

Navios Maritime Partners L.P.
Form 6-K
July 30, 2014
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16

OF THE SECURITIES EXCHANGE ACT OF 1934

DATED: July 30, 2014

Commission File No. 001-33811

NAVIOS MARITIME PARTNERS L.P.

7 Avenue de Grande Bretagne, Office 11B2

Monte Carlo, MC 98000 Monaco

(Address of Principal Executive Offices)

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

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

Form 20-F Form 40-F

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

Yes No

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

Yes No

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

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

N/A

Table of Contents

NAVIOS MARITIME PARTNERS L.P.

FORM 6-K

TABLE OF CONTENTS

	Page
<u>Operating and Financial Review</u>	3
<u>Exhibit List</u>	20
<u>Financial Statements Index</u>	F-1

Table of Contents

The information contained in this Report is hereby incorporated by reference into the Registration Statement on Form F-3, File No. 333-170284.

Operating and Financial Review

The following is a discussion of the financial condition and results of operations for the three and six month periods ended June 30, 2014 and 2013 of Navios Maritime Partners L.P. (referred to herein as we, us or Navios Partners). All of the financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (US GAAP). You should read this section together with the consolidated financial statements and the accompanying notes included in Navios Partners' 2013 Annual Report filed on Form 20-F with the Securities and Exchange Commission.

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward looking statements are based on Navios Partners' current expectations and observations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, changes in the demand for dry bulk vessels, fluctuation of charter rates, competitive factors in the market in which Navios Partners operates; risks associated with operations outside the United States; and other factors listed from time to time in the Navios Partners' filings with the Securities and Exchange Commission.

Recent Developments

Navios Partners has agreed to acquire two South Korean-built container vessels for a total cash consideration of \$117.7 million. The vessels are chartered out for minimum four years, at \$34,266 net per day per vessel. The vessels are expected to be delivered in the fourth quarter of 2014.

Overview

Navios Partners is an international owner and operator of dry cargo vessels, formed on August 7, 2007 under the laws of the Republic of the Marshall Islands by Navios Maritime Holdings Inc. (Navios Holdings), a vertically integrated seaborne shipping and logistics company with over 60 years of operating history in the drybulk shipping industry. Navios GP L.L.C. (the General Partner), a wholly owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of Navios Partners and received 2% general partner interest in Navios Partners.

As of July 29, 2014, there were outstanding 77,359,163 common units and 1,578,763 general partnership units. Navios Holdings owns a 20.0% interest in Navios Partners, which includes the 2% general partner interest.

Fleet

Our fleet consists of 14 Panamax vessels, eight Capesize vessels, three Ultra-Handymax vessels and seven Container vessels.

In general, the vessels in our fleet are chartered-out under time charters, which range in length from one to ten years at inception. From time to time, we operate vessels in the spot market until the vessels have been chartered under long-term charters.

Table of Contents

The following table provides summary information about our fleet as of July 29, 2014:

