

Navios Maritime Holdings Inc.  
Form 20-F  
April 29, 2019  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 20-F**

(Mark One)

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

**OR**

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

**For the fiscal year ended December 31, 2018**

**OR**

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

**OR**

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

**Date of event requiring shell company report \_\_\_\_\_**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number

001-33311

**Navios Maritime Holdings Inc.**

(Exact name of Registrant as specified in its charter)

**Not Applicable**

(Translation of Registrant's Name into English)

**Republic of Marshall Islands**

(Jurisdiction of incorporation or organization)

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

**Monte Carlo, MC 98000 Monaco**

(Address of principal executive offices)

**Mark Hayek**

**Fried, Frank, Harris, Shriver & Jacobson LLP**

**One New York Plaza**

**New York, New York 10004**

**Tel: (212) 859-8000**

**Fax: (212) 859-4000**

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

**Title of each class**

**Name of each exchange on which registered**

|   |                                      |
|---|--------------------------------------|
| <b>Common Stock, par value \$0.0001 per share</b>   | <b>The New York Stock Exchange</b>   |
| <b>8.75% Series G Cumulative Redeemable Perpetual Preferred Stock, par value \$0.0001 per share ( Series G )</b>  | <b>The New York Stock Exchange*</b>  |
| <b>American Depositary Shares, each representing 1/100<sup>th</sup> of a Share of Series G</b>                    | <b>The New York Stock Exchange</b>   |
| <b>8.625% Series H Cumulative Redeemable Perpetual Preferred Stock, par value \$0.0001 per share ( Series H )</b> | <b>The New York Stock Exchange *</b> |
| <b>American Depositary Shares, each representing 1/100<sup>th</sup> of a Share of Series H</b>                    | <b>The New York Stock Exchange</b>   |

\* Not for trading, but in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission

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

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

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

12,843,414 shares of common stock, 14,191 shares of Series G and 28,612 shares of Series H as of December 31, 2018

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

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

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company  
If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or

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revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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

U.S. GAAP

International Financial Reporting Standards as issued

Other

by the International Accounting Standards Board

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

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

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Please note in this Annual Report, we, us, our, the Company and Navios Holdings all refer to Navios Maritime Holdings Inc. and its consolidated subsidiaries, except as otherwise indicated or where the context otherwise requires.

**FORWARD-LOOKING STATEMENTS**

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

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

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

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to, the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry cargo shipping industry, changes in the Company's operating expenses, including bunker prices, drydocking and insurance costs, expectations of dividends and distributions from affiliates, the Company's ability to maintain compliance with the continued listing standards of the New York Stock Exchange (the NYSE), changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of shipping routes due to accidents or political events, the value of our publicly traded subsidiaries, and other important factors described from time to time in the reports we file with the Securities and Exchange Commission (the SEC). See also Risk Factors below.

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

**PART I**

**Item 1. Identity of Directors, Senior Management and Advisers**

Not Applicable.

**Item 2. Offer Statistics and Expected Timetable**

Not Applicable.

**Table of Contents****Item 3. Key Information****A. Selected Financial Data**

Navios Holdings' selected historical financial information and operating results for the years ended December 31, 2018, 2017, 2016, 2015 and 2014 are derived from the consolidated financial statements of Navios Holdings. The selected consolidated statement of comprehensive (loss)/income data for the years ended December 31, 2018, 2017 and 2016 and the selected consolidated balance sheet data as of December 31, 2018 and 2017 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report, adjusted to reflect the Reverse Stock Split (as defined herein) and the adoption of ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. The selected consolidated financial data should be read in conjunction with Item 5. Operating and Financial Review and Prospects, the consolidated financial statements, related notes and other financial information included elsewhere in this Annual Report. The historical data included below and elsewhere in this Annual Report is not necessarily indicative of our future performance.

|  | <b>Year Ended<br/>December 31,<br/>2018</b>                                     | <b>Year Ended<br/>December 31,<br/>2017</b> | <b>Year Ended<br/>December 31,<br/>2016</b> | <b>Year Ended<br/>December 31,<br/>2015</b> | <b>Year Ended<br/>December 31,<br/>2014</b> |
|--|---|---|---|---|---|
|  | <b>(Expressed in thousands of U.S. dollars except share and per share data)</b> |   |   |   |   |
| <b>Statement of Comprehensive (Loss)/income Data</b>                 |   |   |   |   |   |
| Revenue  | \$ 517,739  | \$ 463,049                                  | \$ 419,782                                  | \$ 480,820                                  | \$ 569,016                                  |
| Administrative fee revenue from affiliates                           | 28,393  | 23,667                                      | 21,799                                      | 16,177                                      | 14,300                                      |
| Time charter, voyage and logistics business expenses                 | (206,333)   | (213,929)                                   | (175,072)                                   | (247,882)                                   | (263,304)                                   |
| Direct vessel expenses   | (101,543)   | (116,713)                                   | (127,396)                                   | (128,168)                                   | (130,064)                                   |
| General and administrative expenses incurred on behalf of affiliates | (28,393)  | (23,667)                                    | (21,799)                                    | (16,177)                                    | (14,300)                                    |
| General and administrative expenses                                  | (27,513)  | (27,521)                                    | (25,295)                                    | (34,183)                                    | (45,590)                                    |
| Depreciation and amortization  | (102,839)   | (104,112)                                   | (113,825)                                   | (120,310)                                   | (104,690)                                   |
| Provision for losses on accounts receivable                          | (575)   | (269)                                       | (1,304)                                     | (59)  | (792)                                       |
| Interest income  | 8,748   | 6,831                                       | 4,947                                       | 2,370                                       | 5,515                                       |
| Interest expense and finance cost                                    | (139,120)   | (121,611)                                   | (113,639)                                   | (113,151)                                   | (113,660)                                   |
| Impairment losses  | (200,657)   | (50,565)                                    |   |   |   |
| Bargain gain upon obtaining control                                  | 58,313  |   |   |   |   |
| Gain/(loss) on bond and debt extinguishment                          | 6,464   | (981)                                       | 29,187                                      |   | (27,281)                                    |
| Gain on sale of assets   | 28  | 1,064                                       |   |   |   |
| Other income   | 14,582  | 6,140                                       | 18,175                                      | 4,840                                       | 15,639                                      |
| Other expense  | (13,708)  | (13,761)                                    | (11,665)                                    | (34,982)                                    | (24,520)                                    |



|   |              |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
| <b>Loss before equity in net earnings of affiliated companies</b>                               | \$ (186,414) | \$ (172,378) | \$ (96,105)  | \$ (190,705) | \$ (119,731) |
| Equity in net (losses)/earnings of affiliated companies   | (80,205)     | 4,399        | (202,779)    | 61,484       | 57,751       |
| <b>Loss before taxes</b>  | \$ (266,619) | \$ (167,979) | \$ (298,884) | \$ (129,221) | \$ (61,980)  |
| Income tax benefit/(expense)  | 1,108        | 3,192        | (1,265)      | 3,154        | (84)         |
| <b>Net loss</b>   | \$ (265,511) | \$ (164,787) | \$ (300,149) | \$ (126,067) | \$ (62,064)  |
| Less: Net (income)/loss attributable to the noncontrolling interest                             | (3,207)      | (1,123)      | (3,674)      | (8,045)      | 5,861        |
| <b>Net loss attributable to Navios Holdings common stockholders</b>                             | \$ (268,718) | \$ (165,910) | \$ (303,823) | \$ (134,112) | \$ (56,203)  |
| <b>Loss attributable to Navios Holdings common stockholders, basic and diluted</b>              | \$ (278,959) | \$ (175,298) | \$ (273,105) | \$ (150,314) | \$ (66,976)  |
| <b>Basic and diluted net loss per share attributable to Navios Holdings common stockholders</b> | \$ (23.33)   | \$ (15.02)   | \$ (25.44)   | \$ (14.19)   | \$ (6.47)    |
| <b>Weighted average number of shares, basic and diluted</b>                                     | 11,958,959   | 11,667,346   | 10,736,678   | 10,589,623   | 10,347,661   |

