 million, respectively, in long term indebtedness. The debt is dollar denominated and bears interest at a floating rate. All outstanding debt of the predecessor company was repaid on August 18, 2005. A 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 and $21.9 million was repaid prior to September 30, 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 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. A change in the LIBOR rate of 100 basis points would change interest expense for 2004 and the nine months ended September 30, 2005 by $960 and $655, respectively.

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

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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 September 30, 2005, 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 $47.0 million. The swaps were entered into at various points in 2001 and mature in 2006 and 2010 in the respective amounts of $24.4 million and $22.6 million. Navios estimates that it would have to pay $1.5 million and $3.1 million to terminate these agreements as of September 30, 2005 and 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 $0.9 million per year as of September 30, 2005. 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 enters into short term forward exchange contracts. These contracts hedge against the fluctuations of the Euro against the US Dollar. Navios has not entered into any new Foreign Exchange Currency contracts since March 28, 2005. During the period January 1, 2005 to March 28, 2005, Navios purchased €3,000 at an average rate of 1.30 with a sales value of $3,923. During the nine months ended September 30, 2004, Navios purchased €3,000 at an average rate of 1.23 with a sales value of $3,699. A one percent change in the exchange rate of the Euro, on open foreign exchange contracts totaling €1,000 at September 30, 2005, would increase or decrease net income by less than $0.1 million. Certain of the Company expenses are paid in foreign currencies and a one percent change in the exchange rates of the various currencies at September 30, 2005, would increase or decrease net income by less than $0.1 million.

FFA Derivative Risk:

Forward Freight Agreements (FFA's) – Navios enters into FFA's 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 FFA's, 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 nine months ended September 30, 2005 and 2004, none of the FFA's qualified for hedge accounting and, accordingly, all gains or losses from FFA's have been recorded in the statement of operations for such periods. It is anticipated that FFA's will continue to be so treated, and, accordingly, may result in material fluctuation in results from operations.

FFA’s generally cover periods ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFA’s are executed either over-the-counter, between two parties, or through NOS ASA, a Norwegian clearing house. FFA’s 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 September 30, 2005 and December 31, 2004, Navios's restricted cash with NOS ASA was $1.3 million and $2.8 million, respectively.

Navios is exposed to market risk in relation to its FFA’s and could suffer substantial losses from these activities in the event expectations are incorrect. Navios trades FFA’s with an objective of both economically hedging the risk on the fleet, specific vessels or freight commitments and taking advantage of short term fluctuations in market prices. The total principal amount of open FFA’s at December 31, 2004 was approximately $1.8 million. A ten percent change in underlying freight market indices would increase or decrease net income by $1.0 million as of September 30, 2005.

BUSINESS INFORMATION ABOUT NAVIOS

Introduction

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 and, more recently, acquired 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 29 vessels, aggregating approximately 1.9 million deadweight tons or dwt. Navios owns seven modern Ultra-Handymax (50,000-55,000 dwt) vessels and operates 22 Panamax (70,000-83,000 dwt) and Ultra-Handymax vessels under long-term time charters, 14 of which are currently in operation, with the remaining seven scheduled for delivery at various times over the next three years. Navios has options, many of which are ‘‘in the money,’’ to acquire 14 (including five already exercised) of the 22 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 also owns and operates the largest bulk transfer and storage facility in Uruguay. While a relatively small portion of Navios’s overall enterprise, management believes that this terminal is a stable business with strong growth and integration prospects.

The International Dry Bulk Shipping Industry

Industry Overview

The marine industry provides the only practicable and cost-effective means of transporting large volumes of basic commodities and finished products over long distances. In 2004, approximately 2.5 billion tons of dry bulk cargo was transported by sea, comprising more than one-third of all international seaborne trade. The breakdown of all seaborne trade by main commodity type is shown below.

World Seaborne Trade 2004

	Tons (Million)	% Total
All Cargo		
Dry Bulk	2,543	39.1%
Liquid (Oils/Gases/Chemicals	2,520	38.8%
Container Cargo	928	14.3%
Non-Container General Cargo	510	7.8%
Total	6,501	100%
Trade in Drybulk Commodities Only		
Coal	650	10.0%
Iron Ore	587	9.0%
Grain	248	3.8%
Minor Bulks	1,057	16.3%
Total	2,543	39.1%

Source: Drewry

Dry bulk cargoes consist primarily of the major and minor bulk commodities. The following is an overview, categorized by cargo type, of the primary trade routes and principal vessel sizes used for shipments of the major (coal, iron, ore and grain) and minor bulk cargoes:

- Coal. There are two principal types of coal: steam (or thermal) coal and coking (or

metallurgical) coal. The main exporters of coal are Australia, South Africa, Indonesia, United States, Colombia, Canada, and China. The main importers of coal are Europe, Japan, South Korea, Taiwan, China, India, and the Middle East. The coking coal market is closely linked to demand from integrated steel makers who use coking coal in blast furnaces to make pig iron which, in turn, is converted into steel. Steam coal is mainly used in the production of electricity, and the transportation of steam coal is the backbone of the Capesize and Panamax markets. Increases in steam coal demand have been significant, as both developed and developing nations require increasing amounts of electric power.
- Iron Ore. Until the start of the 1990s, when it was overtaken by the combined steam and coking coal sectors, iron ore was the largest dry bulk trade. It remains, however, the primary employer of the largest ships in the dry bulk fleet. Used principally as the primary raw material in steel making, iron ore imports are dominated by Europe, Japan, China, South Korea, and the United States. The primary exporters of iron ore are Brazil, Australia and India. Other significant exporters include Canada, Sweden, South Africa, Venezuela, Mauritania, Peru and Chile.
- Grain. The principal exporters of grain are Canada, United States, Europe, Australia, and South America. The principal importers are Japan, South Korea, China, South East Asia, the Middle East, North Africa, and Europe. Grain production is subject to both growing conditions and natural disasters which affect crop yields and demand patterns.
- Minor Bulk Cargoes. Minor bulk cargoes include steel products, forest products, agricultural products, bauxite and alumina, phosphates, petcoke, cement, sugar, salt, minerals, scrap metal, and pig iron. Minor dry bulk cargoes are not a major component of Capesize or Panamax carrier demand, although Panamax vessels also transport cargoes such as bauxite, phosphate rock, sulphur, some fertilizers, various other ores and minerals and a few agribulks.

Demand for Dry Bulk Vessels

The dry bulk trade is influenced by the underlying demand for the dry bulk commodities which, in turn, is influenced by the level of worldwide economic activity. Generally, growth in gross domestic product, or GDP, and industrial production correlate with peaks in demand for seaborne transportation. The following chart demonstrates a steady increase in world dry cargo trade over the last two decades, with an average increase of 4% over the last five years:

Source: Drewry

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Moreover, the dry bulk shipping market over the last two years has displayed strong industry fundamentals, driven primarily by:

- Economic growth and urbanization in China, Brazil, India, and the Far East, with attendant increases in steel production, power generation, and grain consumption, leading to greater demand for dry bulk shipping;
- Inefficient transportation bottlenecks due to long term under-investment in global transportation infrastructure and high demand for dry bulk commodities; and
- Limited capacity of shipyards due to the orderbook for tankers and container ships, restricting future deliveries of dry bulk newbuildings..

Historically, certain economies have acted from time to time as the ‘‘locomotive’’ of the dry bulk carrier market. In the 1990s, Japan acted as the locomotive with demand for seaborne trade correlating with Japanese industrial production. Currently, China is the main driving force behind the increase in seaborne dry bulk trades and the demand for dry bulk carriers. Chinese imports of coal, iron ore, and, more recently, steel products (China used to be an exporter but, due to its own high demand, now needs to import steel products) have also increased sharply in the last five years, thereby creating additional demand for dry bulk carriers. Management expects India, with its large population, economic growth and urbanization to sustain this trend of greater demand for dry bulk shipping.

Globally, total seaborne trade in all dry bulk commodities increased from 1.97 billion tons to 2.54 billion tons, representing an increase of 29.2%, as shown by the following chart:

Seaborne Drybulk Trade (Million Tons)

Year	Iron Ore	Steam Coal	Coking Coal	Grains	Major Bulks	Minor Bulks	Total	% Change
1999	431	309	173	220	1,133	835	1,968	1.1
2000	454	344	179	230	1,207	901	2,108	7.2
2001	452	384	181	234	1,251	890	2,142	1.6
2002	484	386	184	245	1,299	920	2,219	3.6
2003	524	430	189	240	1,383	957	2,340	5.5
2004	587	454	196	248	1,485	1,057	2,543	8.7

Source: Drewry

Another industry measure of vessel demand is ton-miles, which is calculated by multiplying the volume of cargo moved on each route by the distance of such voyage. Between 1999 and 2004, ton-mile demand in the dry bulk sector increased by 25%, to 11,511 billion ton-miles.

Ton-Mile Demand

Year	Billion Ton Miles	% Change
1999	9.204	0.8
2000	9.824	6.7
2001	9.958	1.4
2002	10.226	2.7
2003	10.804	5.7
2004	11,511	6.5

Source: Drewry

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Supply of Dry Bulk Vessels

The global dry bulk carrier fleet is divided into four categories, based on a vessel's carrying capacity. These categories consist of:

- Capesize. These vessels, which are over 80,000 dwt, are the largest size of dry bulk carriers. Capesize vessels typically carry relatively low value cargoes for which large cargo lot sizes are of primary importance. Consequently, Capesize vessels are mainly used to transport iron ore or coal and, to a lesser extent, grains, primarily on long-haul routes. These vessels are not capable of traversing the Panama Canal due to their size and, therefore, lack the flexibility of smaller vessels.
- Panamax. These vessels range in size from 50,000 to 80,000 dwt and are designed with the maximum width that will allow them to travel fully-loaded through the Panama Canal. They are also often engaged in many major international trade routes that do not involve transit through the Panama Canal. Panamax bulk carriers are mainly used to transport major bulk cargoes, such as coal and grain and, to a lesser degree, iron ore, as well as a number of minor bulk cargoes, such as bauxite, petroleum coke, some fertilizers and fertilizer raw materials, and various minerals.
- Handymax and Ultra-Handymax. Vessels in this category range in size from 30,000 to 55,000 dwt and are often equipped with cargo loading and unloading gear, such as cranes, which makes them well suited to call at ports that either are not equipped with gear for loading or discharging of cargo or have draft restrictions. These vessels can trade on worldwide routes carrying mainly grains and minor bulk cargoes.
- Handysize. Vessels in this sector are the smallest (under 30,000 dwt) and carry finished products and minor bulk cargoes, although, increasingly, vessels in this sector are now more limited to trading regionally and in coastal waters.

The supply of dry bulk shipping capacity, measured by the amount of suitable vessel tonnage available to carry cargo, is determined by the size of the existing worldwide dry bulk fleet, the number of new vessels on order, the scrapping of older vessels, and the number of vessels out of active service (i.e., laid up or otherwise not available for hire). In addition to prevailing and anticipated freight rates, factors that affect the rate of newbuilding, scrapping, and laying-up include newbuilding prices, second-hand vessel values in relation to scrap prices, costs of bunkers and other voyage expenses, costs associated with classification society surveys, normal maintenance and insurance coverage, the efficiency and age profile of the existing fleets in the market, and government and industry regulation of maritime transportation practices.

The supply of dry bulk vessels is not only a result of the number of ships in service, but also the operating efficiency of the fleet. For example, during times of very heavy commodity demand, bottlenecks develop in the form of port congestion, which absorbs fleet capacity through delays in loading and discharging of cargo. A particularly extreme example occurred during the steam coal demand boom in 1980, when enormous queues developed at the main coal loading ports in the United States and Australia. A similar situation developed in the second half of 2003, when port delays in Australia and China were estimated to have reduced fleet supply by at least 10%.

As of September 30, 2005, the world's dry bulk fleet totaled 6,136 vessels, aggregating approximately 339.9 million dwt. The average age of the fleet is approximately 16 years. 41% of the world dry bulk fleet is over 20 years old, while the orderbook for newbuildings represents 20% of the existing world dry bulk fleet, as shown in the following chart:

The Dry Bulk Carrier Fleet — September 30, 2005

	Fleet Profile			Ships Older Than 20 Years of Age			Orderbook		
	No. of Ships	Dwt Million	% of Fleet	No. of Ships	% of Class	Scrap Age(1)	No. of Ships	Dwt Million	% of Class
Capesize	637	107.0	31.5	65	10.2	27	137	27.1	25.3
Panamax	1,280	92.1	27.1	310	24.2	24	289	23.0	24.9
Handymax	2,291	97.1	28.6	937	40.9	26	339	16.3	16.8
Handysize	1,928	43.7	12.9	1,174	60.9	28	82	1.8	4.1
Total	6,136	339.9	100.0	2,541	41.4	26	847	68.1	20.0

(1) Average vessel age at scrapping [1999-2004]
Source: Drewry

The level of scrapping activity is generally a function of scrapping prices in relation to current and prospective charter market conditions, as well as operating, repair and survey costs. The following table illustrates the scrapping rates of dry bulk carriers for the periods indicated.