Owned Drybulk Vessels	Type	Built	Capacity (DWT)	Charter Expiration Date	Charter-Out Rate⁽¹⁾
Navios Apollon	Ultra-Handymax	2000	52,073	October 2014	\$ 13,500 ⁽²⁾
Navios Soleil	Ultra-Handymax	2009	57,337	July 2014	\$ 13,300
Navios La Paix	Ultra-Handymax	2014	61,485	December 2015	\$ 6TC BSI +10% ⁽³⁾
Navios Gemini S	Panamax	1994	68,636	August 2014	\$ 12,350
Navios Libra II	Panamax	1995	70,136	September 2015	\$ 12,000 ⁽²⁾
Navios Felicity	Panamax	1997	73,867	November 2014	\$ 12,000 ⁽⁴⁾
Navios Galaxy I	Panamax	2001	74,195	February 2018	\$ 21,937
Navios Hyperion	Panamax	2004	75,707	April 2015	\$ 4TC BPI ⁽⁵⁾
Navios Alegria	Panamax	2004	76,466	August 2014	\$ 14,013
Navios Orbiter	Panamax	2004	76,602	October 2014	\$ 10,588
Navios Helios	Panamax	2005	77,075	December 2014	\$ 12,513
Navios Sun	Panamax	2005	76,619	February 2015	\$ 13,063
Navios Hope	Panamax	2005	75,397	December 2014	\$ 10,000
Navios Sagittarius	Panamax	2006	75,756	November 2018	\$ 26,125
Navios Harmony	Panamax	2006	82,790	May 2015	\$ 12,350
Navios Fantastiks	Capesize	2005	180,265	March 2015	\$ 20,425
Navios Aurora II	Capesize	2009	169,031	November 2019	\$ 41,325
Navios Pollux	Capesize	2009	180,727	October 2014	\$ 21,300
Navios Fulvia	Capesize	2010	179,263	September 2015	\$ 50,588
Navios Melodia ⁽⁶⁾	Capesize	2010	179,132	September 2022	\$ 29,356 ⁽⁷⁾
Navios Luz	Capesize	2010	179,144	November 2020	\$ 29,356 ⁽⁸⁾
Navios Buena Ventura	Capesize	2010	179,259	October 2020	\$ 29,356 ⁽⁸⁾
Navios Joy	Capesize	2013	181,389	June 2016	\$ 19,000 ⁽⁹⁾

Charter

Owned Container Vessels	Type	Built	TEU	Charter Expiration Date	Charter-Out Rate⁽¹⁾
Hyundai Hongkong	Container	2006	6,800	December 2023	\$ 30,119
Hyundai Singapore	Container	2006	6,800	December 2023	\$ 30,119
Hyundai Tokyo	Container	2006	6,800	December 2023	\$ 30,119
Hyundai Shanghai	Container	2006	6,800	December 2023	\$ 30,119
Hyundai Busan	Container	2006	6,800	December 2023	\$ 30,119

Charter

Container vessels to be delivered	Type	Built	TEU	Charter Expiration Date	Charter-Out Rate⁽¹⁾
--	-------------	--------------	------------	--	---

TBN 1 ⁽¹⁰⁾	Container	2006	8,204	November 2018	\$	34,266
TBN 2 ⁽¹⁰⁾	Container	2006	8,204	November 2018	\$	34,266

Charter

			Capacity	Expiration		Charter-Out
Charter-in Drybulk Vessels	Type	Built	(DWT)	Date		Rate ⁽¹⁾
Navios Prosperity ⁽¹¹⁾	Panamax	2007	82,535	July 2015	\$	12,000 ⁽⁴⁾
Navios Aldebaran ⁽¹²⁾	Panamax	2008	76,500	August 2014	\$	11,000 ⁽¹³⁾

- (1) Daily charter-out rate per day, net of commissions or settlement proceeds, where applicable.
- (2) Profit sharing 50% on the actual results above the period rates.
- (3) The charter rate is based on the Supramax Time Charter Index plus 10% with a minimum rate of \$9,500 net per day.
- (4) Profit sharing: The owners will receive 100% of the first \$1,500 in profits above the base rate and thereafter all profits will be split 50% to each party.
- (5) The charter rate is based on the Panamax Time Charter Index.
- (6) In January 2011, Korea Line Corporation (KLC) filed for receivership. The charter was affirmed and will be performed by KLC on its original terms, following an interim suspension period during which Navios Partners trades the vessel directly. Rate assumes amortization of payment \$13.3 million received upfront covering the interim suspension period.
- (7) Profit sharing 50% above \$37,500/ day based on Baltic Exchange Capesize TC Average.
- (8) Profit sharing 50% above \$38,500/ day based on Baltic Exchange Capesize TC Average.