**Table of Contents****Balance Sheet Data (at period end)**

|   |            |            |            |            |              |
|---|------------|------------|------------|------------|--------------|
| Current assets, including cash and restricted cash  | \$ 298,710 | \$ 256,076 | \$ 273,140 | \$ 302,959 | \$ 417,131   |
| Total assets  | 2,682,496  | 2,629,981  | 2,752,895  | 2,958,813  | 3,127,697    |
| Total long-term debt, net including current portion | 1,816,007  | 1,682,488  | 1,651,095  | 1,581,308  | 1,612,890    |
| Navios Holdings stockholders equity                 | \$ 251,933 | \$ 516,098 | \$ 678,287 | \$ 988,960 | \$ 1,152,963 |

|  | Year Ended<br>December 31,<br>2018 | Year Ended<br>December 31,<br>2017 | Year Ended<br>December 31,<br>2016 | Year Ended<br>December 31,<br>2015 | Year Ended<br>December 31,<br>2014 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|

(Expressed in thousands of U.S. dollars except per share data)

**Other Financial Data**

|  |             |           |             |            |            |
|--|-------------|-----------|-------------|------------|------------|
| Net cash provided by operating activities            | \$ 55,637   | \$ 48,117 | \$ 39,826   | \$ 43,280  | \$ 56,491  |
| Net cash provided by/ (used in) investing activities | 27,863      | (42,365)  | (150,565)   | (36,499)   | (244,888)  |
| Net cash (used in)/ provided by financing activities | (66,916)    | (12,940)  | 75,225      | (80,009)   | 248,645    |
| Book value per common share                          | 19.62       | 42.87     | 57.91       | 89.52      | 108.94     |
| Cash dividends per common share                      |             |           |             | 1.75       | 2.38       |
| Cash dividends per preferred share                   |             |           | 74.4        | 216.7      | 99.9       |
| Cash paid for common stock dividend declared         |             |           |             | 19,325     | 25,228     |
| Cash paid for preferred stock dividend declared      |             |           | 3,681       | 16,025     | 7,502      |
| Adjusted EBITDA <sup>(1)</sup>                       | \$ (18,231) | \$ 68,813 | \$ (62,827) | \$ 112,756 | \$ 176,698 |

- (1) EBITDA represents net (loss)/income attributable to Navios Holdings common stockholders before interest and finance costs, before depreciation and amortization and before income taxes. Adjusted EBITDA represents EBITDA before stock based compensation. We use Adjusted EBITDA as liquidity measure and reconcile Adjusted EBITDA to net cash provided by operating activities, the most comparable U.S. GAAP liquidity measure. Adjusted EBITDA is calculated as follows: net cash provided by operating activities adding back, when applicable and as the case may be, the effect of (i) net increase/(decrease) in operating assets, (ii) net (increase)/decrease in operating liabilities, (iii) net interest cost, (iv) deferred finance charges and gains/(losses) on bond and debt extinguishment, (v) (provision)/recovery for losses on accounts receivable, (vi) equity in affiliates, net of dividends received, (vii) payments for drydock and special survey costs, (viii) noncontrolling interest, (ix) gain/ (loss) on sale of assets/ subsidiaries and bargain gain, (x) unrealized (loss)/gain on derivatives, and (xi) loss on sale and reclassification to earnings of available-for-sale securities and impairment charges. Navios Holdings believes that Adjusted EBITDA is a basis upon which liquidity can be assessed and represents useful information to investors regarding Navios Holdings ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. Navios Holdings also believes that Adjusted EBITDA is used (i) by prospective and current lessors as well as potential lenders to evaluate potential transactions; (ii) to evaluate and price potential acquisition candidates; and (iii) by securities analysts, investors and other interested parties in the evaluation of companies in our industry.



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Adjusted EBITDA has limitations as an analytical tool, and therefore, should not be considered in isolation or as a substitute for the analysis of Navios Holdings' results as reported under U.S. GAAP. Some of these limitations are: (i) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; (ii) Adjusted EBITDA does not reflect the amounts necessary to service interest or principal payments on our debt and other financing arrangements; and (iii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future. Adjusted EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, among others, Adjusted EBITDA should not be considered as a principal indicator of Navios Holdings' performance. Furthermore, our calculation of Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

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

**Adjusted EBITDA Reconciliation from Cash from Operations**

|   | Year Ended<br>December 31,<br>2018                             | Year Ended<br>December 31,<br>2017 | Year Ended<br>December 31,<br>2016 | Year Ended<br>December 31,<br>2015 | Year Ended<br>December 31,<br>2014 |
|---|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|   | (Expressed in thousands of U.S. dollars except per share data) |                                    |                                    |                                    |                                    |
| Net cash provided by operating activities                                     | \$ 55,637  | \$ 48,117                          | \$ 39,826                          | \$ 43,280                          | \$ 56,491                          |
| Net increase/ (decrease) in operating assets                                  | 25,632   | (22,385)                           | 17,693                             | (42,844)                           | 17,857                             |
| Net increase in operating liabilities   | (6,662)  | (20,814)                           | (38,928)                           | (39,288)                           | (23,613)                           |
| Payments for drydock and special survey costs                                 | 7,755  | 10,824                             | 11,096                             | 24,840                             | 10,970                             |
| Net interest cost   | 122,492  | 108,389                            | 103,039                            | 106,257                            | 104,084                            |
| Provision for losses on accounts receivable                                   | (575)  | (269)                              | (1,304)                            | (59)                               | (792)                              |
| Impairment losses   | (200,657)  | (50,565)                           |                                    |                                    |                                    |
| Gain on sale of assets  | 894  | 1,064                              |                                    |                                    |                                    |
| Gain/ (Loss) on bond and debt extinguishment                                  | 6,464  | 185                                | 29,187                             |                                    | (4,786)                            |
| (Losses)/earnings in affiliates and joint ventures, net of dividends received | (84,317)   | (4,610)                            | (219,417)                          | 30,398                             | 22,179                             |
| Bargain gain upon obtaining control   | 58,313   |                                    |                                    |                                    |                                    |
| Reclassification to earnings of available-for-sale securities                 |  |                                    | (345)                              | (1,783)                            | (11,553)                           |
| Noncontrolling interest   | (3,207)  | (1,123)                            | (3,674)                            | (8,045)                            | 5,861                              |
| <b>Adjusted EBITDA</b>  | <b>\$ (18,231)</b>   | <b>\$ 68,813</b>                   | <b>\$ (62,827)</b>                 | <b>\$ 112,756</b>                  | <b>\$ 176,698</b>                  |

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**Table of Contents*****B. Capitalization and Indebtedness***

Not applicable.

***C. Reasons for the Offer and Use of Proceeds***

Not applicable.

***D. Risk Factors***

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

**Risks Associated with the Shipping Industry and Our Operations**

*The cyclical nature of the shipping industry may lead to decreases in charter rates and lower vessel values, which could adversely affect our and our affiliates' results of operations and financial condition. In particular, charter rates in the dry cargo market have recently been near historical lows and certain of our vessels may operate below operating cost.*

The shipping business, including the dry cargo market, is cyclical in varying degrees, experiencing severe fluctuations in charter rates, profitability and, consequently, vessel values. For example, during the period from January 1, 2017 to December 31, 2018, the Baltic Exchange's Panamax time charter average daily rates experienced a low of \$6,281 and a high of \$14,385. Additionally, during the period from January 1, 2017 to December 31, 2018, the Baltic Exchange's Capesize time charter average (BCI-5TCA) daily rates experienced a low of \$4,630 and a high of \$30,475 and the Baltic Dry Index (BDI) experienced a low of 685 points and a high of 1,774 points. Those ranges are above the recent all-time lows set in February and March 2016 of \$2,260 for the Baltic Exchange's Panamax time charter average, \$1,985 for the Baltic Exchange's Capesize time charter average and 290 for the BDI. There can be no assurance that the dry bulk charter market will not fluctuate or hit new lows. We anticipate that the future demand for our dry bulk carriers and dry bulk charter rates will be dependent upon demand for imported commodities, economic growth in the emerging markets, including the Asia Pacific region, of which China is particularly important, India, Brazil and Russia and the rest of the world, seasonal and regional changes in demand and changes to the capacity of the world fleet. Adverse economic, political, social or other developments can decrease demand and prospects for growth in the shipping industry and thereby could reduce revenue significantly. A decline in demand for commodities transported in dry bulk carriers (including disruptions due to trade or tariff actions) or an increase in supply of dry bulk vessels could cause a further decline in charter rates, which could materially adversely affect our results of operations and financial condition. If we sell a vessel at a time when the market value of our vessels has fallen, the sale may be at less than the vessel's carrying amount, resulting in a loss.