	1999	2000	2001	2002	2003	2004
Dry Bulk Carrier Scrapping:						
Capesize						
No. of vessels	13	4	3	8	2	1
Dwt (in millions)	1.2	0.5	0.4	0.9	0.3	0.1

% of fleet scrapped	1.5	0.6	0.5	1.0	0.3	0.1
Panamax						
No. of vessels	45	11	28	18	7	1
Dwt (in millions)	3	0.7	1.9	1.2	0.5	0.1
% of fleet scrapped	4.1	1.0	2.5	1.5	0.6	0.11
Handymax						
No. of vessels	53	40	40	25	29	0
Dwt (in millions)	2.2	1.5	1.5	0.9	1.1	0
% of fleet scrapped	3.1	2.0	1.9	1.1	1.3	0.0
Handysize						
No. of vessels	66	50	62	64	25	5
Dwt (in millions)	1.5	1.2	1.4	1.6	0.6	0.1
% of fleet scrapped	3.2	2.6	3.2	3.7	1.4	0.3
Total						
No. of vessels	177	105	123	115	63	7
Dwt (in millions)	8.3	3.8	5.2	4.7	2.4	0.3
% of fleet scrapped	3.1	1.4	1.8	1.6	0.8	0.1

Source: Drewry

The average age at which a vessel is scrapped over the last five years has been 26 years.

Charter Market

Dry bulk carriers are employed in the market through a number of different chartering options. The general terms typically found in these types of contracts are described below.

- Bareboat Charter. A bareboat charter involves the use of a vessel usually over longer periods of time ranging over several years. In this case, all voyage related costs, mainly vessel fuel and port dues, as well as all vessel-operating expenses, such as day-today operations, maintenance, crewing, and insurance, are for the charterer's account. The owner of the vessel receives monthly charter hire payments on a U.S. Dollar per diem basis and is responsible only for the payment of capital costs related to the vessel.
- Time Charter. A time charter involves the use of the vessel, either for a number of months or years or for a trip between specific delivery and redelivery positions, known as a trip charter. The charterer pays all voyage-related costs. The owner of the vessel receives semi-monthly charter hire payments on a U.S. Dollar per diem basis and is responsible for the payment of all vessel operating expenses and capital costs of the vessel.
- Voyage Charter. A voyage charter involves the carriage of a specific amount and type of cargo on a load port-to-discharge port basis, subject to various cargo handling terms. Most of these charters are of a single voyage nature, as trading patterns do not encourage round voyage trading. The owner of the vessel receives one payment derived by multiplying the tonnage of cargo loaded on board by the agreed upon freight rate expressed on a U.S. Dollar per ton basis. The owner is responsible for the payment of all voyage and operating expenses, as well as the capital costs of the vessel.

- Contract of Affreightment. A contract of affreightment, or COA, relates to the carriage of multiple cargoes over the same route and enables the COA holder to nominate different ships to perform the individual voyages. Essentially, it constitutes a series of voyage charters to carry a specified amount of cargo during the term of the COA, which usually spans a number of years. All of the ship's operating expenses, voyage expenses, and capital costs are borne by the ship owner. Freight normally is agreed on a U.S. per ton basis.
- Spot Charter. Spot chartering activity involves chartering either on a single voyage or a trip charter.

Charter Rates

Charter (or hire) rates paid for dry bulk carriers are generally a function of the underlying balance between vessel supply and demand. Over the past 25 years, dry bulk cargo charter rates have passed through cyclical phases with these changes in the vessel supply-demand imbalance, creating a pattern of rate ‘‘peaks’’ and ‘‘troughs.’’ In 2003 and 2004, rates for all sizes of dry bulk carriers strengthened to their highest levels ever. The most crucial driver of this upsurge in charter rates was the high level of demand for raw materials imported by China.

In the time charter market, rates vary depending on the length of the charter period as well as ship specific factors, such as age, speed, and fuel consumption. Generally, short-term time charter rates are higher than long-term charter rates. The market benchmark tends to be a 12-month time charter rate, based on a modern vessel. The following chart shows one year time charter rates for Handymax, Panamax and Capesize dry bulk carriers between 1996 and September 2005.

Time Charter Rates
(in U.S. dollars per day)

Source: Drewry

In the voyage charter market, rates are influenced by cargo size, commodity, port dues, and canal transit fees, as well as delivery and redelivery regions. In general, larger cargo size is quoted at a lower per ton rate than a smaller cargo size. Routes with costly ports or canals command higher rates than routes with low port dues and no canals to transit. Voyages with a load port within a region that includes ports where vessels usually discharge cargoes or a discharge port within a region with ports where vessels load cargoes would also be quoted at lower rates. These voyages increase vessel utilization by reducing the unloaded portion (or ballast leg) that was included in the calculations of the previous charter back to the loading area.

The Baltic Exchange, an independent organization comprised of shipbrokers, shipping companies, and other shipping players, provides daily independent shipping market information and has created freight rate indices reflecting the average freight rates (that incorporate actual business concluded as well as daily assessments provided to the exchange by a panel of independent shipbrokers) for the major bulk carrier trading routes. These indices include the Baltic Panamax Index (BPI, the index with the longest history), and, more recently, the Baltic Capesize Index (BCI) and the Baltic Handymax Index (BHI).

Accompanying the recent surge in freight rates has been renewed interest in freight forward agreements, or FFAs. An FFA is a freight forward swap agreement between counterparties or entered into over an exchange, where the settlement price designated for a future period is derived from the Baltic Exchange indices. FFAs enable a market participant thereby manage their exposure to a fluctuating market.

Vessel Prices

The shipping industry is currently in a relatively unusual position. Each of its major sectors — dry bulk carriers, tankers, and containerships — has been prospering. This has triggered an upsurge in newbuilding activity in each sector. In addition, newbuilding demand is also strong for Liquefied Natural Gas, or LNG, carriers, and other specialized vessels. This is significant because the near term availability of newbuilding berths for vessel delivery before the third and fourth quarters of 2008 is scarce, which directly impacts the supply of new vessels to the market. Thus, the combination of shortage of berth space, rising demand for vessels, and rising raw material costs (especially the price of steel), has greatly increased newbuilding prices.

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The following tables present the average prices for both secondhand and newbuilding dry bulk carriers for the periods indicated.

Dry Bulk Carrier Newbuilding Prices
(in millions of U.S. dollars)

Source: Drewry

Dry Bulk Carrier Secondhand Prices
(in millions of U.S. dollars)

Source: Drewry

In the secondhand market, the steep increase in newbuilding prices and the strength in the charter market have also affected vessel prices. With vessel earnings running at relatively high levels and a limited availability of newbuilding berths, the ability to deliver a vessel early has resulted in increases in secondhand prices, especially for modern tonnage.

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Navios Maritime Holdings Inc.

Navios Corporation, the legal predecessor company to Navios, was incorporated in 1954 as a corporate subsidiary of United States Steel Corporation for the transportation of its iron ore requirements. In the mid-1970s, Navios transformed itself from a captive ore carrier for United States Steel to a third party cargo carrier that, in the mid-1980s, was sold to Fednav Limited, Canada’s largest international shipping group. From 1989 until 2002, Navios underwent a series of leveraged management buyouts and corporate restructuring with the support of various shipping groups, while at the same time adapting its business model to suit the changing requirements of the dry bulk shipping market.

Navios Corporation, a Marshall Islands corporation, and Anemos Maritime Holdings, a Cayman Islands company, merged effective December 11, 2002. This business combination marked the transformation of Navios from being primarily an operator of large physical contracts of affreightment, based on relationships with industrial end-users, to a leading international maritime enterprise focused on the transportation and handling of dry bulk cargoes through the ownership, operation, and chartering of vessels. Anemos was incorporated in the Cayman Islands in February 1999 to hold all of the capital stock of certain Cayman Islands and Liberian corporations that owned and operated six older dry bulk vessels in the international shipping market. Anemos was also formed to hold the capital stock of nine Marshall Islands corporations that each contracted with Sanoyas Shipyard in Mizushima, Japan for the construction of a series of dry bulk ultra-handymax vessels. Another subsidiary of Anemos, named Levant Maritime International SA, which was originally incorporated in Liberia but was later redomiciled in the Marshall Islands and re-named Navios ShipManagement Inc., was responsible for the technical management of all vessels owned by Anemos's subsidiaries, including the older vessels, and for the supervision of the construction of the nine newbuildings at the Sanoyas shipyard. Anemos modernized its fleet by selling off the older vessels, as the newbuildings delivered from the shipyard, between 2000 and early 2003. The personnel of Navios ShipManagement Inc. include well educated marine engineers and naval architects experienced in supervising newbuilding construction; three port captains and two marine superintendent engineers, who are all graduates of official Greek merchant marine academies, and who all served as officers on bulk carriers before assuming responsibilities and gaining relevant experience in shore-side technical ship management.

Today, Navios maintains offices in Piraeus, Greece, Norwalk, Connecticut and Montevideo, Uruguay. Navios's corporate structure is functionally organized: commercial ship management and risk management are conducted through Navios Corporation and its wholly-owned subsidiaries (out of South Norwalk and Piraeus, respectively), while the ownership and technical management of Navios's owned vessels are conducted through Anemos Maritime Holdings Inc. and its wholly-owned subsidiaries (out of Piraeus). Navios owns the Nueva Palmira port and transfer facility indirectly through its Uruguayan subsidiary, Corporación Navios Sociedad Anonima, or CNSA. All of Navios's subsidiaries are wholly-owned, except for Acropolis Shipping & Trading Inc., a charter broker that acts on behalf of both Navios and third parties and of which Navios owns 50% of the outstanding equity. The remaining 50% equity of Acropolis is owned by Mr. Stavros Liaros, Acropolis's Chief Executive Officer and a resident of Piraeus, Greece. The chart below sets forth Navios's current corporate structure following the acquisition and reincorporation (all corporations are domiciled in the Republic of the Marshall Islands, except for Acropolis, which is a Liberian corporation, CNSA, which is an Uruguayan company and Hestia Shipping Ltd, which is a Maltese corporation):

Business Strategy

Navios's strategy and business model involves the following:

- Operation of a high quality, modern fleet. Navios owns and charters in a modern, high quality fleet, having an average age of approximately 3.5 years, that provides numerous operational advantages, including more efficient cargo operations, lower insurance and vessel maintenance costs, higher levels of fleet productivity, and an efficient operating cost structure;
- Pursue an appropriate balance between vessel ownership and a long-term chartered in fleet. Navios controls, through a combination of vessel ownership and long-term time chartered vessels, approximately 1.9 million dwt in dry bulk tonnage, making Navios one of the largest

independent dry bulk operators in the world. Navios's ability, through its longstanding relationships with various shipyards and trading houses, to charter in vessels at favorable rates allows it to control additional shipping capacity without the capital

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expenditures required by new vessel acquisition. In addition, having purchase options on 14 of the 22 time chartered vessels permits Navios to determine when is the most commercially opportune time to own or charter in vessels. Navios intends to monitor developments in the sales and purchase market to maintain the appropriate balance between owned and long-term time chartered vessels;

- Capitalize on Navios's established reputation. Navios believes its reputation and commercial relationships enable it to obtain favorable long-term time charters, step into the market and increase its short term tonnage capacity to several times the capacity of its core fleet, as well as obtain access to freight opportunities through COA arrangements not readily available to other industry participants. This reputation has also enabled Navios to obtain favorable vessel acquisition terms, as reflected in the purchase options contained in many of its long-term charters, which are superior to the prevailing purchase prices in the open vessel sale and purchase market;
- Utilize industry expertise to take advantage of market volatility. The dry bulk shipping market is cyclical and volatile. Navios uses its experience in the industry, sensitivity to trends, and knowledge and expertise as to risk management and FFAs to hedge against, and in some cases, generate profit from, such volatility;
- Maintain high fleet utilization rates. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the days its vessels are off-hire. At 99.9%, Navios believes that it has one of the highest fleet utilization rates in the industry.
- Maintain customer focus and reputation for service and safety. Navios is recognized by its customers for high quality of its service and safety record. Navios's high standards for performance, reliability, and safety provides Navios with an advantageous competitive profile.
- Enhance vessel utilization and profitability through a mix of spot charters, time charters, and COAs and strategic backhaul and triangulation methods. Specifically, this strategy is implemented as follows:
  - The operation of voyage charters or spot fixtures for the carriage of a single cargo from load port to discharge port;
  - The operation of time charters, whereby the vessel is hired out for a predetermined period but without any specification as to voyages to be performed, with the shipowner being responsible for operating costs and the charterer for voyage costs; and
  - 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, but does not specify in advance which vessels will be used to perform the voyages.