Table of Contents

- (9) The charterer has been granted an option to extend the charter for two optional years, the first at \$22,325 (net) per day and the second at \$25,650(net) per day.
- (10) Expected to be delivered in the fourth quarter of 2014.
- (11) The Navios Prosperity is chartered-in until June 2015 and we have an option to extend for an additional year. We have the option to purchase the vessel after June 2012 at a purchase price that is initially 3.8 billion Yen (\$37.4 million based upon the exchange rate at June 30, 2014) declining each year by 145 million Yen (\$1.4 million based upon the exchange rate at June 30, 2014).
- (12) The Navios Aldebaran is chartered-in for seven years until March 2015 and we have options to extend for two one-year periods. We have the option to purchase the vessel after March 2013 at a purchase price that is initially 3.6 billion Yen (\$35.5 million based upon the exchange rate at June 30, 2014) declining each year by 150 million Yen (\$1.5 million based upon the exchange rate at June 30, 2014).
- (13) Profit sharing: The owners will receive 100% of the first \$2,500 in profits above the base rate and thereafter all profits will be split 50% to each party.

Our Charters

We generate revenues by charging our customers for the use of our vessels to transport their dry cargos. In general, the vessels in our fleet are chartered-out under time charters, which range in length from one to ten years at inception. From time to time, we operate vessels in the spot market until the vessels have been chartered under long-term charters.

For the six month period ended June 30, 2014, our most significant counterparties were Hyundai Merchant Marine Co., Ltd, Navios Corporation and Cosco Bulk Carrier Co. Ltd. which accounted for approximately 24.5%, 11.1% and 10.0%, respectively, of total revenues. For the year ended December 31, 2013, Cosco Bulk Carrier Co. Ltd., Hanjin Shipping Co. Ltd, Navios Corporation and Samsun Logix accounted for 23.4%, 11.3%, 10.4% and 10.2%, respectively, of total revenues. We believe that the combination of the long-term nature of most of our charters (which provide for the receipt of a fixed fee for the life of the charter) and our management agreement with Navios ShipManagement Inc. (the Manager), a wholly-owned subsidiary of Navios Holdings (which provides for a fixed management fee until December 31, 2015), provides us with a strong base of stable cash flows.

Our revenues are driven by the number of vessels in the fleet, the number of days during which the vessels operate and our charter hire rates, which, in turn, are affected by a number of factors, including:

the duration of the charters;

the level of spot and long-term 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 undergoing repairs and upgrades in drydock;

the age, condition and specifications of the vessels; and

the aggregate level of supply and demand in the drybulk shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to 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. We intend to operate our vessels in the long-term charter market. 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 our control. Please read **Risk Factors** in our 2013 Annual Report on Form 20-F for a discussion of certain risks inherent in our business.

Trends and Factors Affecting Our Future Results of Operations

We believe the principal factors that will affect our future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. Please read **Risk Factors** in our 2013 Annual Report on Form 20-F for a discussion of certain risks inherent in our business.

Table of Contents**Results of Operations****Overview**

The financial condition and the results of operations presented for the six month period ended June 30, 2014 and 2013 of Navios Partners discussed below include the following entities and chartered-in vessels:

Company name	Vessel name	Country of incorporation	2014		2013	
Libra Shipping Enterprises Corporation	Navios Libra II	Marshall Is.	1/01	06/30	1/01	06/30
Alegria Shipping Corporation	Navios Alegria	Marshall Is.	1/01	06/30	1/01	06/30
Felicity Shipping Corporation	Navios Felicity	Marshall Is.	1/01	06/30	1/01	06/30
Gemini Shipping Corporation	Navios Gemini S	Marshall Is.	1/01	06/30	1/01	06/30
Galaxy Shipping Corporation	Navios Galaxy I	Marshall Is.	1/01	06/30	1/01	06/30
Aurora Shipping Enterprises Ltd.	Navios Hope	Marshall Is.	1/01	06/30	1/01	06/30
Palermo Shipping S.A.	Navios Apollon	Marshall Is.	1/01	06/30	1/01	06/30
Fantastiks Shipping Corporation	Navios Fantastiks	Marshall Is.	1/01	06/30	1/01	06/30
Sagittarius Shipping Corporation	Navios Sagittarius	Marshall Is.	1/01	06/30	1/01	06/30
Hyperion Enterprises Inc.	Navios Hyperion	Marshall Is.	1/01	06/30	1/01	06/30
Chilali Corp.	Navios Aurora II	Marshall Is.	1/01	06/30	1/01	06/30
Surf Maritime Co.	Navios Pollux	Marshall Is.	1/01	06/30	1/01	06/30
Pandora Marine Inc.	Navios Melodia	Marshall Is.	1/01	06/30	1/01	06/30
Customized Development S.A.	Navios Fulvia	Liberia	1/01	06/30	1/01	06/30
Kohylia Shipmanagement S.A.	Navios Luz	Marshall Is.	1/01	06/30	1/01	06/30
Orbiter Shipping Corp.	Navios Orbiter	Marshall Is.	1/01	06/30	1/01	06/30
Floral Marine Ltd.	Navios Buena Ventura	Marshall Is.	1/01	06/30	1/01	06/30
Golem Navigation Limited	Navios Soleil	Marshall Is.	1/01	06/30	1/01	06/30
Kymata Shipping Co.	Navios Helios	Marshall Is.	1/01	06/30	1/01	06/30
Joy Shipping Corporation	Navios Joy	Marshall Is.	1/01	06/30		
Micaela Shipping Corporation	Navios Harmony	Marshall Is.	1/01	06/30		
Pearl Shipping Corporation	Navios Sun	Marshall Is.	1/18	06/30		
Velvet Shipping Corporation	Navios La Paix	Marshall Is.	1/07	06/30		
Rubina Shipping Corporation	Hyundai Hongkong	Marshall Is.	1/01	06/30		
Topaz Shipping Corporation	Hyundai Singapore	Marshall Is.	1/01	06/30		
Beryl Shipping Corporation	Hyundai Tokyo	Marshall Is.	1/01	06/30		
Cheryl Shipping Corporation	Hyundai Shanghai	Marshall Is.	1/01	06/30		
Christal Shipping Corporation	Hyundai Busan	Marshall Is.	1/01	06/30		
Chartered-in vessels						
Prosperity Shipping Corporation	Navios Prosperity	Marshall Is.	1/01	06/30	1/01	06/30
Aldebaran Shipping Corporation	Navios Aldebaran	Marshall Is.	1/01	06/30	1/01	06/30
Other						
JTC Shipping and Trading Ltd(*)	Holding Company	Malta	1/01	06/30	1/01	06/30
Navios Maritime Partners L.P.	N/A	Marshall Is.	1/01	06/30	1/01	06/30
Navios Maritime Operating LLC	N/A	Marshall Is.	1/01	06/30	1/01	06/30
Navios Partners Finance (US) Inc.	Co-Borrower	Delaware	1/01	06/30	6/19	06/30

Navios Partners Europe Finance Inc.	Sub-Holding Company	Marshall Is.	1/01	06/30
-------------------------------------	------------------------	--------------	------	-------

(*) Not a vessel-owning subsidiary and only holds right to a charter-in contract.

The accompanying interim condensed consolidated financial statements of Navios Partners are unaudited, but, in the opinion of management, contain all adjustments necessary to present a fair statement of results, in all material respects, Navios Partners' condensed consolidated financial position as of June 30, 2014 and the condensed consolidated results of operations for the three and six months ended June 30, 2014 and 2013. The footnotes are condensed as permitted by the requirements for interim financial statements and, accordingly, do not include information and disclosures required under US GAAP for complete financial statements. All such adjustments are deemed to be of a normal, recurring nature. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Navios Partners' Annual Report on Form 20-F for the year ended December 31, 2013.

Table of Contents**FINANCIAL HIGHLIGHTS**

The following table presents consolidated revenue and expense information for the three and six month period ended June 30, 2014 and 2013.