Demand for container shipments declined significantly from 2008 to 2009 in the aftermath of the global financial crisis but has increased each year from 2009 to 2017. In 2017, total container trade grew by 5.8%, influenced by

strong trade growth worldwide. In 2018, total container trade is estimated to have gained 4.2%, led by strong volumes going to the U.S. in spite of increased tariffs as well as increases in intra-regional trade. Containership supply growth was more than demand growth during 2018 as scrapping was significantly reduced due to trade growth and a marked improvement in time charter rates. For example, short term (6 - 12 month) time charter rates for 4,400 TEU container ships rose 44% to an average of \$11,096 for all of 2018, but have declined during 2019 so far through March due to normal season weakness, trade or tariff actions. Additional orders for large and very large containerships continue to be placed during 2018 and through March 2019, both increasing the expected future supply of larger vessels and having a spillover effect on the market segment for smaller vessels. Ordering of container ships slowed significantly in 2016 and 2017 while scrapping increased to a record volume in 2016 and was the third highest on record in 2017. The recent global economic slowdown and disruptions in the trade and credit markets significantly reduced demand for products shipped in containers and, in turn, containership capacity, which has had an adverse effect on our and our affiliates' results of operations and financial condition. The ongoing trade war and rising tariffs may have a similar effect.

The continuation of such containership oversupply or any declines in container freight rates could negatively affect the liner companies to which our affiliates seek to charter their containerships.

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Historically, the tanker markets have been volatile as a result of the many conditions and factors that can affect the price, supply and demand for tanker capacity. Demand for crude oil and product tankers is historically well correlated with the growth or contraction of the world economy. The past several years were marked by a major economic slowdown, which has had, and continues to have, a significant impact on world trade, including the oil trade. Global economic conditions remain unsettled with significant uncertainty with respect to both short and long-term economic growth. Energy prices sharply declined from mid-2014 to the end of March 2016 primarily as a result of increased oil production worldwide. In response to this increased production, demand for tankers to move oil and refined petroleum products increased significantly and average spot and period charter rates for product and crude tankers rose, but have since then declined as more tankers have been delivered. Keys to this demand growth have been steady increases in Chinese and Indian crude oil imports since 2001 and a steady increase in U.S. oil production, which has led to a steady decline in U.S. crude oil imports since 2005. Oil products shipments have increased due to refinery closures in Europe, Japan and Australia with oil products being shipped to those regions from India, the Middle East and the U.S. With the increase in U.S. crude oil production, the U.S. became a net exporter of oil products since 2011 adding to the seaborne movement of oil products. For most of 2018, large inventories of products reduced arbitrage possibilities and resulted in lowered spot rates for product tankers. As inventory levels moderated, rates rose in the last few months of 2018 and into 2019 as fuel suppliers adjust inventories worldwide in advance of the coming IMO 2020 conversion of all shipping fuel to a maximum of 0.5% sulphur content. The additional U.S. oil production is being exported, particularly on long haul voyages, which has helped raise VLCC rates earlier in 2019, although they have declined since the refinery maintenance season started in March as the refiners gear up for IMO 2020. The Organization of Petroleum Exporting Countries ( OPEC ) is currently producing and shipping oil at very high levels, even after it announced the continued production cuts. Should OPEC significantly reduce oil production or should there be significant declines in non-OPEC oil production or should China or other emerging market countries suffer significant economic slowdowns or raise trade barriers, that may result in a protracted period of reduced oil shipments and a decreased demand for our affiliated tanker vessels and lower charter rates, which could have a material adverse effect on our results of operations and financial condition.

The percentage of the total tanker fleet on order as a percent of the total fleet declined from 18% at the end of 2015 to 10% at the beginning of April 2019. An over-supply of tanker capacity may result in a reduction of charter hire rates. If a reduction in charter rates occurs, our affiliates may only be able to charter their tanker vessels at unprofitable rates or may not be able to charter these vessels at all, which could lead to a material adverse effect on our results of operations.

The demand for dry cargo vessels, containerships and tanker capacity has generally been influenced by, among other factors:

global and regional economic conditions;

developments in international trade;

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

supply and demand for energy resources, commodities, semi-finished and finished consumer and industrial products, and liquid cargoes, including petroleum and petroleum products;

changes in the exploration or production of energy resources, commodities, semi-finished and finished consumer and industrial products;

supply and demand for products shipped in containers;

changes in global production of raw materials or products transported by containerships;

the distance dry bulk cargo or containers are to be moved by sea;

the globalization of manufacturing;

carrier alliances, vessel sharing or container slot sharing that seek to allocate container ship capacity on routes;

weather and crop yields;

armed conflicts and terrorist activities, including piracy;

natural or man-made disasters that affect the ability of our vessels to use certain waterways;

political, environmental and other regulatory developments, including but not limited to governmental macroeconomic policy changes, import- export restrictions (including trade wars), central bank policies and pollution conventions or protocols;

embargoes and strikes;

technical advances in ship design and construction;



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waiting days in ports;

changes in oil production and refining capacity and regional availability of petroleum refining capacity;

the distance chemicals, petroleum and petroleum products are to be moved by sea;

changes in seaborne and other transportation patterns, including changes in distances over which cargo is transported due to geographic changes in where oil is produced, refined and used; and

competition from alternative sources of energy.

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

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

the scrapping rate of older vessels;

port and canal traffic and congestion;

the number of newbuilding deliveries;

vessel casualties;

the availability of shipyard capacity;

the economics of slow steaming;

the number of vessels that are used for storage or as floating storage offloading service vessels;

the conversion of tankers to other uses, including conversion of vessels from transporting oil and oil products to carrying dry bulk cargo and the reverse conversion;

availability of financing for new vessels;

the phasing out of single-hull tankers due to legislation and environmental concerns;

the price of steel;

national or international regulations that may effectively cause reductions in the carrying capacity of vessels or early obsolescence of tonnage; and

environmental concerns and regulations.

***Our growth depends on continued growth in demand for dry bulk commodities and the shipping of dry bulk cargoes.***

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

Reduced demand for dry bulk commodities and the shipping of dry bulk cargoes would have a material adverse effect on our future growth and could harm our business, results of operations and financial condition. In particular, Asian economies, of which China is especially important, and India have been the main driving force behind the current increase in seaborne dry bulk trade and the demand for dry bulk carriers. A negative change in economic conditions in any Asian country, but particularly in China, Korea, Japan or India, may have a material adverse effect on our business, financial condition and results of operations, as well as our future prospects, by reducing demand and resultant charter rates.

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***Weak economic conditions throughout the world, particularly the Asia Pacific region, renewed terrorist activity, the growing refugee crises and protectionist policies which could affect advanced economies, could have a material adverse effect on our business, financial condition and results of operations.***

The global economy remains relatively weak, especially when compared to the period prior to the 2008-2009 financial crisis. The current global recovery is proceeding at varying speeds across regions and is still subject to downside economic risks stemming from factors like fiscal fragility in advanced economies, high sovereign and private debt levels, highly accommodative macroeconomic policies, the significant fall in the price of crude oil and other commodities and persistent difficulties in access to credit and equity financing as well as political risks such as the continuing war in Syria, renewed terrorist attacks around the world and the emergence of populist and protectionist political movements in advanced economies.

Concerns regarding new terrorist threats from groups in Europe and the growing refugee crisis may advance protectionist policies and may negatively impact globalization and global economic growth, which could disrupt financial markets, and may lead to weaker consumer demand in the EU, the U.S., and other parts of the world which could have a material adverse effect on our business.