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

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

Competitive Advantages

Controlling approximately 1.9 million dwt in dry bulk tonnage, Navios is one of the largest independent dry bulk operators in the world. Management believes that Navios occupies a competitive

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position within the industry in that its reputation in the global dry bulk markets permits it to step in at any time, and take on spot, medium, or long- term freight commitments, depending on its view of future market trends. In addition, many of the long-term charter deals that form the core of Navios's fleet were brought to the attention of Navios prior to their ever being quoted in the open market. Even in the open market, Navios's solid reputation allows it, on very short notice, to take in large amounts of tonnage on a short, medium, or long-term basis. This ability is possessed by relatively few shipowners and operators, and is a direct consequence of Navios's market reputation for reliability in the performance of its obligations in each of its roles as a shipowner, COA operator, and charterer. Navios, therefore, has much greater flexibility than a traditional shipowner or charterer to quickly go ''long'' or ''short'' relative to the dry bulk markets.

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

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

- A high quality, modern fleet of vessels that provides a variety of operational advantages, such as lower insurance premiums, higher levels of productivity, and efficient operating cost structures, as well as a competitive advantage over owners of older fleets, especially in the time charter market, where age and quality of a vessel are of significant importance in competing for business;
- A core fleet which has been chartered in (through 2017, assuming all available charter extension periods are exercised) on attractive terms (based mostly on prices locked-in before the upswing in rates began in 2003) that allow Navios to charter out the vessels at a considerable spread during strong markets and to weather down cycles in the market while maintaining low operating expenses;
- Strong cash flows from creditworthy counterparties;
- Strong commercial relationships with both freight customers and Japanese trading houses and ship owners, providing Navios with an entrée to future attractive long-term time charters on newbuildings with valuable purchase options; and
- Visibility into worldwide commodity flows through its physical shipping operations and terminal operations in Uruguay.

Management intends to maintain and build on this qualitative advantage, while at the same time continuing to benefit from Navios's favorable reputation and capacity position.

Shipping Operations

Navios's Fleet. Navios operates a core fleet of vessels that represents a store of embedded value in today's strong dry bulk market. This fleet is comprised of seven modern owned Ultra-Handymax vessels and 22 Ultra-Handymax and Panamax vessels (14 of which have purchase options that are ''in the money'') chartered in at rates well below the market.

Owned Fleet. Navios owns a fleet of seven modern Ultra-Handymax vessels whose technical specifications and youth distinguish them in a market where approximately 25% of the dry bulk world fleet is composed of 20+ year-old ships. With an average age of approximately 4.0 years, the owned vessels have a substantial net asset value.

Vessel Name	Year Built	Deadweight (in metric tons)
Navios Achilles	2001	52,063
Navios Apollon	2000	52,073
Navios Herakles	2001	52,061
Navios Hios	2003	55,180
Navios Ionian	2000	52,068
Navios Kypros	2003	55,180
Navios Meridian	2002	50,316

Six of the owned vessels are substantially identical sister vessels (they were all built at the Sanoyas Shipyard in Japan) and, as a result, Navios has built-in economies of scale with respect to technical ship management. Further, they have been built to technical specifications that far exceed those of comparable tonnage in the marketplace today, such as the following:

- Four of the six vessels each have five cranes (which is more than the industry standard), allowing for increased loading and discharging rates, thereby increasing the efficiency of vessel operations;
- The majority of the owned vessels are equipped with cranes that have 30 and 35 metric tons of lifting capacity, allowing for lifting of different types of heavy cargoes, thereby increasing the vessels' trading flexibility and efficiency;
- The owned vessels have CO_2 fittings throughout all cargo holds, allowing for the loading of a variety of special cargoes (such as timber and wood pulp), thereby enhancing the potential trading routes and profitability of the vessels; and
- The tank top strengths in all holds are of 24mt/m2, also allowing for the carriage of heavy cargoes.

Long Term Fleet. In addition to the seven owned vessels, Navios operates a fleet of 22 Panamax (70,000-83,000 dwt) and Ultra-Handymax (50,000-55,000 dwt) vessels under long-term time charters, having an average age of approximately 3 years. Of the 22 chartered vessels, 14 are currently in operation and eight are scheduled for delivery at various times over the next three years, as set forth in the following table:

Vessel Name	Year Built/Yard	Deadweight (in metric tons)	Delivery Date of Vessel	Time Charter Period	Purchase Option
		ULTRA-HANDYMAXES			
Navios Horizon	2001/Mitsui	50,346	April 17, 2001	5 years + 3 years option	Yes
Navios Vector	2002/Mitsui	50,296	October 17, 2002	5 years + 3 years option	Yes
Navios Mercator	2002/Imabari	53,553	July 17, 2002	5 years + 2 years option	Yes
Navios Arc	2003/Imabari	53,514	January 28, 2003	5 years + 2 years option	Yes
Navios TBN	2006/Imabari	53,400	2006	7 years + 2 years option	Yes
Navios TBN	2007/Imabari	53,400	2007	5 years + 3 years option	Yes

Vessel Name	Year Built/Yard	Deadweight (in metric tons)	Delivery Date of Vessel	Time Charter Period	Purchase Option
		PANAMAXES			
Linda Oldendorff	1995/B&W	75,100	November 11, 2003	2.25 years	No
Navios Magellan	2000/Namura	74,333	January 25, 2000	5 years + 3 years option	Yes
Navios Galaxy	2002/Namura	74,195	June 5, 2001	5 years + 3 years option	Yes
Navios Star	2002/Imabari	76,662	April 1, 2002	5 years + 3 years option	Yes
Navios Cielo	2003/Sanoyasu	75,829	June 12, 2003	5 years + 2 years option	No
Navios Hyperion	2004/Sanoyasu	75,500	February 10, 2004	5 years + 2 years option	Yes
Navios Orbiter	2004/Imabari	76,000	February 8, 2004	5 years + 3 years option	Yes
Navios Orion	2005/Imabari	76,000	January 10, 2005	5 years + 3 years option	No
Navios Aurora	2005/Universal	75,200	June 22, 2005	5 years + 3 years option	Yes
Navios Titan	2006/Tsuneishi	82,800	2005	5 years + 3 years option	No
Navios TBN	2006/Sanoyasu	75,500	2006	7 years	No
Navios TBN	2006/Tsuneishi	82,800	2006	5 years + 3 years option	No
Navios TBN	2007/Universal	75,200	2007	7 years	No
Navios TBN	2008/Imabari	76,500	2008	7 yrs + 2 yrs option	Yes
Navios TBN	2007/Tsuneishi	82,999	2007	7 yrs + 2 yrs option	Yes
Navios TBN	2008/Kawasaki	55,100	2008	7 yrs + 2 yrs option	No

Many of Navios's current long-term, chartered-in tonnage is chartered from shipowners with whom Navios has long-standing relationships. Navios pays these shipowners daily rates of hire for such vessels, and then charters out these vessels to other parties, who pay Navios a daily rate of hire. Navios also enters into COAs pursuant to which Navios has agreed to carry cargoes, typically for industrial customers, who export or import dry bulk cargoes. Further, Navios 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.

The chartered vessels are chartered in at rates well below the market, allowing Navios to charter out those vessels at a significant spread over the daily hire it pays for the vessels to their owners. Navios can take advantage of options it has to extend the period of its long-term charters, maintaining low charter-in rates and, thus, lower overall operational expenses. Navios also has the ability to exercise its purchase options, many of which are ‘‘in the money,’’ with respect to 14 (including five already exercised) of the 22 chartered vessels.

Short Term Fleet. Navios’s fleet consists entirely of Panamax and Ultra-Handmax vessels and is classified by Navios into the following three categories: (1) Navios’s ‘‘owned fleet’’ are the seven Ultra-Handymax vessels that Navios owns; (2) Navios’s ‘‘long-term fleet’’ that are the Panamax and Ultra-Handymax vessels that Navios, as a charterer, takes into its commercial employment under long-term charters, meaning charters for a duration of more than 12 months, that, together with its owned fleet, are termed Navios’s ‘‘core fleet;’’ and (3) Navios’s ‘‘short term fleet’’ which is comprised of between 20 to 40 Panamax and Handymax vessels that at any given time Navios, as a charterer, has under charter for a duration of less than 12 months.

Exercise of Vessel Purchase Options

During September, October and November 2005, Navios gave notice, to the lessors of four 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. One of these vessels, the Navios Meridian was delivered on November 30, 2005 and is now part of the owned fleet. It is anticipated that the remaining five vessels will be acquired during the first half of 2006.

The option exercise prices on these vessels are substantially below the prices that would be required to purchase vessels of similar types and ages. The aggregate cash outlay for the six vessels amounts to approximately $120 million. The purchases are expected to be financed with a new loan facility which will finance 100% of the option price of each vessel.

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By the exercise of such options as contemplated, in-charter expenses should decrease as a percentage of revenues, but Navios would also expect to incur additional depreciation and interest charges associated with the vessels. However, exercising the options is anticipated to have a favourable impact on EBITDA.

Management and Operation of the Fleet. Navios’s commercial ship management and vessel operations are conducted out of its South Norwalk, Connecticut and Piraeus, Greece offices. Navios performs the technical management of the owned vessels from its Piraeus office. The financial risk management related to the operation of its fleet is conducted through both its South Norwalk and Piraeus offices, as explained more fully below.

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

Technical Ship Management. Navios provides, through its subsidiary, Navios ShipManagement Inc, technical ship management and maintenance services to its owned vessels. Based in Piraeus, Greece, the operation is run by experienced professionals who oversee every step of technical management, from the production of the vessels in Japan to subsequent shipping operations throughout the life of a vessel, including the superintendence of maintenance and repairs and drydocking.

Operations. The operations department, which is located in South Norwalk, Connecticut, supervises the post-fixture business of the vessels in Navios’s fleet (i.e., once the vessel is chartered and being employed) by monitoring their daily positions to ensure that the terms and conditions of the charters are being fulfilled. The operations department also sends superintendents to the vessels to supervise the loading and discharging of cargoes when necessary to minimize time spent in port. The operations department also generally deals with all matters arising in relation to the daily operations of Navios’s fleet that are not covered by Navios’s other departments.

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

- Freight Rate Risk. Navios uses FFAs to manage and mitigate its risk to its physical exposures in shipping capacity and freight commitments and respond to fluctuations in the dry bulk shipping market by augmenting its overall long or short position. These FFAs settle monthly in cash on the basis of publicly quoted indices, not physical delivery. These instruments typically cover periods from one month to one year, and are based on time charter rates or freight rates on specific quoted routes. Navios enters into these FFAs through over-the-counter transactions and over NOS ASA, a Norwegian clearing house. Navios’s FFA trading personnel work closely with the chartering group to ensure that the most up-to-date information is incorporated into the company’s commercial ship management strategy and policies.
- Credit Risk. Navios closely monitors its credit exposure to charterers, counter-parties and FFAs. Navios has established policies designed to ensure that contracts are entered into with counter-parties that have appropriate credit histories. Counter-parties and cash transactions are limited to high credit quality financial institutions. Most importantly, Navios has strict guidelines and policies that limit the amount of credit exposure.
- Interest Rate Risk. Navios uses interest rate swap agreements to reduce exposure to fluctuations in interest rates. Specifically, the company enters into interest rate swap contracts that entitle it to receive interest at floating rates on principal amounts and oblige it to pay

interest at fixed rates on the same amounts. Thus, these instruments allow Navios to raise long-term borrowings at floating rates and swap them into fixed rates. Although these instruments are intended to minimize the anticipated financing costs and maximize gains for Navios that may be set off against interest expense, they may also result in losses, which would increase financing costs.
- Foreign Exchange Risk. Although Navios’s revenues are dollar-based, 2.7% of it expenses related to its port operations are in Uruguayan pesos and 2.4% of its expenses related to operation of its Piraeus office are in Euros. Navios monitors its Euro and Pesos exposure against long term currency forecasts and enters into foreign currency contracts when considered appropriate.

Port and Terminal Operations

Overview. Navios owns and operates the largest bulk transfer and storage terminal in Uruguay, one of the most efficient and prominent operations of its kind in South America. Situated in a free trade zone in the port of Nueva Palmira at the confluence of the Parana and Uruguay rivers, the terminal operates 24 hours per day, seven days per week, and is ideally located to provide customers, consisting primarily of leading international grain and commodity houses, with a convenient and efficient outlet for the transfer and storage of a wide range of commodities originating in the Hidrovia region of Argentina, Bolivia, Brazil, Paraguay, and Uruguay.