	Three Month Period ended June 30, 2014 (unaudited)	Three Month Period ended June 30, 2013 (unaudited)	Six Month Period ended June 30, 2014 (unaudited)	Six Month Period ended June 30, 2013 (unaudited)
Time charter and voyage revenues	\$ 55,178	\$ 49,154	\$ 112,676	\$ 99,435
Time charter and voyage expenses	(3,640)	(3,658)	(8,083)	(6,770)
Direct vessel expenses	(146)		(146)	
Management fees transactions	(12,239)	(8,586)	(24,244)	(17,077)
General and administrative expenses	(2,029)	(1,448)	(3,973)	(3,057)
Depreciation and amortization	(17,009)	(21,615)	(60,687)	(40,026)
Interest expense and finance cost, net	(7,085)	(3,927)	(14,114)	(6,332)
Interest income	37	7	90	15
Other income	17,875	10,083	47,915	10,127
Other expense	(957)	(499)	(1,088)	(558)
Net income	\$ 29,985	\$ 19,511	\$ 48,346	\$ 35,757
EBITDA(1)	\$ 54,188	\$ 45,046	\$ 123,203	\$ 82,100
Operating Surplus(1)	\$ 41,920	\$ 40,008	\$ 98,767	\$ 71,223

(1) EBITDA and Operating Surplus are non-GAAP financial measures. See Reconciliation of EBITDA to Net Cash from Operating Activities, Operating Surplus and Available Cash for Distribution for a description of EBITDA and Operating Surplus and a reconciliation of EBITDA and Operating Surplus to the most comparable measure under US GAAP.

Period over Period Comparisons**For the Three Month Period ended June 30, 2014 compared to the Three Month Period ended June 30, 2013**

Time charter and voyage revenues: Time charter and voyage revenues for the three month period ended June 30, 2014 increased by \$6.0 million or 12.3% to \$55.2 million, as compared to \$49.2 million for the same period in 2013. The increase was mainly attributable to the acquisition of the Navios Joy on September 11, 2013, the Navios Harmony on October 11, 2013, the five container vessels in December 2013 and the Navios La Paix and the Navios Sun in January 2014. As a result of the vessel acquisitions, available days of the fleet increased to 2,724 days for the three month period ended June 30, 2014, as compared to 1,894 days for the three month period ended June 30, 2013. The above increase in time charter and voyage revenues was partially mitigated by the decrease in time charter equivalent (TCE) to \$19,824 for the three month period ended June 30, 2014, from \$25,318 for the three month period ended June 30, 2013.

Management fees: Management fees for the three month period ended June 30, 2014, increased by \$3.7 million or 42.6% to \$12.2 million, as compared to \$8.6 million for the same period in 2013. The increase was mainly attributable to the increased number of owned vessels that were delivered into our fleet. (Refer below to Related Party Transactions for details of the fee structure).

General and administrative expenses: General and administrative expenses increased by \$0.6 million or 40.1% to \$2.0 million for the three month period ended June 30, 2014, as compared to \$1.4 million for the same period of 2013. The increase was mainly attributable to the increase in administrative expenses paid to the Manager due to the increased number of vessels in Navios Partners fleet.

Depreciation and amortization: Depreciation and amortization amounted to \$17.0 million for the three month period ended June 30, 2014 compared to \$21.6 million for the three month period ended June 30, 2013. The decrease of \$4.6 million was attributable to:

Table of Contents

(a) a \$5.0 million decrease of amortization due to the expiration of the intangible assets associated with the Navios Orbiter and the Navios Hyperion and the write-off of the Navios Pollux in the first quarter of 2014 and the Navios Melodia in the second quarter of 2013; and (b) a \$3.2 million partial write-off of the Navios Melodia favorable lease in the second quarter of 2013 (Refer to Note 5 - Intangible Assets for further details). The above decreases were partially mitigated by an increase in depreciation expense of \$3.6 million due to the increased number of vessels that were delivered into our owned fleet. Depreciation of vessels is calculated using an estimated useful life of 25 and 30 years for drybulk and container vessels, respectively, from the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from two to nine years.