In recent years, China has been one of the world's fastest growing economies in terms of gross domestic product, which has had a significant impact on shipping demand. However, if China's growth in gross domestic product declines and other countries in the Asia Pacific region experience slower or negative economic growth in the future, this may negatively affect the fragile recovery of the economies of the U.S. and the EU, and thus, may negatively impact shipping demand. For example, the possibility of the introduction of impediments to trade within the EU member countries in response to increasing terrorist activities, and the possibility of market reforms to float the Chinese renminbi, either of which development could weaken the Euro against the Chinese renminbi, could adversely affect consumer demand in the EU. Moreover, the revaluation of the renminbi may negatively impact the U.S. demand for imported goods, many of which are shipped from China. Any moves by either the U.S. or the EU to levy additional tariffs on imported goods carried in containers as part of protectionist measures or otherwise could decrease shipping demand. Such weak economic conditions or protectionist measures could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows.

***Disruptions in global financial markets from terrorist attacks, regional armed conflicts, general political unrest and the resulting governmental action could have a material adverse impact our ability to obtain financing required to acquire vessels or new businesses. Furthermore, such a disruption would adversely affect our results of operations, financial condition and cash flows and could cause the market price of our shares to decline.***

Terrorist attacks in certain parts of the world, such as the attacks on the U.S. on September 11, 2001 or more recently in Paris and London, and the continuing response of the U.S. and other countries to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty and volatility in the world financial markets and may affect our business, results of operations and financial condition. In addition, global financial markets and economic conditions have been severely disrupted and volatile in recent years and remain subject to significant vulnerabilities, such as the deterioration of fiscal balances and the rapid accumulation of public debt, continued deleveraging in the banking sector and a limited supply of credit. Credit markets as well as the debt and equity capital markets were exceedingly distressed during 2008 and 2009 and have been volatile since that time. The continuing refugee crisis in the EU, the continuing war in Syria and advances of ISIS and other terrorist organizations in the Middle East, conflicts in Iraq, general political unrest in Ukraine, and political tension or conflicts in the Asia Pacific Region such as in the South China Sea and North Korea have led to increased volatility in global credit and equity markets. The resulting uncertainty and volatility in the global financial markets may accordingly affect our business, results of operations and financial condition. These uncertainties, as well as future hostilities or other political instability in regions where our

vessels trade, could also affect trade volumes and patterns and adversely affect our operations, and otherwise have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows.

Further, as a result of the ongoing political and economic turmoil in Greece resulting from the sovereign debt crisis and the related austerity measures implemented by the Greek government, the operations of our managers located in Greece may be subjected to new regulations and potential shift in government policies that may require us to incur new or additional compliance or other administrative costs and may require the payment of new taxes or other fees. We also face the risk that strikes, work stoppages, civil unrest and violence within Greece may disrupt the shoreside operations of our managers located in Greece.

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Specifically, these issues, along with the re-pricing of credit risk and the difficulties currently experienced by financial institutions, have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets and higher capital requirements, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or have refused to refinance existing debt at all. Furthermore, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending activities in the shipping industry. Additional tightening of capital requirements and the resulting policies adopted by lenders, could further reduce lending activities. We may experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under our committed term loans in the future, if our lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. We cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our future obligations as they come due. Our failure to obtain such funds could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

***A decrease in the level of China's imports of raw materials or a decrease in trade globally could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our results of operations, financial condition and cash flows.***

China imports significant quantities of raw materials. For example, in 2018, China imported 1.047 billion tons of iron out of a total of 1.476 billion tons shipped globally accounting for about 71% of the global seaborne iron ore trade. While it only accounted for about 19% of seaborne coal movements of coal in 2018 according to current estimates (236 million tons imported compared to 1.262 billion tons of seaborne coal traded globally), that is a decline from over 22% in 2013 (264 million tons imported compared to 1.182 billion tons of seaborne coal traded globally). Our dry bulk vessels are deployed by our charterers on routes involving dry bulk trade in and out of emerging markets, and our charterers' dry bulk shipping and business revenue may be derived from the shipment of goods within and to the Asia Pacific region from various overseas export markets. Any reduction in or hindrance to China-based importers could have a material adverse effect on the growth rate of China's imports and on our charterers' business. For instance, the government of China has implemented economic policies aimed at reducing pollution, increasing consumption of domestically produced Chinese coal, promoting the export of such coal or raising tariffs on imported bulk cargoes from certain countries including the United States. This may have the effect of reducing the demand for imported raw materials and may, in turn, result in a decrease in demand for dry bulk shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a market economy and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government.

For example, China imposes a new tax for non-resident international transportation enterprises engaged in the provision of services of passengers or cargo, among other items, in and out of China using their own, chartered or leased vessels, including any stevedore, warehousing and other services connected with the transportation. The regulation broadens the range of international transportation companies who may find themselves liable for Chinese enterprise income tax on profits generated from international transportation services passing through Chinese ports. This tax or similar regulations, such as the recently promoted environmental taxes on coal or tariffs on imports of U.S. soybeans, by China may result in an increase in the cost of raw materials imported to China and the risks associated with importing raw materials to China, as well as a decrease in the quantity of raw materials to be shipped from our

charterers to China or a decrease in the distance bulk materials travel to get to China. This could have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us.

Our operations expose us to the risk that increased trade protectionism from China or other nations will adversely affect our business. If the global recovery is undermined by downside risks and the recent economic downturn returns, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve may cause (i) a decrease in cargoes available to our charterers in favor of local charterers and local owned ships and (ii) an increase in the risks associated with importing goods to China. Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations, financial condition and our ability to pay cash distributions to our stockholders.

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*When our contracts expire, we may not be able to successfully replace them, or we may not choose to enter into long-term contracts at levels that are at or below operating costs.*

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

environmental, health and safety record;

compliance with the IMO standards and the heightened industry standards that have been set by some energy companies;

compliance with regulatory industry standards;

reputation for customer service, technical and operating expertise;

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

quality, experience and technical capability of crews;

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

relationships with shipyards and the ability to obtain suitable berths;

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

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

competitiveness of the bid in terms of overall price.

It is likely that we will face substantial competition for long-term charter business from a number of experienced companies. We may not be able to compete profitably as we expand our business into new geographic regions or provide new services. New markets may require different skills, knowledge or strategies than we use in our current markets. Many of these competitors have significantly greater financial resources than we do. It is also likely that we

will face increased numbers of competitors entering into our transportation sectors, including in the containership and drybulk sector. Many of these competitors have strong reputations and extensive resources and experience. Increased competition may cause greater price competition, especially for long-term charters.

As a result of these factors, when our contracts including our long-term charters expire, we cannot assure you that we will be able to replace them promptly or at all or at rates sufficient to allow us to operate our business profitably, to meet our obligations, including payment of debt service to our lenders, or to pay dividends. Our ability to renew the charter contracts on our vessels on the expiration or termination of our current charters, or, on vessels that we may acquire in the future, the charter rates payable under any replacement charter contracts, will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the transportation of commodities. During periods of market distress when long-term charters may be renewed at rates at or below operating costs, we may not choose to charter our vessels for longer terms particularly if doing so would create an ongoing negative cash flow during the period of the charter. We may instead choose or be forced to idle our vessels or lay them up or scrap them depending on market conditions and outlook at the time those vessels become available for charter.

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



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

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

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

***We depend upon significant customers for part of our revenues. The loss of one or more of these customers or a decline in the financial capability of our customers could materially adversely affect our financial performance.***

We derive a significant part of our revenue from a small number of charterers. During the years ended December 31, 2018, 2017 and 2016, we derived approximately 35.9%, 31.1%, and 41.1%, respectively, of our gross revenues from four customers. For the year ended December 31, 2018, two customers accounted for 12.8% and 11.4%, respectively, of the Company's revenue. For the year ended December 31, 2017, no customers accounted for more than 10% of the Company's revenue. For the year ended December 31, 2016, two customers accounted for 14.7% and 13.1%, respectively, of the Company's revenue.

We could lose a customer or the benefits of a time charter if, among other things:

the customer fails to make charter payments because of its financial inability, disagreements with us or otherwise, which risk is increasing due to the current economic environment;

the customer terminates the charter because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged periods of off-hire, default under the charter; or

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

Furthermore, a number of our charters are at above-market rates, such that any loss of such charter may require us to recharter the vessel at lower rates. Additionally, our charterers from time to time have sought to renegotiate their charter rates with us. We no longer maintain insurance against the risk of default by our customers.