Navios has had a lease with the Republic of Uruguay dating back to the 1950's for the land on which it operates. The lease has been extended and now expires in 2025, and may be extended for an additional 20 years at Navios's option. Navios believes the terms of the lease reflect Navios's very high-level relationships within the Republic of Uruguay. Additionally, since the Navios terminal is located in the Nueva Palmira Tax Free Zone, foreign commodities moving through the terminal is free of Uruguayan taxes. Certificates of deposit are also obtainable for commodity entering into the station facility.

There is also considerable scope for further expansion of this bulk terminal operation in Uruguay. After completion in September 2005 of Navios's latest expansion of its storage capacity through the construction of its largest grain silo, Navios's terminal port has approximately 11 acres of available river front land for future development. The increased flow of commodity products through the Nueva Palmira port has allowed Navios to steadily increase throughput. Navios is considering further expansion, as existing and new customers are increasingly demanding long-term terminal transfer and storage services.

Although one of the smaller countries in South America, Uruguay is regarded as one of the most stable countries on the continent. The population is almost 100% literate, with a large middle class and a well-established democracy. The banking system is modern and efficient by international standards.

Port Infrastructure. The terminal stands out in the region because of its sophisticated design, efficiency, and multimodal operations. The Navios terminal has specially designed storage facilities and conveying systems that provide tremendous flexibility in cargo movements that help to avoid delays to vessels and barge convoys. The terminal offers 270,400 tons of clean and secure grain silo capacity. With ten silos (some with internal separations) available for storage, customers are assured their commodities will be naturally separated. The terminal has the latest generation, high precision, independent weigh scales, both for discharging and loading activity.

The terminal has two docks. The main outer dock is 240 meters long and accommodates vessels of up to 85,000 dwt loading to the maximum permitted draft of the Martin Garcia Bar and Mitre Canal. The dock has three new ship loaders capable of loading vessels at rates of up to 20,000 tons per day, depending on commodity. The inner face of this dock is equipped for discharging barge convoys. The secondary inner dock measures 170 meters long and is dedicated to the discharge of barge convoys. This activity is carried out on both sides of the dock. The terminal is capable of discharging barge convoys at rates averaging 10,000 to 14,000 tons per day, depending on the type of barges and commodity. Fixed duty cycle cranes located on each dock carry out the discharging of barge convoys. The process is optimized through the selection of the most appropriate size and type of buckets according to the commodity to be discharged.

The terminal's current theoretical throughput capacity is 3.0 million tons, and management believes that the 2005 throughput should be a record amount of approximately 2.1 million tons.

Port Operation. The commodities most frequently handled include grain and grain by-products, as well as some ores, sugar, and salt. The terminal receives bulk cargoes from barges, trucks, and vessels, and either transfers them directly to dry bulk carriers or stores them in its own modern silos for later shipment.

Dedicated professionals operate the terminal, taking pride in the quality of service and responsiveness to customer requirements. Management is attentive to commodity storage conditions seeking to maintain customer commodity separation at all times and minimize handling losses. The terminal operates 24 hours/day, seven days/week, to provide barge and ship traffic with safe and fast turnarounds. The ability to conduct multiple operations simultaneously involving ocean vessels, barges, trucks, and grain silos further enables the terminal to efficiently service customers' needs.

The Navios terminal is also unique in its pricing policy by using a fixed fee structure to charge its clients. Other regional competitors charge clients a complicated fee structure, with many variable add-on charges. Navios' pricing policy provides clients with a transparent, comprehensive, and hassle-free quote that has been extremely well received by port patrons. The Uruguay terminal operations present the additional advantage of generating revenue in US dollars, whereas the majority of its costs are in local currency.

Future Growth. The development of South American grain markets dates back to President Carter's embargo of grain against the Soviet Union in 1979. As a result of that decision, the USSR took steps to secure grain supplies from sources outside North America. By 1981, Argentina had become a significant grain exporter to the USSR, and Brazil quickly followed. The intervening decade saw the development of grain exports markets from these two countries as successive local governments recognized the significant benefits of US dollar income. In the 1990s, Paraguay began to export small quantities of grain and, more recently, Bolivia has expanded its grain exports; the significance of grain exports from these two countries is that both are land-locked. The table below highlights the gradual development of export volumes through the Navios facility in Nueva Palmira, and Navios believes this growth will continue as both countries continue to drive for larger hard currency income.

Navios Uruguay Annual Throughput Volumes

Navios is currently in negotiations with significant existing and new customers, who have expressed high levels of interest in entering in long-term business relationships with the company based on the growing Uruguay grain market.

Navios Uruguay Export Market. Over the past few years, Uruguay has begun to develop its grain exports that, historically, were very small because land was allocated to cattle and sheep farming. The rapid rise in Uruguayan exports is apparent from the chart below. Most importantly for the Navios terminal, the natural growth area for grain in Uruguay is in the western region of the country on land that is located in close proximity to Nueva Palmira.

Uruguay Grain Exports

Source: Uruguayan Farm Cooperative (as of December 31, 2004)

In 2004, Navios completed construction of four new cylindrical silos designed specifically to receive Uruguayan commodities. Before these silos had been completed, local exporters had booked their total capacity for a period of three years. This was the first time in the terminal's history that additional silo capacity was booked before completion of construction. As a result of yet further significant new customer demand from companies such as Cargill, Bunge, and Louis Dreyfus, as well as from a number of smaller local grain merchandisers, Navios constructed a new 75,000 ton silo that is the largest in Uruguay and was completed in September 2005. This additional silo added approximately 35% to the terminal's existing storage capacity and is serving the increased exports of Uruguayan soybeans. The total investment for this project included the new silo, as well as two new truck un-loaders, and new truck weigh scales. Of traditional horizontal, concrete construction, the silo design incorporated wall separations, mechanical air ventilation systems as well as a sensitive temperature monitoring equipment.

Customers

The international dry bulk shipping industry is highly fragmented and, as a result, there are numerous charterers. The charterers for Navios's core fleet come from leading enterprises that mainly carry iron ore, coal, and grain cargoes. Navios's assessment of a charterer's financial condition and reliability is an important factor in negotiating employment of its vessels. Navios generally charters its vessels to major trading houses (including commodities traders), major producers and government-owned entities rather than to more speculative or undercapitalized entities. Navios's customers under charterparties, COAs, and its counterparties under FFAs, include national, regional and international companies, such as Cargill International SA, COSCO Bulk Carriers Ltd., Dampskipsskelskapet Norden, Glencore International A.G., Furness Withy Pty. Ltd., Louis Dreyfus Corp., Mitsui O.S.K. Lines Ltd., Rudolf A. Oetker, Sinochart and Taiwan Maritime Transportation Corp. During the year ended December 31, 2004, none of such customers accounted for more than 10% of revenues, with the exception of Taiwan Maritime Transportation Corp. that accounted for 15.92% of revenues. During 2003, none of Navios's customers or counterparties accounted for more than 10% of Navios's total revenues, with the exception of Cargill International S.A. that accounted for 29.4%.

Navios's terminal at Nueva Palmira, Uruguay conducts business with customers engaged in the international sales of agricultural commodities who book parts of the terminal's silo capacity and transship cargoes through the terminal. In 2004, the two largest customers of the terminal were Agrograin SA, a subsidiary of the Archer Daniels Midland group, which accounted for 46.4% of the terminal's revenues, and Multigranos SA which accounted for 14.1% of such revenues. These two customers were also the largest two sources of revenues for the terminal in 2003 accounting for the following respective percentages of its total revenues in that year: Agrograin SA (43%) and Multigranos (20%).

Competition

The dry bulk shipping markets are extensive, diversified, competitive, and highly fragmented, divided among approximately 1,500 independent dry bulk carrier owners. The world's active dry bulk fleet consists of approximately 5,923 vessels, aggregating some 323.8 million dwt. As a general principle, the smaller the cargo carrying capacity of a dry bulk carrier, the more fragmented is its market, both with regard to charterers and vessel owners/operators. Even among the larger dry bulk owners and operators, whose vessels are mainly in the larger sizes, only three companies have fleets of 100 vessels or more: the Chinese Government (directly and through China Ocean Shipping and China Shipping Group) and the two largest Japanese shipping companies, Mitsui OSK Lines and Nippon Yusen Kaisha. There are no more than 30 owners with fleets of between 20 and 100 vessels. However, vessel ownership is not the only determinant of fleet control. Many owners of bulk carriers charter their vessels out for extended periods, not just to end-users (owners of cargo), but also to other owner/operators and to tonnage pools. Such operators may, at any given time, control a fleet many times the size of their owned tonnage. Navios is one such operator; others include CCM (Ceres Hellenic/Coeclerici), Bocimar, Zodiac Maritime, Louis-Dreyfus/Cetragpa, Cobelfret and Torvald Klaveness.

Governmental and Other Regulations

Governmental Regulation. Government regulation significantly affects the ownership and operation of vessels. These regulations include international conventions, national, state, and local laws, and regulations in force in the countries in which vessels may operate or are registered. A variety of governmental and private entities subject vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (US Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry), and charterers, particularly terminal operators. Certain of these entities require vessel owners to obtain permits, licenses, and certificates for the operation of their vessels. Failure to maintain necessary permits or approvals could require a vessel owner to incur substantial costs or temporarily suspend operation of one or more of its vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators, and charterers is leading to greater inspection and safety requirements on all vessels, and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to stricter environmental standards. Vessel owners are required to maintain operating standards for all vessels that will emphasize operational safety, quality maintenance, continuous training of officers and crews, and compliance with United States and international regulations.

Environmental Regulations. The International Maritime Organization, or IMO, has negotiated international conventions that impose liability for oil pollution in international waters and a signatory's territorial waters. In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships, which was ratified on May 18, 2004, and became effective on May 19, 2005. Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions.

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

Security Regulations. Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the United States Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to 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 on July 1, 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security, or 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 United States 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, or ISSC, that attests to the vessel’s compliance with SOLAS security requirements and the ISPS Code.

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

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

- Annual Surveys: For seagoing ships, annual surveys are conducted for the hull and the machinery (including the electrical plant) and, where applicable, for special equipment classed, at intervals of 12 months from the date of commencement of the class period indicated in the certificate.
- Intermediate Surveys: Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal.

Intermediate surveys may be carried out on the occasion of the second or third annual survey.

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

Risk of Loss and Liability Insurance

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

Hull and Machinery and War Risk Insurances. Navios has marine hull and machinery and war risk insurance, which includes the risk of actual or constructive total loss, for all of the six owned vessels. Each of the owned vessels are covered up to at least fair market value, with a deductible for the hull and machinery insurance in the amount of $75,000. There are no deductibles for the war risk insurance. Navios has also arranged increased value insurance for most of the owned vessels. Under the increased value insurance, in case of total loss of the vessel, Navios will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities that are not recoverable in full by the hull and machinery policies by reason of under insurance.

Protection and Indemnity Insurance. Protection and indemnity insurance is provided by mutual protection and indemnity associations, or P&I Associations, which covers Navios's third party liabilities in connection with its shipping activities. This includes third-party liability and other related expenses of injury or death of crew, passengers and other third parties, loss or damage to cargo, claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. Protection and indemnity insurance is a form of mutual indemnity insurance, extended by protection and indemnity mutual associations, or ''clubs.'' Subject to the ''capping'' discussed below, Navios's coverage, except for pollution, is unlimited. Navios's current protection and indemnity insurance coverage for pollution is $1.0 billion per vessel per incident. The 14 P&I Associations that comprise the International Group insure approximately 90% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I Association, which is a member of the International Group, Navios is subject to calls payable to the associations based on its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group.

Risk Management

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

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

Legal Proceedings

Navios is not involved in any legal proceedings which may have a significant effect on its business, financial position, results of operations or liquidity. From time to time, Navios may be subject to legal proceedings and claims in the ordinary course of business, involving principally commercial charter party disputes. It is expected that these claims would be covered by insurance if they involve liabilities such as arise from a collision, other marine casualty, damage to cargoes, oil pollution, death or personal injuries to crew, subject to customary deductibles. Those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Crewing and Shore Employees

Navios crews its vessels primarily with Greek officers, Filipino officers, Ukrainian officers and seamen. Navios's fleet manager is responsible for selecting its Greek officers, which are hired by

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Navios's vessel owning subsidiaries. Navios's Filipino officers and seamen are referred to Navios's fleet manager by Cosmos Marine Management S.A. and Crossworld Marine Services Inc., two independent crewing agencies. Navios's Ukrainian officers and seamen are referred to Navios's fleet manager by Elvictor Management LTD, an independent crewing agent. The crewing agencies handle each seaman's training, travel, and payroll. Navios requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions.