Interest expense and finance cost, net: Interest expense and finance cost, net for the three months ended June 30, 2014 increased by \$3.2 million or 80.4% to \$7.1 million, as compared to \$3.9 million for the three months ended June 30, 2013. The increase was due to: (a) the higher weighted average interest rate of 4.67% for the three months ended June 30, 2014, compared to 2.17% for the same period in 2013; and (b) the increase in the average outstanding loan balance to \$536.0 million for the three months ended June 30, 2014 from \$305.3 million for the three months ended June 30, 2013. As of June 30, 2014 and 2013, the outstanding loan balance under Navios Partners' credit facilities was \$530.6 million and \$345.0 million, respectively.

Other income: Other income for the three months ended June 30, 2014 amounted to \$17.9 million compared to \$10.1 million for the three months ended June 30, 2013. (See Note 15 of our condensed notes to the consolidated financial statements).

Other expense: Other expense for the three months ended June 30, 2014 amounted to \$1.0 million compared to \$0.5 million for the three months ended June 30, 2013.

Net income: Net income for the three months ended June 30, 2014 amounted to \$30.0 million compared to \$19.5 million for the three months ended June 30, 2013. The increase in net income of \$10.5 million was due to the factors discussed above.

Operating surplus: Navios Partners generated operating surplus for the three month period ended June 30, 2014 of \$41.9 million, compared to \$40.0 million for the three month period ended June 30, 2013. Operating Surplus is a non-GAAP financial measure used by certain investors to assist in evaluating a partnership's ability to make quarterly cash distributions (See Reconciliation of EBITDA to Net Cash from Operating Activities, EBITDA, Operating Surplus and Available Cash for Distribution contained herein).

Seasonality: Since Navios Partners' vessels generally operate under long-term charters, the results of operations are not generally subject to the effect of seasonable variations in demand.

For the Six Month Period ended June 30, 2014 compared to the Six Month Period ended June 30, 2013

Time charter and voyage revenues: Time charter and voyage revenues for the six month period ended June 30, 2014 increased by \$13.2 million or 13.3% to \$112.7 million, as compared to \$99.4 million for the same period in 2013. The increase was mainly attributable to the acquisition of the Navios Joy on September 11, 2013, the Navios Harmony on October 11, 2013, the five container vessels in December 2013 and the Navios La Paix and the Navios Sun in January 2014. As a result of the vessel acquisitions, available days of the fleet increased to 5,393 days for the six month period ended June 30, 2014, as compared to 3,784 days for the six month period ended June 30, 2013. The above increase in time charter and voyage revenues was partially mitigated by the decrease in TCE to \$20,300 for the six month period ended June 30, 2014, from \$25,781 for the six month period ended June 30, 2013.

Time charter and voyage expenses: Time charter and voyage expenses for the six month period ended June 30, 2014 increased by \$1.3 million or 19.4% to \$8.1 million, as compared to \$6.8 million for the six month period ended June 30, 2013. The increase was mainly attributable to increase in voyage expenses incurred in the period.

Management fees: Management fees for the six month period ended June 30, 2014, increased by \$7.2 million or 42.0% to \$24.2 million, as compared to \$17.1 million for the same period in 2013. The increase was mainly attributable to the increased number of owned vessels that were delivered into our fleet. (Refer below to Related Party Transactions for details of the fee structure).

General and administrative expenses: General and administrative expenses increased by \$0.9 million or 30.0% to \$4.0 million for the six month period ended June 30, 2014, as compared to \$3.1 million for the same period of 2013. The increase was mainly attributable to the increase in administrative expenses paid to the Manager due to the increased number of vessels in Navios Partners fleet.