If one or more of our customers is unable to perform under one or more charters with us and we are not able to find a replacement charter, or if a charterer exercises certain rights to terminate the charter, or if a charterer is unable to make its charter payments in whole or in part, we could suffer a loss of revenues that could materially adversely affect our business, financial condition and results of operations.

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

We charter-out our vessels to other parties who pay us a daily rate of hire. We also enter into contracts of affreightment ( COAs ) pursuant to which we agree to carry cargoes, typically for industrial customers, who export or import dry bulk cargoes. We also enter into spot market voyage contracts, where we are paid a rate per ton to carry a specified cargo on a specified route. These contracts and arrangements subject us to counterparty credit risks at various levels. If the counterparties fail to meet their obligations, we could suffer losses on such contracts, which could materially adversely affect our financial condition and results of operations. In addition, if a charterer defaults on a time charter, we may only be able to enter into new contracts at lower rates. It is also possible that we would be unable to secure a charter at all. If we re-charter the vessel at lower rates or not at all, our financial condition and results of operations could be materially adversely affected.

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

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

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

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

***Risks inherent in the operation of ocean-going vessels could affect our business and reputation, which could adversely affect our expenses, net income, cash flow and the price of our common stock.***

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

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

the loss of a vessel due to piracy and terrorism;

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

environmental accidents as a result of the foregoing; and

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

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, litigation with our employees, customers or third parties, higher insurance rates, and damage to our reputation and customer relationships generally. Although we maintain hull and machinery and war risks insurance, as well as protection and indemnity insurance, which may cover certain risks of loss resulting from such occurrences, our insurance coverage may be subject to caps or not cover such losses and any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator. Any of these results could have a material adverse effect on business, results of operations and financial condition, as well as our cash flows.

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

The shipping business and vessel operation are materially affected by government regulation in the form of international conventions, national, state and local laws, and regulations in force in the jurisdictions in which vessels operate, as well as in the country or countries of their registration, such as the International Convention for the Prevention of Pollution from Ships, the International Convention for the Control and Management of Ships' Ballast Water and Sediments, the International Convention for Civil Liability for Oil Pollution Damage, the International Convention on Civil Liability for Bunker Oil Pollution Damage, the Comprehensive Environmental Response, Compensation, and Liability Act, and The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015. Governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations and customer requirements or competition, may require us to make capital and other expenditures. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations, or the impact thereof on the fair market price or useful life of our vessels. In order to satisfy any such requirements, we may be required to take any of our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate our vessels, particularly older vessels, profitably during the remainder of their economic lives. This could lead to significant asset write downs. In addition, violations of environmental and safety regulations can result in substantial penalties and, in certain instances, seizure or detention of our vessels.

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

Certain jurisdictions have adopted more stringent requirements. For instance, California has adopted more stringent low sulfur fuel requirements within California regulated waters. Compliance with new emissions standards could require modifications to vessels or the use of more expensive fuel. While it is unclear how new emissions standards will affect the employment of our vessels, over time it is possible that ships not retrofitted to comply with new standards may become less competitive.

In addition, the IMO, the U.S. and states within the U.S. have proposed or implemented requirements relating to the management of ballast water to prevent the harmful effects of foreign invasive species. These ballast water proposals and requirements are discussed below in the risk factor relating to ballast water.

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

coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports.

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

When a tanker is carrying clean oil products that do not constitute persistent oil that would be covered under the CLC, liability for any pollution damage will generally fall outside the CLC and will depend on other international conventions or domestic laws in the jurisdiction where the spillage occurs. The same principle applies to any pollution from the vessel in a jurisdiction, which is not a party to the CLC. The CLC applies in over 100 jurisdictions around the world, but it does not apply in the U.S., where the corresponding liability laws such as the Oil Pollution Act of 1990 (the OPA 90) discussed below, are particularly stringent.

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For vessel operations not covered by the CLC, including those operated under our fleet, international liability for oil pollution is governed by the International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention ). In 2001, the IMO adopted the Bunker Convention, which imposes strict liability on shipowners for pollution damage and response costs incurred in contracting states caused by discharges, or threatened discharges, of bunker oil from all classes of ships not covered by the CLC. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance to cover their liability for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime, including liability limits calculated in accordance with the Convention on Limitation of Liability for Maritime Claims 1976, as amended (the 1976 Convention ), discussed in more detail in the following paragraph. The Bunker Convention became effective in contracting states on November 21, 2008 and as of February 7, 2017, had 83 contracting states. In non-contracting states, liability for such bunker oil pollution typically is determined by the national or other domestic laws in the jurisdiction where the spillage occurs.

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

Environmental legislation in the U.S. merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which ship owners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution. Though it has been eight years since the Deepwater Horizon oil spill in the Gulf of Mexico (the Deepwater Horizon incident ), such regulation may become even stricter because of the incident's impact. In the U.S., the OPA90 establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from cargo and bunker oil spills from vessels, including tankers. The OPA 90 covers all owners and operators whose vessels trade in the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S.'s territorial sea and its 200 nautical mile exclusive economic zone. Under the OPA 90, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. The U.S. Congress has in the past considered bills to strengthen certain requirements of the OPA 90; similar legislation may be introduced in the future. Further, under the federal Comprehensive Environmental Response, Compensation and Liability Act ( CERCLA ) and similar state laws, investigation and cleanup requirements for threatened or actual releases of hazardous substances may be imposed upon owners and operators of vessels, on a joint and several basis, regardless of fault or the legality of the original activity that resulted in the release of hazardous substances.

In addition to potential liability under the federal OPA 90, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred. For example, California regulations prohibit the discharge of oil, require an oil contingency plan be filed with the state, require that the ship owner contract with an oil response organization and require a valid certificate of financial responsibility, all prior to the vessel entering state waters.

In recent years, the EU has become increasingly active in the field of regulation of maritime safety and protection of the environment. In some areas of regulation, the EU has introduced new laws without attempting to procure a corresponding amendment to international law. Notably, the EU adopted in 2005 a directive, as amended in 2009, on ship-source pollution, imposing criminal sanctions for pollution not only where pollution is caused by intent or recklessness (which would be an offence under MARPOL), but also where it is caused by serious negligence. The concept of serious negligence may be interpreted in practice to be little more than ordinary negligence. The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law.

The EU has also issued Directive 2013/30/EU of the European Parliament and of the Council of June 12, 2013 on safety of offshore oil and gas operations. The objective of this Directive is to reduce as much as possible the occurrence of major accidents relating to offshore oil and gas operations and to limit their consequences, thus increasing the protection of the marine environment and coastal economies against pollution, establishing minimum conditions for safe offshore exploration and exploitation of oil and gas and limiting possible disruptions to EU indigenous energy production, and to improve the response mechanisms in case of an accident. The Directive was implemented on July 19, 2015. As far as the environment is concerned, the U.K. has various new or amended regulations such as: the Offshore Petroleum Activities (Offshore Safety Directive) (Environmental Functions) Regulations 2015 (OSDEF), the 2015 amendments to the Merchant Shipping (Oil Pollution Preparedness, Response and Cooperation Convention) Regulations 1998 (OPRC 1998) and other environmental Directive requirements, specifically the Environmental Management System. The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 will implement the licensing Directive requirements.



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Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines, but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

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

***We may be required to make significant investments in ballast water management, which may have a material adverse effect on our future performance, results of operations, and financial position.***

As discussed above, the International Convention for the Control and Management of Vessels' Ballast Water and Sediments (the BWM Convention) which was adopted in February 2004 aims to prevent the spread of harmful aquatic organisms from one region to another, by establishing standards and procedures for the management and control of ships' ballast water and sediments. The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, as well as other obligations, including recordkeeping requirements and implementation of a Ballast Water and Sediments Management Plan. The BWM Convention stipulates that it will enter into force twelve months after it has been adopted by at least 30 states, the combined merchant fleets of which represent at least 35% of the gross tonnage of the world's merchant shipping. With Finland's accession to the Agreement on September 8, 2016, the 35% threshold was reached, and the BWM Convention entered into force on September 8, 2017. Thereafter, on October 19, 2016, Panama also acceded to the BWM Convention, adding its 18.02% of world gross tonnage. As of September 8, 2017, the BWM Convention had 69 contracting states for 75.11% of world gross tonnage. Although new ships constructed after September 8, 2017 must comply on delivery with the BWM Convention, implementation of the BWM Convention has been delayed for existing vessels (constructed prior to September 8, 2017) for a further two years. For such existing vessels, installation of ballast water management systems must take place at the first renewal survey following September 8, 2017 (the date the BWM Convention entered into force). The BWM Convention requires ships to manage ballast water in a manner that removes, renders harmless or avoids the uptake or discharge of aquatic organisms and pathogens within ballast water and sediment. Recently updated Ballast Water and Sediment Management Plan guidance includes more robust testing and performance specifications. The entry of the BWM Convention and revised guidance, as well as similar ballast water treatment requirements in certain jurisdictions (such as the U.S. and states within the U.S.), will likely result in compliance costs relating to the installation of equipment on our vessels to treat ballast water before it is discharged and other additional ballast water management and reporting requirements. Investments in ballast water treatment may have a material adverse effect on our future performance, results of operations, cash flows and financial position.