As to shoreside employees, Navios employs 27 in its Connecticut office, 15 in its Piraeus office, and eight employees in its Montevideo office, with an additional 70 employees working at the port facility in Nueva Palmira.

Facilities

Navios currently leases the following properties:

- Navios Corporation has leased approximately 12,458 square feet of space at 20 Marshall Street, South Norwalk, CT, 06820 under a lease that expires in May 15, 2011. Navios has sublet approximately 1,394 square feet of space to Healy & Baillie, LLP, under a sub-lease that expires on May 15, 2011.
- Navios ShipManagement Inc. has leased approximately 268 square meters of space at 67, Notara Street, Piraeus, Greece, under a lease that expires on May 31, 2012. Navios Corporation has leased approximately 37 square meters of space on the 4th floor at 67, Notara Street under a lease that expires on May 31, 2012.
- Navios ShipManagement Inc. has leased approximately 42 square meters of space at Apostolon #3, 2nd Floor, Town of Chora, Island of Hios, Greece under a lease that expires on March 31, 2006.
- Navios ShipManagement Inc. has leased an apartment for use by its expatriate employees at Stratiotikou Syndesmou #10, 5th Floor, Kolonaki, Athens, Greece, under a lease that expires on March 31, 2006.
- Corporación Navios Sociedad Anonima leases the land on which it operates its port and transfer facility, located at Zona Franca, Nueva Palmira, Uruguay. This lease is between Uruguayan National Authority of Free Zones and Corporación Navios Sociedad Anonima, which expires on November 29, 2025, with an option to extend for another 20 years.

Corporación Navios Sociedad Anonima owns the premises from which it operates in Montevideo, Uruguay. This space is approximately 112 square meters and is located at Juan Carlos Gomez 1445, Oficina 701, Montevideo 1100, Uruguay.

ACQUISITION AND MERGER PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial statements give effect to the acquisition of Navios by ISE through the purchase of all of the outstanding common stock of Navios for an initial cash consideration of $594.4 million less the final adjustment of $0.6 million plus $14.2 million in allocable transaction costs. Approximately $412.0 million of the purchase price was obtained from a $514.4 million senior secured credit facility, entered into on July 12, 2005 and funded on August 25, 2005, with HSH Nordbank AG. 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, whose name was and will continue to be Navios Maritime Holdings, Inc. The acquisition has been accounted for as a purchase.

The following unaudited pro forma consolidated statements of operations combine (i) the historical predecessor statements of operations of Navios for the period from January 1, 2005 to August 25, 2005 and Navios successor for the period from August 26, 2005 to September 30, 2005, and ISE for the period from January 1, 2005 to August 25, 2005 and (ii) the historical predecessor statements of operations of Navios for the year ended December 31, 2004 and ISE for the period from September 17, 2004 (inception) to December 31, 2004 giving effect to the acquisition of Navios by ISE, pursuant to the Stock Purchase Agreement dated February 28, 2005, as amended, and the downstream merger (the "Transaction") as if it had occurred on January 1, 2004.

These unaudited pro forma condensed consolidated statements of operations should be read in conjunction with the historical predecessor financial statements of Navios and the related notes thereto. The unaudited pro forma information is not necessarily indicative of the financial position or results of operations that may have actually occurred had the acquisition of Navios by ISE taken place on the dates noted.

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NAVIOS MARITIME HOLDINGS INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
Nine months ended September 30, 2005
(In thousands of US Dollars, except per share data)

	NAVIOS[(a)] Combined	ISE[(b)]	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ 179,084			$ 179,084
Gain (loss) on forward freight agreements	1,971			1,971
Expenses:				
Time charter, voyage and port terminal expense	(101,985)			(101,985)
Direct vessel expense	(6,508)			(6,508)
General and administrative	(10,830)	$ (233)	$ (73)(d)	(11,136)
Depreciation and amortization	(6,059)	(2)	(9,931)(e)	(15,992)
Interest income	1,592	2,864	(2,864)(f)	1,592
Interest expense	(4,847)		(15,315)(g)	(20,162)
Other income	1,794			1,794
Other expense	(1,094)	(179)		(1,273)
Income before minority interest	53,118	2,450	(28,183)	27,385
Equity in net earnings of affiliated companies	916			916
Income before income taxes	54,034	2,450	(28,183)	28,301
Provision for income taxes		(859)		(859)
Net Income	$ 54,034	$ 1,591	$ (28,183)	$ 27,442
Weighted average number of shares outstanding:				
Basic		39,900	(h)	39,900
Diluted		39,900	(h)	49,328
Net income per share:				
Basic		$ 0.04		$ 0.81
Diluted		$ 0.04		$ 0.66

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NAVIOS MARITIME HOLDINGS INC.
UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
Year ended December 31, 2004
(In thousands of US Dollars, except per share data)

	NAVIOS Predecessor	ISE (c)	Pro Forma Adjustments	Pro Forma Combined
Revenue	$ 279,184			$ 279,184
Gain (loss) on forward freight agreements	57,746			57,746
Expenses:				
Time charter and voyage expense	(180,026)			(180,026)
Direct vessel expense	(8,224)			(8,224)
General and administrative	(12,722)		(97)(d)	(12,819)
Depreciation and Amortization	(5,925)		(15,397)(e)	(21,322)
(Gain) loss on the sale of property, plant and equipment	61			61
Interest Income	789	93	(93)(f)	789
Interest Expense	(3,450)		(23,567)(g)	(27,017)
Other Income	374			374
Other expense	(1,438)	(77)		(1,515)
Income before minority interest	126,369	16	(39,154)	87,231
Equity in net earnings of affiliated companies	763			763
Income before income taxes	127,132	16	(39,154)	87,994
Provision for income taxes		(7)		(7)
Net Income	$ 127,132	$ 9	$ (39,154)	$ 87,987
Weighted average number of shares outstanding:				
Basic		12,744	(h)	39,900
Diluted		12,744	(h)	44,756
Net income per share:				
Basic		$ 0.00		$ 2.21
Diluted		$ 0.00		$ 1.97

(a) This column combines the results of operations of Navios as predecessor for the period January 1, 2005 through August 25, 2005 with the results of operations of Navios as successor for the period August 26, 2005 through September 30, 2005. See the section labeled, "For the combined nine month period ended September 30, 2005 compared to the nine months ended September 30, 2004" under "Operating and Financial Review and Prospects" in this prospectus.

(b) For the period from January 1, 2005 through August 25, 2005 (acquisition date).

(c) For the period from September 17, 2004 (inception) through December 31, 2004.

(d) To record increased base salaries to certain key employees of Navios under employment agreements entered into in conjunction with the Transaction to retain the services of such employees.

(e) To record additional depreciation and amortization of fixed assets and intangibles based on the step up to fair value as detailed below:

Calculation of Allocable Purchase Price:		
Initial cash consideration	$	594,370
Final price adjustment		(606)
Allocable transaction costs		14,203
Total allocable purchase price	$	607,967
Allocation of purchase price:		
Navios net assets acquired (at book value)	$	226,127
Write off of Navios pre-merger goodwill		(226)
Fair value adjustments to assets acquired:		
Write up of vessels to fair value		81,789
Write down of port terminal assets		(15)
Allocation of purchase price to intangibles:		
Port terminal operation rights		31,000
Trade name		88,053
Favorable lease terms		63,670
Vessel purchase options		76,010
Backlog asset		14,830
Backlog liability		(12,700)
Restructuring reserve		(1,070)
Fair value of assets acquired		567,468
Goodwill		40,499
Total allocable purchase price	$	607,967

Vessels were written up to their fair market value. The port fixed assets were valued based on replacement cost less accumulated depreciation. Fair value of the intangible assets identified (Port operating rights, Tradename, Leases and Backlog assets and liabilities) were determined using generally accepted valuation methodologies. The Port operating rights were valued using a form of the income approach known as the Build-Out method. The Tradename was valued using a form of the Income Approach known as the Relief From Royalties method. The Favorable Leases were valued using a method of the Market Approach wherein the Company's actual lease costs are compared to market-based lease costs. The Purchase Options were valued though a comparison of their exercise prices to expected vessel values. Backlog Assets and liabilities were valued using a method of the Income Approach known as excess earnings method. The assembled workforce was valued at $360 using the Cost Approach known as replacement cost method and is included in Goodwill.

Asset	Estimated Useful Life
Vessels	25 years from date built
Port (included in other fixed assets)	40 Years
Port operating rights	40 years
Tradename	32 years
Favorable lease terms	6.9-7.1 years
Backlog assets	2.8-3.6 years
Backlog liability	2.1 years

Purchase Options	*

* When exercised, the value of the purchase options will be capitalized as a part of the cost of the vessels and depreciated over the remaining lives of the vessels.

At the time of the August 25, 2005 acquisition, ISE's senior management anticipated implementing a strategic post-acquisition plan for the relocation of Navios's offices in the United States from South Norwalk, Connecticut to New York City and of its existing offices in Piraeus, Greece to larger offices in Piraeus to house Navios's headquarters. Management has commissioned an internal task force to implement this plan. This cost will include the cost of lease terminations, the write off of leasehold

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improvements at the offices vacated and severance. This plan will be implemented during the first half of 2006. A provision for the $1,070 cost of this plan has been included in the accompanying financial statements.

(f) To eliminate interest income earned by ISE on funds held for acquisition purposes.

(g) To reverse interest expense and amortization of deferred financing costs on Navios (the Predecessor Company) bank loans and to record interest expense, including amortization of deferred financing costs on $412.0 million of bank loans based on the LIBOR rates in effect at the time of the transaction. A change in the LIBOR rate of 1/8 percent would change interest expense for 2004 and the nine months ended September 30, 2005 by $515 and $386, respectively.

(h) Pro forma net income per share was calculated by dividing pro forma net income by the weighted average number of shares outstanding as follows:

	Nine months ended September 30, 2005	Year ended December 31, 2004
ISE pro forma weighted average shares – basic – assuming initial public offering occurred as of January 1, 2004	39,900,000	39,900,000
Incremental shares on exercise of warrants **	9,428,424	4,855,556
ISE pro forma weighted average shares – diluted	49,328,424	44,755,556

**Assuming exercise price of $5 per share, 65,550,000 warrants outstanding and average price for the periods $5.84 (nine months ended September 30, 2005) and $5.40 for 2004 (based on December 17 – December 31, 2004, the period the warrants were actually outstanding).

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MANAGEMENT

The current board of directors, executive officers and significant employees are as follows:

Name	Age	Position
Angeliki Frangou	40	Chairman of the Board and Chief Executive Officer
Robert G. Shaw	50	President and Director
Michael E. McClure	58	Chief Financial Officer
Vasiliki Papaefthymiou	36	Secretary and Director
Anna Kalathakis	36	Senior Vice President — Legal Risk Management
Ted C. Petrone*	50	Senior Vice President — Trading
Shunji Sasada*	47	Senior Vice President — Fleet Development
Spyridon Magoulas	51	Director
John Stratakis	40	Director
Rex Harrington	72	Director
Allan Shaw	41	Director

*Significant employee

Angeliki Frangou has been Navios's Chairman of the Board and Chief Executive Officer since August 25, 2005, the date of the acquisition of Navios by ISE. Prior to the acquisition, Ms. Frangou was the Chairman, Chief Executive Officer and President of ISE. Ms. Frangou has been the chief executive officer of Maritime Enterprises Management S.A., a company located in Piraeus, Greece, that specializes in the management of dry cargo vessels of various types and sizes, since she founded the company in October 2001. From 1990 to October 2001, Ms. Frangou was the chief executive officer of Franser Shipping S.A., a company that was located in Piraeus, Greece, and was also engaged in the management of dry cargo vessels. Prior to her employment with Franser Shipping, Ms. Frangou was an analyst on the trading floor of Republic National Bank of New York, from 1987 to 1989. Ms. Frangou has also been a member of the board of directors of Emporiki Bank of Greece, the second largest retail bank in Greece, since April 2004. Ms. Frangou is a member of the Mediterranean Committee of China Classification Society and a member of the Hellenic and Black Sea Committee of Bureau Veritas. Ms. Frangou received a bachelors degree in mechanical engineering from Fairleigh Dickinson University (summa cum laude) and a masters degree in mechanical engineering from Columbia University.

Robert G. Shaw has been the President of Navios since August 25, 2005 and was appointed as a director on October 25, 2005. Prior to that date, Mr. Shaw was the Executive Vice President and General Counsel and a director of Navios since January 2001. Prior to joining Navios, Mr. Shaw practiced maritime and corporate law as an associate, and later as a partner, at the law firm of Healy & Baillie, LLP in New York City. Mr. Shaw is the US representative member of the Documentary Committee of the Baltic and International Council that develops standard industry terms for dry bulk charter parties and bills of lading. He is also a former President of the Hellenic American Chamber of Commerce. Mr. Shaw received his degree from Oxford University in 1977.