Depreciation and amortization: Depreciation and amortization amounted to \$60.7 million for the six month period ended June 30,

Table of Contents

2014 compared to \$40.0 million for the six month period ended June 30, 2013. The increase of \$20.7 million was attributable to: (a) an increase in depreciation expense of \$7.1 million due to the increased number of vessels that were delivered into our owned fleet; (b) a \$22.0 million accelerated amortization of the Navios Pollux favorable lease intangible due to change in its useful life (Refer to Note 5 - Intangible Assets for further details). The above increase was partially mitigated by a \$5.2 million decrease of amortization due to write-offs of the Navios Orbiter, the Navios Hyperion and the Navios Pollux in the first quarter of 2014 and the write-off of the Navios Melodia in the second quarter of 2013 and \$3.2 million partial write-off of the Navios Melodia favorable lease (Refer to Note 5 - Intangible Assets for further details). Depreciation of vessels is calculated using an estimated useful life of 25 and 30 years for drybulk and container vessels, respectively, from the date the vessel was originally delivered from the shipyard. Intangible assets are amortized over the contract periods, which range from two to nine years.

Interest expense and finance cost, net: Interest expense and finance cost, net for the six months ended June 30, 2014 increased by \$7.8 million or 122.9% to \$14.1 million, as compared to \$6.3 million for the six months ended June 30, 2013. The increase was due to: (a) the higher weighted average interest rate of 4.67% for the six months ended June 30, 2014, compared to 2.42% for the same period in 2013; and (b) the increase in the average outstanding loan balance to \$536.8 million for the three months ended June 30, 2014 from \$291.9 million for the six months ended June 30, 2013. As of June 30, 2014 and 2013, the outstanding loan balance under Navios Partners' credit facilities was \$530.6 million and \$345.0 million, respectively.

Other income: Other income for the six months ended June 30, 2014 amounted to \$47.9 million compared to \$10.1 million for the six months ended June 30, 2013. (See Note 15 of our condensed notes to the consolidated financial statements).

Other expense: Other expense for the six months ended June 30, 2014 amounted to \$1.1 million compared to \$0.6 million for the six months ended June 30, 2013.

Net income: Net income for the six months ended June 30, 2014 amounted to \$48.3 million compared to \$35.8 million for the six months ended June 30, 2013. The increase in net income of \$12.6 million was due to the factors discussed above.

Operating surplus: Navios Partners generated operating surplus for the six month period ended June 30, 2014 of \$98.8 million, compared to \$71.2 million for the six month period ended June 30, 2013. Operating Surplus is a non-GAAP financial measure used by certain investors to assist in evaluating a partnership's ability to make quarterly cash distributions (See Reconciliation of EBITDA to Net Cash from Operating Activities, EBITDA, Operating Surplus and Available Cash for Distribution contained herein).

Seasonality: Since Navios Partners' vessels generally operate under long-term charters, the results of operations are not generally subject to the effect of seasonable variations in demand.

Liquidity and Capital Resources

In addition to distributions on our units, our primary short-term liquidity needs are to fund general working capital requirements, cash reserve requirements as per our credit facilities and debt service, while our long-term liquidity needs primarily relate to expansion and investment capital expenditures and other maintenance capital expenditures and debt repayment. Expansion capital expenditures are primarily for the purchase or construction of vessels to the extent the expenditures increase the operating capacity of or revenue generated by our fleet, while maintenance capital expenditures primarily consist of drydocking expenditures and expenditures to replace vessels in order to maintain the operating capacity of or revenue generated by our fleet. Investment capital expenditures are those capital expenditures

that are neither maintenance capital expenditures nor expansion capital expenditures.

We anticipate that our primary sources of funds for our short-term liquidity needs will be cash flows from operations. We believe that cash flows from operations will be sufficient to meet our existing short-term liquidity needs for at least the next 12 months. In addition, we filed a shelf registration statement on November 1, 2013, which was declared effective on January 15, 2014, under which we may sell any combination of securities (debt or equity) for up to a total of \$500.0 million, approximately \$390.6 million of which is currently available.

Generally, our long-term sources of funds derive from cash from operations, long-term bank borrowings and other debt or equity financings. Because we distribute our available cash, we expect that we will rely upon external financing sources, including bank borrowings and the issuance of debt and equity securities, to fund acquisitions and expansion and investment capital expenditures, including opportunities we may pursue under the Omnibus Agreement. We cannot assure you that we will be able to raise the size of our credit facilities or obtaining additional funds on favorable terms.