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

We are and will be, directly and indirectly, subject to the effects of climate change and may, directly or indirectly, be affected by government laws and regulations related to climate change. A number of countries have adopted or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emissions. In the U.S., the United States Environmental Protection Agency (EPA) has declared greenhouse gases to be dangerous pollutants and has issued greenhouse gas reporting requirements for emissions sources in certain industries (which does not include the shipping industry). EPA does require owners of vessels subject to MARPOL Annex VI to maintain records for nitrogen oxides

standards and in-use fuel specifications. In addition, while the emissions of greenhouse gases from international shipping are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the UNFCCC), which requires adopting countries to implement national programs to reduce greenhouse gas emissions, the IMO intends to develop limits on greenhouse gases from international shipping. It has responded to the global focus on climate change and greenhouse gas emissions by developing specific technical and operational efficiency measures and a work plan for market-based mechanisms in 2011. These include the mandatory measures of under the ISM Code, and an energy efficiency design index ( EEDI ) for new ships. The IMO is also considering its position on market-based measures through an expert working group. Among the numerous proposals being considered by the working group are the following: a port state levy based on the amount of fuel consumed by the vessel on its voyage to the port in question; a global emissions trading scheme which would allocate emissions allowances and set an emissions cap; and an international fund establishing a global reduction target for international shipping, to be set either by the UNFCCC or the IMO.

At the 68th session (2015) of the IMO's Marine Environment Protection Committee (the MEPC), the MEPC amended the 2014 Guidelines on EEDI survey and certification as well as the method of calculating of EEDI for new ships, the latter of which was again amended at the 70th session (2016). At its 70th session, the MEPC also adopted mandatory requirements for ships of 5,000 gross tonnage or greater to collect fuel consumption data for each type of fuel used, and report the data to the flag State after the end of each calendar year. At the 72nd MEPC session (April 2018), the committee adopted the goal of reducing annual greenhouse gas emissions from ships by at least 50% by 2050 as compared to 2008 levels, which if implemented could significantly increase operational costs associated with equipment upgrades and fuel costs.

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Although regulation of greenhouse gas emissions in the shipping industry was discussed during the 2015 UN Climate Change Conference in Paris (the Paris Conference), the agreement reached among the 195 nations did not expressly reference the shipping industry. Following the Paris Conference, the IMO announced it would continue its efforts on this issue at the MEPC, and at its 70th session, the MEPC approved a Roadmap for developing a comprehensive GHG emissions reduction strategy for ships, which includes the goal of adopting an initial strategy and emission reduction commitments in 2018. In April 2018, the initial strategy to reduce greenhouse gas emissions from shipping by at least 50% by 2050 compared to 2008 levels, while pursuing efforts towards phasing them out entirely, as a pathway towards greenhouse gas emissions reduction consistent with the Paris Agreement's temperature goals. The initial strategy is due to be revised and adopted by 2023.

On August 3, 2017, the U.S. formally submitted a notice of withdrawal from the Paris Agreement. Thus far, no other nations have withdrawn from the Paris Agreement, so it remains to be seen whether the withdrawal will significantly impact greenhouse gas developments moving forward. The EU United Nations Katowice Climate Change Conference occurred December 2-14, 2018. The key objective of the meeting was to begin adopting the implementation guidelines of the Paris Climate Change Agreement.

The EU announced in April 2007 that it planned to expand the EU emissions trading scheme ( ETS ) by adding vessels, as ETS-regulated businesses required to report on carbon emissions and subject to a credit trading system for carbon allowances. A proposal from the European Commission was expected if no global regime for reduction of seaborne emissions had been agreed to by the end of 2011. On October 1, 2012, the European Commission announced that it would propose measures to monitor, verify and report on greenhouse-gas emissions from the shipping sector. On June 28, 2013, the European Commission adopted a communication setting out a strategy for progressively including greenhouse gas emissions from maritime transport in the EU's policy for reducing its overall greenhouse emissions. The first step proposed by the European Commission was an EU Regulation to an EU-wide system for the monitoring, reporting and verification of carbon dioxide emissions from large ships starting in 2018. The EU Regulation (2015/757) was adopted on April 29, 2015 and took effect on July 1, 2015, with monitoring, reporting and verification requirements beginning on January 1, 2018. This Regulation appears to be indicative of an intent to maintain pressure on the international negotiating process. The European Commission also adopted an Implementing Regulation, which entered into force in November 2016, setting templates for monitoring plans, emissions reports and compliance documents pursuant to Regulation 2015/757.

In February 2017, EU member states met to consider independently regulating the shipping industry under the ETS. On February 15, 2017, European Parliament voted in favor of a bill to include maritime shipping in the ETS by 2023 if the IMO has not promulgated a comparable system by 2021. In November 2017, the Council of Ministers, the EU's main decision making body, agreed that the EU should act on shipping emissions by 2023 if the IMO fails to deliver effective global measures. Last year, IMO's urgent call to action to bring about shipping greenhouse gas emissions reductions before 2023 was met with industry push-back in many countries. Depending on how fast IMO and the EU move on this issue, the ETS may result in additional compliance costs for our vessels.

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

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

Since the terrorist attacks of September 11, 2001, there has been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002 (the MTSA ), came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the U.S. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, (the 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 International Ship and Port Facilities Security Code (the ISPS Code ). Among the various requirements are:

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

on-board installation of ship security alert systems;

the development of vessel security plans; and

compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid International Ship Security Certificate, or ISSC, that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. Starting January 1, 2016, the IMDG Code also included updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, or the IAEA, new marking requirements for overpack and salvage and updates to various individual packing requirements. We will implement the various security measures addressed by the MTSA, SOLAS and the ISPS Code and take measures for our vessels or vessels that we charter to attain compliance with all applicable security requirements within the prescribed time periods. Although management does not believe these additional requirements will have a material financial impact on our operations, there can be no assurance that there will not be an interruption in operations to bring vessels into compliance with the applicable requirements and any such interruption could cause a decrease in charter revenues. Furthermore, additional security measures could be required in the future, that could have a significant financial impact on us.

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

***Acts of piracy on ocean-going vessels could adversely affect our business.***

Acts of piracy have historically affected ocean-going vessels trading in certain regions of the world, such as the South China Sea and the Gulf of Aden off the coast of Somalia. Piracy continues to occur in the Gulf of Aden off the coast of Somalia and increasingly in the Gulf of Guinea. Although both the frequency and success of attacks have diminished recently, we still consider potential acts of piracy to be a material risk to the international container shipping industry, and protection against this risk requires vigilance. Our vessels regularly travel through regions where pirates are active. Crew costs, including those due to employing onboard security guards, could increase in such circumstances. While the use of security guards is intended to deter and prevent the hijacking of our vessels, it could also increase our risk of liability for death or injury to persons or damage to personal property. In addition, while we believe the charterer remains liable for charter payments when a vessel is seized by pirates, the charterer may dispute this and withhold charter hire until the vessel is released. A charterer may also claim that a vessel seized by pirates was not on-hire for a certain number of days and it is therefore entitled to cancel the charter party, a claim that we would dispute. We may not be adequately insured to cover losses from these incidents, which could have a material

adverse effect on our results of operations, financial condition and ability to make distributions. Crew costs could also increase in such circumstances. We may not be adequately insured to cover losses from acts of terrorism, piracy, regional conflicts and other armed actions.