Michael E. McClure has been Chief Financial Officer of Navios since October 1, 2005. Prior to that date, Mr. McClure was Vice President — Research & Risk Management of Navios since March 2004. Mr. McClure joined Navios in 1978, at which time he served as Manager of Financial Analysis and then Director of South American Transportation Projects, which included Navios's owned port facility in Uruguay and its commercial lead in Venezuela and Columbia. He is a board member of The Baltic Exchange and the prior chairman of the Baltic Exchange Freight Market Indices Committee, which is the organization responsible for all freight indices utilized for freight derivative trading by the industry. Mr. McClure graduated from Marquette University, Milwaukee, Wisconsin, with a Masters in Business Administration.

Vasiliki Papaefthymiou has been Navios's secretary and a member of its board of directors since August 25, 2005, the date of the acquisition of Navios by International Shipping Enterprises, Inc. Prior to the acquisition, Ms. Papaefthymiou was the secretary and a director of ISE. Ms.

Papaefthymiou has served as general counsel for Maritime Enterprises since October 2001, where she has advised that company on shipping, corporate and finance legal matters. Ms. Papaefthymiou provided similar services as general counsel to Franser Shipping from October 1991 to September 2001. Ms. Papaefthymiou received an undergraduate degree from the Law School of the University of Athens and a masters degree in Maritime Law from Southampton University in the United Kingdom. Ms. Papaefthymiou is also admitted to practice before the Bar in Piraeus, Greece.

Anna Kalathakis has been Senior Vice President — Legal Risk Management of Navios since December 8, 2005. Before joining Navios, Ms. Kalathakis was the General Manager of the Greek office since May 2000 and Associate Director of A. Bilbrough & Co. Ltd. (the managers of the London Steam-ship Owners' Mutual Insurance Association Limited). She has previously worked for a US maritime law firm in New Orleans, having qualified as a lawyer in Louisiana, and also in a similar capacity for a London maritime law firm. She qualified as a solicitor in England and Wales in 1999 and in Piraeus, Greece in 2004. She has studied International Relations in Georgetown University, Washington DC (1991). She holds an MBA from European University in Brussels (1992) and JD from Tulane Law School (1995).

Ted C. Petrone has been Senior Vice President — Trading of Navios since October 1, 2005. Mr. Petrone joined Navios in 1980 at the entry-level position of assistant vessel operator and has steadily risen through the ranks to his current position of Vice President of Navios. Mr. Petrone sailed as a third mate aboard US Navy (Military Sealift Command) tankers for one year before coming ashore to take operational positions in both Stolt-Nielsen and Maritime Overseas Group over a three-year period. Mr. Petrone graduated in 1977 from New York Maritime College at Fort Schuyler with a B.S. in Maritime Transportation.

Shunji Sasada has been Senior Vice President — Fleet Development of Navios since October 1, 2005. Mr. Sasada joined Navios in May 1997. Mr. Sasada started his shipping career in 1981 in Japan with Mitsui O.S.K. Lines, Ltd. In 1991, Mr. Sasada joined Trinity Bulk Carriers as its chartering manager as well as subsidiary board member representing MOSK as one of the shareholders. Mr. Sasada is a graduate of Keio University, Tokyo, with a B.A. degree in Business.

Spyridon Magoulas has been a member of Navios’s board of directors since August 25, 2005, the date Navios was acquired by ISE. Mr. Magoulas is the co-founder and director of Doric Shipbrokers S.A., a chartering firm in the dry cargo vessel business based in Piraeus, Greece, and has served as the managing director of that company since its formation in 1994. From 1982 to 1993, Mr. Magoulas was a chartering director and shipbroker for Nicholas G. Moundreas Shipping S.A., a company located in Piraeus, Greece, and from 1980 to 1982, Mr. Magoulas served in the same positions at Orion and Global Chartering Inc. in New York. Mr. Magoulas also is a member of the Association of Ship Brokers and Agents in the United States. Mr. Magoulas received a bachelors degree in economics (honors) from the City University of New York, New York, a masters degree in transportation management from the Maritime College in New York and a masters degree in political economy the New School for Social Research in New York, New York.

John Stratakis has been a member of Navios’s board of directors since August 25, 2005, the date Navios was acquired by ISE. Since 1994, Mr. Stratakis has been a partner with the law firm of Poles, Tublin, Stratakis, Gonzalez & Weichert, LLP, in New York, New York, where he specializes in all aspects of marine finance and admiralty law, real estate, trusts and estates and general corporate law. From 1992 to 1993, Mr. Stratakis was an associate attorney with Wilson, Elser, Moskowitz Edelman & Dicker, in New York, New York. Mr. Stratakis also has been a director and the Treasurer of the Hellenic-American Chamber of Commerce in New York since 2000. Mr. Stratakis received a bachelor of arts (summa cum laude) from Trinity College and a juris doctor degree from Washington College of Law-American University. Mr. Stratakis is admitted to practice law in the State of New York and in the courts of the

Southern and Eastern Districts of New York.

Rex Harrington has been a member of Navios's board of directors since October 25, 2005. From 1957 to 1969 Mr. Harrington was the director of shipping at The Royal Bank of Scotland where he had responsibility for its extensive shipping portfolio. He currently sits on the board of General Maritime Corporation (NYSE: GMR) and A/S Dampskibsselskabet TORM (NASDAQ: TRMD). He

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is also an advisor to the Liberian Ship and Corporate Registry, a Deputy Chairman of the International Maritime Industries Forum and a member of InterCargo advisory panel, the General Committee of Lloyds Register of Shipping, the Steering Committee of the London Shipping Law Center, The Baltic Exchange, the Worshipful Company of Shipwrights – Liveryman. He was previously a director with Lloyds Register of Shipping, Clarksons plc, an international shipbroker, and the International Chamber of Commerce. Mr. Harrington received a B.A. and M.A. degree in economics from Oxford University in 1955.

Allan Shaw has been a member of Navios's board of directors since October 25, 2005. Mr. Shaw has almost 20 years of financial management experience, having most recently worked as Chief Financial Officer and Executive Management Board Member at Serono International S.A., from November 2002 to April 2004. Prior to joining Serono, Mr. Shaw was with Viatel Inc., an international telecommunications company, where he was a member of the Board of Directors and Chief Financial Officer. During his employment, Viatel filed for Chapter 11 protection under the bankruptcy laws of the United States in 2001. He was also a managing director with Deloitte & Touche. Mr. Shaw received a bachelor of science degree from the State University of New York, Oswego in 1986.

Board Practices

The board of directors of Navios is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. The term of office of the first class of directors, consisting of John Stratakis, Rex Harrington and Allan Shaw will expire at the annual meeting of stockholders to be held in 2005. The term of office of the second class of directors, consisting of Robert Shaw and Spyridon Magoulas, will expire at the annual meeting to be held in 2006. The term of office of the third class of directors, consisting of Angeliki Frangou and Vasiliki Papaefthymiou, will expire at the annual meeting to be held in 2007.

Nominating and Governance, Audit and Compensation Committees

Nominating and Governance Committee. Navios's Nominating and Governance Committee consists of three independent directors, Spyridon Magoulas, John Stratakis and Rex Harrington.

Audit Committee Navios's Audit Committee consists of three independent directors, Spyridon Magoulas, Rex Harrington and Allan Shaw. Mr. Shaw is considered an "audit committee financial expert."

Compensation Committee Navios does not currently have a Compensation Committee. Any compensation decisions with respect to officers and directors will be made by a majority of the independent members of the full board of directors.

Code of Ethics

Navios has adopted a code of ethics applicable to officers, directors and employees of Navios that complies with applicable guidelines issued by the SEC. The Navios Code of Corporate Conduct and Ethics is available for review on Navios's website at www. navios.com.

Director Compensation

Navios’s directors do not currently receive any cash compensation for their service as members of the board of directors. It is anticipated that the current and newly elected non-employee directors will receive varying levels of compensation for their services as directors based on their eligibility to be members of Navios’s audit and compensation committees. Navios anticipates determining director compensation in accordance with industry practice and standards.

Executive Compensation

For the fiscal year ended December 31, 2004, Messrs. Shaw and McClure, our current President and Chief Financial Officer, respectively, received the following compensation:

Name	Year	Salary	Bonus
Robert Shaw (President)	2004	$ 312,500	$ 343,750
Michael E. McClure (Chief Financial Officer)	2004	$ 134,771	$ 202,157

During the 2004 fiscal year, Ms. Frangou was not associated with Navios and only became our Chief Executive Officer upon the acquisition of Navios by ISE. Ms. Frangou was not paid any compensation by ISE prior to its acquisition of Navios. In addition, as Mr. McClure was appointed as the Chief Financial Officer effective October 1, 2005, the compensation for Mr. McClure identified above was for his services provided to Navios as the Vice President — Research & Risk Management.

Navios has no option or long-term compensation plans.

Employment Agreements, Termination Of Employment And Change-In-Control Arrangements

Michael E. McClure has an employment agreement, dated August 25, 2005, and has executed a Non-Competition and Non-Solicitation Agreement, effective August 25, 2005. Mr. McClure is entitled to a base salary equal to 120% of his current base salary for a term of two years and is eligible for an annual cash bonus which, in 2005 is based on profitability of Navios and thereafter in the sole discretion of Navios. Any such bonus will be calculated based on criteria to be established and determined at the time of such grant by the board of directors.

If the agreement is terminated by Navios for cause or by the employee voluntarily, the company shall have no further obligations other than to pay to employee the compensation and benefits, including payment for accrued but untaken vacation days, through the last day of his actual employment. If the agreement is terminated by Navios upon the employee’s death or disability, the company shall pay to employee’s estate or to employee, as the case may be, compensation which would otherwise be payable to him for a period of thirty (30) days from the date such termination occurs and payment for any accrued but untaken vacation days, through the last day of employment. Employee or his estate shall also be eligible to receive any benefits which he or it are entitled to receive under the various company fringe benefit plans for the twelve months following employee's death or disability. If the agreement is terminated by the company for reasons other than cause or by employee voluntarily or for death or disability, then the employee is entitled to:

- the greater of an amount equal to his base salary for six months or the salary due for the remainder of the agreement term;
- payment for accrued but untaken vacation days; and
- continued contributions toward employee's health care, dental, disability and life insurance benefits for a period of six months from the last day of employee's employment or for the remainder of time left in the agreement term, whichever is greater (unless employee is actually covered by an equivalent benefit, at the same cost to employee, if any, from another employer during such period).

Cause means:

- a finding by the company that employee has engaged in dishonesty, gross negligence or gross misconduct that is injurious to the company;
- employee's conviction or entry of nolo contendere to any felony or crime involving moral turpitude, fraud or embezzlement of company property;
- the employee's material breach of the employment agreement, which, if curable, has not been cured by employee within 14 days after he shall have received written notice from the company stating with reasonable specificity the nature of such breach; or
- the employee's material breach of any of the terms of the Non-Competition Agreement and Non-Solicitation Agreement.

Other than as described above, there are no employment agreements, or termination or change of control arrangements with our current executive officers and directors.

Share Ownership of Executive Officers, Directors and Major Shareholders

The following table sets forth information regarding the beneficial ownership of the common stock of Navios as of December 14, 2005, by:

- each person known by Navios to be the beneficial owner of more than 5% of its outstanding shares of common stock based solely upon the amounts and percentages as are contained in the public filings of such persons; and
- each of Navios's executive officers and directors.

Unless otherwise indicated, Navios believes that all persons named in the table have sole voting and investment power with respect to all shares of common stock beneficially owned by them.

Name and Address of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percentage of Outstanding Common Stock
Angeliki Frangou(2)	11,812,522	29.6%

Robert Shaw	0	0
Michael E. McClure	0	0
Vasiliki Papaefthymiou	352,059	.088%
Spyridon Magoulas	25,147	.0006%
John Stratakis	16,765	.0004%
Rex Harrington	0	0
Allan Shaw	0	0
Pequot Capital Management, Inc.(3)	6,410,400(3)	14.56%
North Sound Capital LLC(4)	2,700,000	6.76%
FMR Corp.(5)	3,000,000	7.51%
DKR Capital Partners LP(6)	2,298,000(6)	5.76%
Satellite Fund Management LLC(7)	2,020,519	5.06%
Jonathan Savitz(8)	2,114,800	5.00%

(1) Unless otherwise indicated, the business address of each of the individuals is 67 Notara Street, Piraeus Greece 185 35.

(2) Angeliki Frangou has filed a Schedule 13D amendment indicating that she intends, subject to market conditions, to purchase up to $20 million of common stock and as of October 10, 2005, she has purchased approximately $10.0 million in value of common stock. Any such additional purchases would change the percentage owned by the initial stockholders and Ms. Frangou referred to above.