Cash deposits and cash equivalents in excess of amounts covered by government provided insurance are exposed to loss in the event of non-performance by financial institutions. Navios Partners does maintain cash deposits and equivalents in excess of government provided insurance limits. Navios Partners also reduces exposure to credit risk by dealing with a diversified group of major financial institutions.

Table of Contents

Credit Facilities

On July 31, 2012, Navios Partners entered into a credit facility with Commerzbank AG and DVB Bank AG (the July 2012 Credit Facility) for \$290.5 million. The July 2012 Credit Facility was entered into to refinance and merge Navios Partners two existing facilities at that time.

On August 8, 2012, Navios Partners entered into another credit facility with DVB Bank AG (the August 2012 Credit Facility), and borrowed an amount of \$44.0 million to partially finance the acquisitions of the Navios Buena Ventura, the Navios Helios and the Navios Soleil.

On June 27, 2013, Navios Partners and Navios Partners Finance (US) Inc., as co-borrowers, entered into the Term Loan B facility with JP Morgan Chase Bank, N.A., as syndication agent, Citibank, N.A., as documentation agent, Morgan Stanley Senior Funding, Inc., as administrative agent and the other lenders party thereto. The Term Loan B facility bears an interest of LIBOR + 425 basis points and has a five-year term with 1% amortization profile and was issued at 98.0% (at a discount of \$5.0 million). Navios Partners used the net proceeds of the Term Loan B facility to: (i) prepay \$101.6 million of the July 2012 Credit Facility; (ii) fully repay the outstanding balance of \$41.2 million of the August 2012 Credit Facility; (iii) deposit \$98.2 million to be held in escrow, to partially finance part of the acquisition of four vessels; and (iv) cover fees and expenses.

The Term Loan B facility is secured by first priority mortgages covering certain vessels owned by subsidiaries of Navios Partners, in addition to other collateral and is guaranteed by each subsidiary of Navios Partners. The Term Loan Agreement requires maintenance of a loan to value ratio of 0.8 to 1.0, and other restrictive covenants customary for facilities of this type (subject to negotiated exceptions and baskets), including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan Agreement also provides for customary events of default.

In June 2013, Navios Partners amended the July 2012 Credit Facility and prepaid \$101.6 million from the proceeds of the Term Loan B facility. The prepayment was applied in partial settlement of the next 16 installments. As of June 30, 2014, the outstanding balance was \$99.0 million and is repayable in 14 installments, plus a final payment, in various amounts during the term of the July 2012 Credit Facility consisting of \$0.5 million (third quarterly installments), \$3.4 million (nine quarterly installments), \$2.3 million (one quarterly installment) and \$5.9 million (one quarterly installment), with a final payment of \$58.2 million. The July 2012 Credit Facility bears interest at rates ranging from 180 to 205 bps per annum (depending on the loan amount compared to the security value) plus, depending on the length of the interest period, either LIBOR or the actual cost of funds. The refinancing of this facility was accounted for as a debt modification in accordance with ASC470 Debt and an amount of \$1.3 million was written-off from the deferred financing fees during the second quarter ended June 30, 2013.

On November 1, 2013, Navios Partners completed the issuance of a \$189.5 million add-on to its existing Term Loan B facility. The add-on to the Term Loan B facility bears an interest rate of LIBOR +425 basis points and has a five-year term, with a 1.0% amortization profile and was issued at 100%. Navios Partners used the net proceeds to partially finance the acquisition of five container vessels.

As of June 30, 2014, the outstanding balance of the Term Loan B facility, including the add-on, was \$431.6 million, net of discount of \$4.0 million and it is repayable in 16 quarterly installments of \$1.1 million, beginning in September 2014, with a final payment of \$418.0 million in June 2018.

As of June 30, 2014, the total borrowings under the Navios Partners credit facilities were \$530.6 million, net of original issue discount.

As of June 30, 2014, Navios Partners was in compliance with the financial covenants of all of its credit facilities.

Amounts drawn under the July 2012 Cre