Costs are incurred in taking additional security measures in accordance with Best Management Practices to Deter Piracy, notably those contained in the BMP3 industry standard. A number of flag states have signed the 2009 New York Declaration, which expresses commitment to Best Management Practices in relation to piracy and calls for compliance with them as an essential part of compliance with the ISPS Code.

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**Table of Contents*****Political and government instability, terrorist attacks, increased hostilities or war could lead to further economic instability, increased costs and disruption of our business.***

We are an international company and conduct our operations primarily outside the U.S. Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered will affect us. Terrorist attacks, such as the attacks in the U.S. on September 11, 2001 and the U.S. continuing response to these attacks, and in Paris on January 7, 2015 and on November 13, 2015, the bombings in Spain on March 11, 2004 and in Brussels on March 22, 2016, and the attacks in London on July 7, 2005, the recent conflicts in Iraq, Afghanistan, Syria, Ukraine and other current and future conflicts, and the continuing response of the U.S. to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets, including the energy markets. Continuing hostilities in the Middle East may lead to additional armed conflicts or to further acts of terrorism and civil disturbance in the U.S. or elsewhere, which could result in increased volatility and turmoil in the financial markets and may contribute further to economic instability. Current and future conflicts and terrorist attacks may adversely affect our business, operating results, financial condition, ability to raise capital and future growth. Terrorist attacks on vessels, such as the October 2002 attack on the M/V Limburg, a VLCC not related to us, may in the future also negatively affect our operations and financial condition and directly impact our vessels or our customers.

Furthermore, our operations may be adversely affected by changing or adverse political and governmental conditions in the countries where our vessels are flagged or registered and in the regions where we otherwise engage in business. Any disruption caused by these factors may interfere with the operation of our vessels, which could harm our business, financial condition and results of operations. Our operations may also be adversely affected by expropriation of vessels, taxes, regulation, tariffs, trade embargoes, economic sanctions or a disruption of or limit to trading activities, or other adverse events or circumstances in or affecting the countries and regions where we operate or where we may operate in the future.

***Governments could requisition our vessels during a period of war or emergency, resulting in a loss of earnings***

A government could requisition one or more of our vessels for title or for hire. Requisition for title occurs when a government takes control of a vessel and becomes its owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes its charterer at dictated charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we may be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment would be uncertain. Government requisition of one or more of our vessels could have a material adverse effect on our business, financial condition, cash flows, and results of operations.

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

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

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

machinery inspection. Every vessel is also required to be drydocked every two to three years for inspection of the underwater parts of such vessel.

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

***Increased inspection procedures and tighter import and export controls could increase costs and disrupt our business.***

International shipping is subject to various security and customs inspection and related procedures in countries of origin and destination and trans-shipment points. Inspection procedures may result in the seizure of contents of our vessels, delays in the loading, offloading, trans-shipment or delivery and the levying of customs duties, fines or other penalties against us.



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It is possible that changes to inspection procedures could impose additional financial and legal obligations on us. Changes to inspection procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of cargo uneconomical or impractical. Any such changes or developments may have a material adverse effect on our business, results of operations and financial condition.

### ***Our insurance may be insufficient to cover losses that may occur to our property or result from our operations.***

The operation of any vessel includes risks such as mechanical failure, collision, fire, contact with floating objects, 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 a marine disaster, including oil spills and other environmental mishaps. There are also liabilities arising from owning and operating vessels in international trade. We procure insurance for our fleet in relation to risks commonly insured against by vessel owners and operators. Our current insurance includes (i) hull and machinery and war risk insurance covering damage to our vessels' hulls and machinery from, among other things, collisions and contact with fixed and floating objects, (ii) war risks insurance covering losses associated with the outbreak or escalation of hostilities and (iii) protection and indemnity insurance (which includes environmental damage) covering, among other things, third-party and crew liabilities such as expenses resulting from the injury or death of crew members, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels, damage to other third-party property and pollution arising from oil or other substances, and salvage, towing and other related costs, including wreck removal. For a full description of the insurances we maintain please review section Risk of Loss and Liability Insurance .

We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement vessel in the event of a loss of a vessel. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. For example, more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also on the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage. There is no cap on our liability exposure for such calls or premiums payable to our protection and indemnity association. Our insurance policies also contain deductibles, limitations and exclusions, which, although we believe are standard in the shipping industry, may nevertheless increase our costs. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could have a material adverse effect on our business, results of operations and financial condition. Any uninsured or underinsured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain required certification.

Our charterers may engage in legally permitted trading in locations, which may still be subject to sanctions or boycott, such as Iran, Syria and Sudan. Our insurers may be contractually or by operation of law prohibited from honoring our insurance contract for such trading, which could result in reduced insurance coverage for losses incurred by the related vessels. Furthermore, our insurers and we may be prohibited from posting or otherwise be unable to post security in respect of any incident in such locations, resulting in the loss of use of the relevant vessel and negative publicity for our Company which could negatively impact our business, results of operations and financial condition.

### ***Maritime claimants could arrest or attach one or more of our vessels, which could interrupt our cash flow.***

Crew members, suppliers of goods and services to a vessel, shippers or receivers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages, including, in some jurisdictions,

for debts incurred by previous owners. In many jurisdictions, a maritime lien-holder may enforce its lien by arresting a vessel. The arrest or attachment of one or more of our vessels, if such arrest or attachment is not timely discharged, could interrupt our cash flows and could require us to pay large sums of money to have the arrest or attachment lifted. Any of these occurrences could have a material adverse effect on our business, results of operations and financial condition as well as our cash flows. We are not currently aware of the existence of any such maritime lien on our vessels.

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

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***The risks and costs associated with vessels increase as the vessels age or the aging of our vessels may result in increased operating costs in the future, which could adversely affect our earnings.***

The costs to operate and maintain a vessel in operation increase with the age of the vessel. The average age of the vessels in our fleet is 7.8 years, basis fully delivered fleet, and most dry bulk vessels have an expected life of approximately 25 years. In some instances, charterers prefer newer vessels that are more fuel efficient than older vessels. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers as well. Governmental regulations, safety or other equipment standards related to the age of the vessels may require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which these vessels may engage. We cannot assure you that, as our vessels age, market conditions will justify those expenditures or enable us to operate our vessels profitably during the remainder of their useful lives. If we sell vessels, we may have to sell them at a loss, and if charterers no longer charter-out vessels due to their age, our earnings could be materially adversely affected.

***Technological innovation could reduce our charter hire income and the value of our vessels.***

The charter hire rates and the value and operational life of a vessel are determined by a number of factors including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed, fuel economy and the ability to load and discharge cargo quickly. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. The length of a vessel's physical life is related to its original design and construction, its maintenance and the impact of the stress of operations. If new vessels are built that are more efficient or more flexible or have longer physical lives than our vessels, competition from these more technologically advanced vessels could adversely affect the amount of charter hire payments we receive for our vessels and the resale value of our vessels could significantly decrease. As a result, our results of operations and financial condition could be adversely affected.

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

We intend to seek to grow our fleet, either through purchases, the increase of the number of chartered-in vessels or through the acquisitions of businesses. The addition of vessels to our fleet or the acquisition of new businesses will impose significant additional responsibilities on our management. We will also have to increase our customer base to provide continued employment for the new vessels. Our growth will depend on:

ongoing and anticipated economic conditions and charter rates;

locating and acquiring suitable vessels;

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

integrating any acquired vessels successfully with our existing operations;

enhancing our customer base;

managing our expansion; and

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

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty in obtaining additional qualified personnel, and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures, and we may not be successful in executing our growth plans. We may incur significant expenses and losses in connection therewith or that our acquisitions will perform as expected, which could materially adversely affect our results of operations and financial condition.

***We may be unable to make or realize expected benefits from acquisitions, and implementing our growth strategy through acquisitions may harm our business, financial condition and operating results.***

Our growth strategy focuses on a gradual expansion of our fleet. Any acquisition of a vessel may not be profitable to us at or after the time we acquire it and may not generate cash flow sufficient to justify our investment. We may also fail to realize anticipated benefits of our growth, such as new customer relationships, cost-savings or cash flow enhancements, or we may be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet.