(3) A registered investment adviser exercising investment discretion over its clients' accounts. Represents 2,293,600 shares of common stock and 4,116,800 shares of common stock issuable upon exercise of warrants held for the accounts of the Reporting Person's clients.

(4) The ultimate managing member of North Sound Capital LLC (''North Sound'') is Thomas McAuley. North Sound may be deemed the beneficial owner of the shares in its capacity as the managing member of North Sound Legacy Fund LLC and North Sound Legacy Institutional Fund LLC and the investment advisor of North Sound Legacy International Ltd. (the ''Funds''), who are the holders of such shares. As the managing member or investment advisor, respectively, of the Funds, North Sound has voting and investment control with respect to the shares of common stock held by the Funds. The address of North Sound is 53 Forest Avenue, Suite 202, Old Greenwich, CT 06870.

(5) The securities may be deemed to be owned by Edward C. Johnson III and Abigail P. Johnson. The address of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109.

(6) The securities may be deemed to be owned by Danny Saks, Ethan Benovitz and Jaime Hartman. Represents 766,000 units (a unit consists of one share of common stock and two warrants, with each warrant entitling the holder to purchase one share of common stock) that are convertible into 2,298,000 shares of common stock that are beneficially owned by DKR SoundShore Oasis Holding Fund Ltd. and DKR SoundShore Strategic Holding Fund Ltd. DKR Oasis Management Company LP (''DKROMC'') acts as the investment adviser to DKR SoundShore Oasis Holding Fund Ltd. DKR Capital Partners LP., a registered investment adviser, is the managing General Partner to DKROMC and the investment adviser to DKR SoundShore Strategic Holding Fund Ltd. The address of DKR Capital Partners LP is 1281 East Main Street, Stamford, Connecticut 06902.

(7) Satellite Fund Management LLC is the general partner of Satellite Asset Management, L.P. which has discretionary investment trading authority over 1,547,316 of the shares (which are held by various funds) and the remaining 473,203 shares are controlled by Satellite Advisors, L.L.C. These entities, Satellite Fund Management LLC and Satellite Advisors, L.L.C., share the same four members that make

investment decisions with respect to the shares listed, and investment decisions made by such members, when necessary, are made through approval of a majority of such members. The address of the entities identified is 623 Fifth Ave., 19th Floor, New York, NY 10022.

(8)Represents 2,114,800 shares of common stock underlying through ownership of warrants. Mr. Savitz may be deemed to be the beneficial owner of the securities listed as (i) the senior managing member of the general partner of Greywolf Capital Partners II, LP, which beneficially owns 890,682 of the shares and (ii) the sole managing member of the investment manager of Greywolf Capital Overseas Fund, which beneficially owns 1,224,118 of the shares. The address of Greywolf Capital Partners II, LP is 4 Manhattanville Road, Suite 201, Purchase, NY 10577 and the address of Greywolf Capital Overseas Fund is 6 Front Street, Hamilton, HM11 Bermuda.

Substantially all of the shares of common stock owned by the executive officers and directors of Navios identified above are held in escrow with Continental Stock Transfer & Trust Company, as escrow agent, and shall remain in escrow until the earliest of:

- December 10, 2007;
- ISE's liquidation; or
- the consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of Navios's stockholders having the right to exchange their shares of common stock for cash, securities or other property.

During the escrow period, the holders of these escrowed shares will not be able to sell or transfer their securities, except to their spouses and children or trusts established for their benefit, but will retain all other rights as Navios stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow.

CERTAIN RELATIONSHIPS AND 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:

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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.

DESCRIPTION OF SECURITIES

Set forth below is a summary of certain in formation relating to our securities and of certain provisions of our Articles of Incorporation and the laws of the Marshall Islands law. This summary does not purport to be complete. It is qualified in its entirety by reference to the Articles of Incorporation and the laws of the Marshall Islands in effect at the date of this prospectus.

General

On August 25, 2005, ISE, a publicly traded shell company, acquired Navios, a then privately held company, which caused Navios to become a wholly-owned subsidiary of a publicly traded company. Immediately following the acquisition, ISE reincorporated from the State of Delaware to the Republic of Marshall Islands by merging with and into Navios, its wholly owned subsidiary, and as a result of such merger, Navios became a publicly traded operating entity. As a result of the acquisition and reincorporation, and in accordance with its Third Amended and restated Articles of Incorporation, dated August 25, 2005, Navios is authorized to issue 120,000,000 shares of common stock, par value $.0001, and 1,000,000 shares of preferred stock, par value $.0001. As of October 31, 2005, 39,900,000 shares of common stock are outstanding, held by eight record holders, seven of which are located in the United States. No shares of preferred stock are currently outstanding. Of Navios's outstanding securities, the common stock, warrants and units, the portions held by investors in the United States are approximately 40%, 25% and 0%, respectively.

Units

Each unit is publicly traded and consists of one share of common stock and two warrants, which warrants started trading separately as of the opening of trading on January 5, 2005. Each warrant entitles the holder to purchase one share of common stock at an exercise price of $5.00 per share.

Common stock

Navios's common stock is publicly traded and stockholders are entitled to one vote for each share held of record on all matters to be voted on by stockholders.

Navios's board of directors is divided into three classes, each of which will generally serve for a term of three years with only one class of directors being elected in each year. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares voted for the election of directors can elect all of the directors.

Navios's stockholders have no conversion, preemptive or other subscription rights and there are no sinking fund or redemption provisions applicable to the common stock.

Holders of 7,125,000 shares of common stock are entitled to registration rights. The holders of the majority of these shares are entitled to make up to two demands that Navios register the resale of these shares. The holders of the majority of these shares can elect to exercise these registration rights at any time after December 10, 2007. In addition, these stockholders have certain ''piggy-back'' registration rights on registration statements filed subsequent to December 10, 2007. Navios will bear the expenses incurred in connection with the filing of any such registration statements.

Preferred stock

Navios's certificate of incorporation authorizes the issuance of 1,000,000 shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by Navios's board of directors. Accordingly, Navios's board of directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock, although the underwriting agreement prohibits Navios, prior to a business combination, from issuing preferred stock which participates in any manner in the proceeds of the trust fund, or which votes as a class with the common stock on a business combination. Navios may issue some or all of the preferred

stock to effect a business combination. In addition, the preferred stock could be utilized as a method of discouraging, delaying or preventing a change in control of Navios. Although Navios does not currently intend to issue any shares of preferred stock, Navios cannot assure you that it will not do so in the future.

Warrants

Navios currently has warrants outstanding to purchase 65,550,000 shares of Navios common stock. Each warrant entitles the registered holder to purchase one share of Navios's common stock at a price of $5.00 per share, subject to adjustment as discussed below, at any time commencing on December 10, 2005.

The warrants will expire on December 9, 2008, at 5:00 p.m., New York City time. Navios may call the warrants for redemption, with Sunrise Securities Corp.'s prior consent, in whole and not in part, at a price of $.01 per warrant at any time after the warrants become exercisable, upon not less than 30 days' prior written notice of redemption to each warrant holder, if, and only if, the last reported sale price of the common stock equals or exceeds $8.50 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders and the weekly trading volume of Navios's common stock has been at least 800,000 shares for each of the two calendar weeks prior to the notice of redemption.

The warrants are issued in registered form under a warrant agreement between Continental Stock Transfer & Trust Company, as warrant agent, and Navios.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or Navios's recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified check payable to Navios, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of common stock or any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No fractional shares will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, Navios will, upon exercise, round up to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

Transfer Agent and Warrant Agent

The transfer agent for Navios's securities and warrant agent for Navios's warrants is Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York 10004.

MARSHALL ISLANDS COMPANY CONSIDERATIONS

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Business Corporation Act of the Republic of the Marshall Islands, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. For example, the BCA allows the adoption of various anti-takeover measures such as shareholder ‘‘rights’’ plans. While the BCA also provides that it is to be in interpreted according to the laws of the State of Delaware and other states with substantially similar legislative provisions, there have been few, if any, court cases interpreting the BCA in the Marshall Islands and we can not predict whether Marshall Islands courts would reach the same conclusions as U.S. courts. Thus, you may have more difficulty in

protecting your interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in a United States jurisdiction which has developed a substantial body of case law. The following table provides a comparison between the statutory provisions of the BCA and the Delaware General Corporation Law relating to shareholders' rights.

Marshall Islands	Delaware
Shareholder Meetings	
• Held at a time and place as designated in the by-laws	• May be held at such time or place as designated in the certificate of incorporation or the by-laws, or if not so designated, as determined by the board of directors
• May be held within or without the Marshall Islands	• May be held within or without Delaware
• Notice:	• Notice:
• Whenever shareholders are required to take action at a meeting, written notice shall state the place, date and hour of the meeting and indicate that it is being issued by or at the direction of the person calling the meeting	• Whenever shareholders are required to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, and the means of remote communication, if any
• A copy of the notice of any meeting shall be given personally or sent by mail not less than 15 nor more than 60 days before the meeting	• Written notice shall be given not less than 10 nor more than 60 days before the meeting
Shareholder's Voting Rights	
• Any action required to be taken by meeting of shareholders may be taken without meeting if consent is in writing and is signed by all the shareholders entitled to vote	• Shareholders may act by written consent to elect directors
• Any person authorized to vote may authorize another person or persons to act for him by proxy	• Any person authorized to vote may authorize another person or persons to act for him by proxy
• Unless otherwise provided in the articles of incorporation, a majority of shares entitled to vote constitutes a quorum. In no event shall a quorum consist of fewer than one-third of the shares	• For non-stock companies, certificate of incorporation or by-laws may specify the number of members to constitute a quorum. In the absence of this, one-third of the members shall

entitled to vote at a meeting • No provision for cumulative voting	constitute a quorum • For stock corporations, certificate of incorporation or by-laws may specify the number to constitute a quorum but in no event shall a quorum consist of less than one-third of shares entitled to vote at a meeting. In the absence of such specifications, a majority of shares entitled to vote shall constitute a quorum • The certificate of incorporation may provide for cumulative voting

Directors	
• Board must consist of at least one member • Number of members can be changed by an amendment to the by-laws, by the shareholders, or by action of the board	• Board must consist of at least one member • Number of board members shall be fixed by the by-laws, unless the certificate of incorporation fixes the number of directors, in which case a change in the number shall be made only by amendment of the certificate
• If the board is authorized to change the number of directors, it can only do so by an absolute majority (majority of the entire board)	
Dissenter's Rights of Appraisal	
• Shareholder's have a right to dissent from a merger or sale of all or substantially all assets not made in the usual course of business, and receive payment of the fair value of their shares • A holder of any adversely affected shares who does not vote on or consent in writing to an amendment to the articles of incorporation has the right to dissent and to receive payment for such shares if the amendment: • Alters or abolishes any preferential right of any outstanding shares having preference; or • Creates, alters, or abolishes any provision or right in respect to the redemption of any outstanding shares; or • Alters or abolishes any preemptive right of such holder to acquire shares or other securities; or • Excludes or limits the right of such holder to vote on any matter, except as such right may be limited by the voting rights given to new shares then being authorized of any existing or new class	• Appraisal rights shall be available for the shares of any class or series of stock of a corporation in a merger or consolidation

Shareholder's Derivative Actions

• An action may be brought in the right of a corporation to procure a judgement in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law • Complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort • Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic • Attorney's fees may be awarded if the action is successful • Corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of stock and the shares have a value of less than $50,000	• In any derivative suit instituted by a stockholder or a corporation, it shall be averred in the complaint that the plaintiff was a stockholder of the corporation at the time of the transaction of which he complains or that such stockholder's stock thereafter devolved upon such stockholder by operation of law

PLAN OF DISTRIBUTION

The shares of Common Stock underlying the publicly traded warrants are being offered directly by the Company, without an underwriter, and the holders of such publicly traded warrants may purchase the shares of Common Stock directly from the Company, by exercising the publicly traded warrants in accordance with the exercise provisions, and pursuant to the terms of the publicly traded warrants, as described in "Description of Securities."

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TAXATION

Marshall Islands Tax Considerations

Navios is incorporated in the Marshall Islands. Under current Marshall Islands law, Navios will not be subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments.

Federal Income Tax Consequences

General

The following discussion addresses certain United States federal income tax aspects of our business and to the holders of our securities. It does not address other tax aspects (including issues arising under state, local and foreign tax laws other than the Marshall Islands), nor does it attempt to address the specific circumstances of any particular stockholder of Navios.

United States Federal Income Tax Considerations

United States Tax Consequences

Taxation of Operating Income: In General

Navios is incorporated under the laws of the Marshall Islands. Accordingly, it will be taxed as a foreign corporation by the United States. If Navios were taxed as a domestic corporation, it could be subject to substantially greater United States income tax than contemplated below.

In general, a foreign corporation is subject to United States tax on income that is treated as derived from US source income or that is effectively connected income. Based on its current plans, however, Navios expects that its income from sources within the United States will be international shipping income that qualifies for exemption from United States federal income taxation under Section 883 of the Code, and that it will have no effectively connected income. Accordingly, Navios does not expect to be subject to federal income tax on any of its income.

If Navios is taxed as a foreign corporation and the benefits of Code Section 883 are unavailable, Navios's United States source shipping income that is not effectively connected income would be subject to a four percent (4%) tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Navios believes that no more than fifty percent (50%) of NAvios's shipping income would be treated as United States source shipping income because, under Navios's current business plan, its shipping income will be attributable to transportation which does not both begin and end in the United States. Thus, the maximum effective rate of United States federal income tax on Navios's shipping income would never exceed two percent (2%) under the four percent (4%) gross basis tax regime.

To the extent the benefits of Code Section 883 exemption are unavailable and Navios's international shipping income is considered to be effectively connected income, such income, net of applicable deductions, would be subject to the United States federal corporate income tax. United States corporate income tax would also apply to any other effectively connected income of Navios, and to Navios's worldwide income if it were taxed as a domestic corporation. This could result in the imposition of a tax of up to 35% on Navios's income, except to the extent that Navios were able to take advantage of more favorable rates that may be imposed on shipping income of domestic corporations or foreign corporations. In addition, as a foreign corporation, Navios could potentially be subject to the thirty percent (30%) branch profits on effectively connected income, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of its United States trade or business. Since Navios does not intend to have any vessel sailing to or from the United States on a regularly scheduled basis, Navios believes that none of its international shipping income will be effectively connected income.

United States Taxation of Gain on Sale of Vessels

Regardless of whether Navios qualifies for exemption under Code Section 883, it will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided that the sale is considered to occur outside of the United States as defined under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected than any sale of a vessel by Navios will be considered to occur outside of the United States.

United States Federal Income Taxation of US Holders

As used herein, the term ‘‘US Holder’’ means a beneficial owner of common stock that

- is an individual United States citizen or resident, a United States corporation or other United States entity taxable as a corporation, an estate of which the income is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust;
- owns Navios common stock as a capital asset; and
- owns less than ten percent (10%) of Navios’s common stock for United States federal income tax purposes.

If a partnership holds Navios common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding Navios common stock, you should consult your tax advisor.

Distributions

Subject to the discussion of passive federal foreign investment companies below, distributions made by Navios with respect to Navios common stock to a US Holder will generally constitute dividends to the extent of Navios’s current or accumulated earnings and profits, as determined under United States federal income tax principles, and will be included in the US Holder’s gross income. Distributions in excess of such earnings and profits will first be treated as a nontaxable return of capital to the extent of the US Holder’s tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because Navios is not a United States corporation, US Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions it receives from Navios. Dividends paid with respect to Navios’s common stock will generally be treated as ‘‘passive income’’ for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on Navios common stock to a US Holder who is an individual, trust or estate, a US Non-Corporate Holder, will, under current law, generally be treated as ‘‘qualified dividend income’’ that is taxable to such US Non-Corporate Holder at preferential tax rates (through 2008), provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the Over-The-Counter Bulletin Board); (2) Navios is not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (which Navios does not believe it is or will be); (3) the US Non-Corporate Holder has owned the common stock for more than sixty (60) days in the 121-day period beginning sixty (60) days before the date on which the common stock becomes ex-dividend; and (4) the US Non-Corporate Holder is under no obligation to make related payments with respect to positions in substantially similar or related property. Special rules may apply to any ‘‘extraordinary dividend’’ — generally, a dividend in an amount equal to or in excess of ten percent of a stockholder’s adjusted basis in a share of common stock — paid by Navios. If Navios pays an ‘‘extraordinary dividend’’ on its common stock that is treated as ‘‘qualified dividend income,’’ then any loss derived by a US Non-Corporate Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend. On June 30, 2005, Senators Baucus, Jeffords and Kerry introduced a bill in the United States Senate which, if enacted into law, could result in the failure of dividends paid by Navios to qualify for treatment as qualified dividend income if it were determined that the Republic of the Marshall Islands does not have a ‘‘Comprehensive Tax System’’ within the meaning of the bill.

There is no assurance that any dividends paid on Navios common stock will be eligible for these preferential rates in the hands of a US Non-Corporate Holder, although Navios believes that they will be so eligible. Any dividends out of earnings and profits Navios pays which are not eligible for these preferential rates will be taxed as ordinary income to a US Non-Corporate Holder.

Sale, Exchange or Other Disposition of Common Stock

Assuming Navios does not constitute a passive foreign investment company for any taxable year, a US Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of Navios common stock in an amount equal to the difference between the amount realized by the US Holder from such sale, exchange or other disposition and the US Holder’s tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the US Holder’s holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States source income or loss, as applicable, for United States foreign tax credit purposes. Long-term capital gains of US Non-Corporate Holders are eligible for reduced rates of taxation. A US Holder’s ability to deduct capital losses is subject to certain limitations. See, ‘‘United States Federal Income Tax Considerations — United States Tax Consequences’’ above, for a discussion of certain tax basis and holding period issues related to Navios common stock.

Passive Foreign Investment Company Status and Significant Tax Consequences

Special United States federal income tax rules apply to a US Holder that holds stock in a foreign corporation classified as a ‘‘passive foreign investment company’’ for United States federal income tax purposes. A foreign corporation will be a foreign passive investment company if 75% or more of its gross income for a taxable year is treated as passive income, or if the average percentage of assets held by such corporation during a taxable year which produce or are held to produce passive income is at least 50%. A US Holder of stock in a passive foreign investment company can be subject to current taxation on undistributed income of such company or to other adverse tax results if it does not elect to be subject to such current taxation.

Navios believes that it will not be a passive foreign investment company because it believes that its shipping income will be active services income and most of its assets will be held for the production of active services income.

Since there is no legal authority directly on point, however, the IRS or a court could disagree with Navios’s position and treat its shipping income and/or shipping assets as passive income or as producing or held to produce passive income. In addition, although Navios intends to conduct its affairs in a manner that would avoid Navios being classified as a passive foreign investment company with respect to any taxable year, it cannot ensure that the nature of its operations will not change in the future.

United States Federal Income Taxation of Non-US Holders

A beneficial owner of common stock (other than a partnership) that is not a US Holder is referred to herein as a Non-US Holder.

Dividends on Common Stock

Non-US Holders generally will not be subject to United States federal income tax or withholding tax on dividends received with respect to Navios common stock, unless that income is effectively

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connected with the Non- US Holder's conduct of a trade or business in the United States. If the Non-US Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-US Holder in the United States. In the event that Navios becomes taxed as a United States corporation under newly enacted provisions of the Code, dividends received by Non-US Holders could be subject to United States withholding tax. See discussion above under ''United States Tax Consequences — Taxation of Operating Income: In General.''

Sale, Exchange or other Disposition of Common Stock

Non-US Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of Navios's common stock, unless:

- the gain is effectively connected with the Non-US Holder's conduct of a trade or business in the United States (and, if the Non-US Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-US Holder in the United States); or
- the Non-US Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-US Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock, that is effectively connected with the conduct of that trade or business, will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of US Holders. In addition, if the shareholder is a corporate Non-US Holder, the shareholder's earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of thirty percent (30%), or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments or other taxable distributions, made within the United States to the shareholder, will be subject to information reporting requirements if the shareholder is a non-corporate US Holder. Such payments or distributions may also be subject to backup withholding tax if the shareholder is a non-corporate US Holder and:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that the shareholder failed to report all interest or dividends required to be shown on the shareholder's federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-US Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8ECI or W-81MY, as applicable.

If the shareholder is a Non-US Holder and sells the shareholder's common stock to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the shareholder certifies that the shareholder is a non-United States person, under penalties of perjury, or otherwise establishes an exemption. If the shareholder sells common stock through a non-United States office of a non-United States broker and the sales proceeds are paid to the shareholder outside the United States, then information reporting and backup withholding generally will not apply to that payment. United States information reporting requirements, but not backup withholding, however, will apply to a payment of sales proceeds, even if that payment is made to the shareholder outside the United States, if the shareholder sells common stock through a non-United States office of a broker that is a United States person or has some other

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contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that the shareholder is a non-United States person and certain other conditions are met, or otherwise establishes an exemption.

The conclusions expressed above are based on current United States tax law. Future legislative, administrative or judicial changes or interpretations, which can apply retroactively, could affect the accuracy of those conclusions.

The discussion does not address all of the tax consequences that may be relevant to particular taxpayers in light of their personal circumstances or to taxpayers subject to special treatment under the Code. Such taxpayers include non-US persons, insurance companies, tax-exempt entities, dealers in securities, banks and persons who acquired their shares of capital stock pursuant to the exercise of employee options or otherwise as compensation.

BECAUSE OF THE COMPLEXITY OF THE TAX LAWS, AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR STOCKHOLDER MAY BE AFFECTED BY MATTERS NOT DISCUSSED ABOVE, EACH NAVIOS STOCKHOLDER IS URGED TO CONSULT A TAX ADVISOR WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE OFFERING AND THE EXERCISE OF THE PUBLICLY TRADED WARRANTS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-US TAX LAWS, AS WELL AS FEDERAL TAX LAWS.

ENFORCEABILITY OF CIVIL LIABILITIES AND INDEMNIFICATION FOR SECURITIES ACT LIABILITIES

We are incorporated under the laws of the Republic of the Marshall Islands. A majority of the directors, officers and the experts named in the prospectus reside outside the United States. In addition, a substantial portion of the assets and the assets of the directors, officers and experts are located outside the United States. As a result, you may have difficulty serving legal process within the United States upon Navios or any of these persons. You may also have difficulty enforcing, both in and outside the United States, judgments you may obtain in United States courts against Navios or these persons in any action, including actions based upon the civil liability provisions of United States federal or state securities laws. Furthermore, there is substantial doubt that the courts of the Marshall Islands would enter judgments in original actions brought in those courts predicated on United States federal or state securities laws.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable.

We have obtained directors' and officers' liability insurance against any liability asserted against such person incurred in the capacity of director or officer or arising out of such status, whether or not we would have the power to indemnify such person.

LEGAL MATTERS

The validity of the common stock underlying the publicly traded warrants offered in this offering, including the valid issuance of the shares of common stock upon exercise of the warrants and the comparison of stockholders' rights under Marshall Islands law as compared to Delaware law in connection with this offering relating to Marshall Islands law will be passed upon for us by Reeder & Simpson P.C.

EXPERTS

The consolidated financial statements of Navios Maritime Holdings Inc. as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers, an independent registered public accounting firm, given on the authority of said firm as experts in accounting and auditing.

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The discussions contained under the sections of this prospectus entitled ‘‘The International Dry Bulk Shipping Industry’’ have been reviewed by Drewry Shipping Consultants, Ltd., which has confirmed to Navios that they accurately describe the international dry bulk shipping industry, subject to the reliability of the data supporting the statistical and graphical information presented in this prospectus.

The statistical and graphical information Navios uses in this prospectus has been compiled by Drewry from its database. Drewry compiles and publishes data for the benefit of its clients. Its methodologies for collecting data, and therefore the data collected, may differ from those of other sources, and its data does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the market.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form F-1, including the exhibits and schedules thereto, with the Securities and Exchange Commission, or SEC, under the Securities Act, and the rules and regulations thereunder, for the registration of the common stock that are being offered by this prospectus. This prospectus does not include all of the information contained in the registration statement. You should refer to the registration statement and its exhibits for additional information. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreements or other document.

We are subject to the informational requirements of the Securities Exchange Act, applicable to foreign private issuers. We, as a ''foreign private issuer,'' are exempt from the rules under the Securities Exchange Act prescribing certain disclosure and procedural requirements for proxy solicitations, and our officers, directors and principal shareholders are exempt from the reporting and ''short-swing'' profit recovery provisions contained in Section 16 of the Securities Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file annual, quarterly and current reports and financial statements with the SEC as frequently or as promptly as United States companies whose securities are registered under the Securities Exchange Act. However, we will file with the SEC, within 180 days after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent accounting firm. We will also furnish quarterly reports on Form 6-K containing unaudited interim financial information for the first three quarters of each fiscal year, within 60 days after the end of such quarter.

You may read and copy any document we file or furnish with the SEC at reference facilities at 450 Fifth Street, NW, Washington, DC 20549. You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. You can review our SEC filings and the registration statement by accessing the SEC's internet site at http://www.sec.gov.

Documents may also be inspected at the National Association of Securities Dealers, Inc., 1735 K Street, N.W., Washington D.C. 20006.

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