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Our growth strategy could decrease our liquidity by using a significant portion of our available cash or borrowing capacity to finance acquisitions. To the extent that we incur additional debt to finance acquisitions, it could significantly increase our interest expense or financial leverage. We may also incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

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

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

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

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

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

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

***Delays in deliveries of secondhand vessels, our decision to cancel an order for purchase of a vessel or our inability to otherwise complete the acquisitions of additional vessels for our fleet, could harm our business, financial condition and results of operations.***

We expect to purchase secondhand vessels from time to time. The delivery of these vessels could be delayed, not completed or cancelled, which would delay or eliminate our expected receipt of revenues from the employment of these vessels. The seller could fail to deliver these vessels to us as agreed, or we could cancel a purchase contract because the seller has not met its obligations.

If the delivery of any vessel is materially delayed or cancelled, especially if we have committed the vessel to a charter for which we become responsible for substantial liquidated damages to the customer as a result of the delay or cancellation, our business, financial condition and results of operations could be adversely affected.

***If we purchase any newbuilding vessels, delays, cancellations or non-completion of deliveries of newbuilding vessels could harm our operating results.***

If we purchase any newbuilding vessels, the shipbuilder could fail to deliver the newbuilding vessel as agreed or their counterparty could cancel the purchase contract if the shipbuilder fails to meet its obligations. In addition, under charters we may enter into that are related to a newbuilding, if our delivery of the newbuilding to our customer is delayed, we may be required to pay liquidated damages during such delay. For prolonged delays, the customer may terminate the charter and, in addition to the resulting loss of revenues, we may be responsible for additional, substantial liquidated damages. We do not derive any revenue from a vessel until after its delivery and are required to pay substantial sums as progress payments during construction of a newbuilding. While we expect to have refund guarantees from financial institutions with respect to such progress payments in the event the vessel is not delivered by the shipyard or is otherwise not accepted by us, there is the potential that we may not be able to collect all portions of such refund guarantees, in which case we would lose the amounts we have advanced to the shipyards for such progress payments.

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The completion and delivery of newbuildings could be delayed, cancelled or otherwise not completed because of:

quality or engineering problems;

changes in governmental regulations or maritime self-regulatory organization standards;

work stoppages or other labor disturbances at the shipyard;

bankruptcy or other financial crisis of the shipbuilder;

a backlog of orders at the shipyard;

political or economic disturbances;

weather interference or catastrophic event, such as a major earthquake or fire;

requests for changes to the original vessel specifications;

shortages of or delays in the receipt of necessary construction materials, such as steel;

inability to finance the construction or conversion of the vessels; or

inability to obtain requisite permits or approvals.

If delivery of a vessel is materially delayed, it could materially adversely affect our results of operations and financial condition and our ability to make cash distributions.

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

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

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

We expect that our vessels will call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. Under some jurisdictions, vessels used for the conveyance of illegal drugs could subject the vessels to forfeiture to the government of such jurisdiction. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face reputational damage and governmental or other regulatory claims or penalties which could have an adverse effect on our business, results of operations, cash flows and financial condition, as well as our ability to maintain cash flows, including cash available for distributions to pay dividends to our unitholders. Under some jurisdictions, vessels used for the conveyance of illegal drugs could subject result in forfeiture of the vessel to forfeiture to the government of such jurisdiction.

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

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



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operational deficiencies;

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

equipment breakdowns;

delays due to accidents or deviations from course;

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

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

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

Under some of our charters, the charterer is permitted to terminate the time charter if the vessel is off-hire for an extended period, which is generally defined as a period of 90 or more consecutive off-hire days. Under some circumstances, an event of force majeure may also permit the charterer to terminate the time charter or suspend payment of charter hire.

As we do not maintain off-hire insurance except in cases of loss of hire up to a limited number of days due to war or piracy events any extended off-hire period could have a material adverse effect on our results of operations, cash flows and financial condition.

***Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the U.S., the EU and other jurisdictions.***

Our international operations and activities could expose us to risks associated with trade and economic sanctions prohibitions or other restrictions imposed by the U.S. or other governments or organizations, including the United Nations, the EU and its member countries. Under economic and trade sanctions laws, governments may seek to impose modifications to, prohibitions/restrictions on business practices and activities, and modifications to compliance programs, which may increase compliance costs, and, in the event of a violation, may subject us to fines and other penalties.

**Iran**

Prior to January 2016, the scope of sanctions imposed against Iran, the government of Iran and persons engaging in certain activities or doing certain business with and relating to Iran was expanded by a number of jurisdictions, including the U.S., the EU and Canada. In 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act ( CISADA ), which expanded the scope of the former Iran Sanctions Act. The scope of U.S. sanctions against Iran were expanded subsequent to CISADA by, among other U.S. laws, the National Defense Authorization Act of 2012 (the 2012 NDAA ), the Iran Threat Reduction and Syria Human Rights Act of 2012

( ITRA ), Executive Order 13662, and the Iran Freedom and Counter-Proliferation Act of 2012 ( IFCA ). The foregoing laws, among other things, expanded the application of prohibitions to non-U.S. companies such as our company and to transactions with no U.S. nexus, and introduced limits on the ability of non-U.S. companies and other non-U.S. persons to do business or trade with Iran when such activities relate to specific activities such as investment in Iran, the supply or export of refined petroleum or refined petroleum products to Iran, the supply and delivery of goods to Iran which could enhance Iran's petroleum or energy sectors, and the transportation of crude oil from Iran to countries which do not enjoy Iran crude oil sanctions waivers (our tankers called in Iran but did not engage in the prohibited activities specifically identified by these sanctions).

U.S. economic sanctions on Iran fall into two general categories: Primary sanctions, which prohibit U.S. persons or U.S. companies and their foreign branches, U.S. citizens, foreign owned or controlled subsidiaries, U.S. permanent residents, persons within the territory of the U.S. from engaging in all direct and indirect trade and other transactions with Iran without U.S. government authorization, and secondary sanctions, which are mainly nuclear-related sanctions. While most of the U.S. nuclear-related sanctions with respect to Iran (including, inter alia, CISADA, ITRA, and IFCA) and the EU sanctions on Iran were initially lifted on January 16, 2016 through the implementation of the Joint Comprehensive Plan of Action (the JCPOA) entered into between the permanent members of the United Nations Security Council (China, France, Russia, the U.K. and the U.S.) and Germany, there are still certain limitations under that sanctions framework in place with which we need to comply. The primary sanctions with which U.S. persons or transactions with a U.S. nexus must comply are still in force and have not been lifted or relaxed. However, the following sanctions which were lifted under the JCPOA were reimposed ( snapped back ) on May 8, 2018 as a result of the U.S. withdrawal from the JCPOA.

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Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;

Sanctions on Iran's trade in gold or precious metals;

Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;

Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;

Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt; and

Sanctions on Iran's automotive sector.

Following a 180-day wind-down period ending on November 4, 2018, the U.S. government will re-impose the following sanctions that were lifted pursuant to the JCPOA, including sanctions on associated services related to the activities below:

Sanctions on Iran's port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;

Sanctions on petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;

Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions under Section 1245 of the National Defense Authorization Act for Fiscal Year 2012 (NDAA);

Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA);

Sanctions on the provision of underwriting services, insurance, or reinsurance; and

Sanctions on Iran's energy sector.

U.S. Iran sanctions also prohibit significant transactions with any individual or entity that the U.S. Government has designated as an Iran sanctions target.

EU sanctions remain in place in relation to the export of arms and military goods listed in the EU common military list, missiles-related goods and items that might be used for internal repression. The main nuclear-related EU sanctions which remain in place include restrictions on:

Graphite and certain raw or semi-finished metals such as corrosion-resistant high-grade steel, iron, aluminum and alloys, titanium and alloys and nickel and alloys (as listed in Annex VIIB to EU Regulation 267/2012 as updated by EU Regulation 2015/1861 (the EU Regulation ));

Goods listed in the Nuclear Suppliers Group list (listed in Annex I to the EU Regulation);

Goods that could contribute to nuclear-related or other activities inconsistent with the JCPOA (as listed in Annex II to the EU Regulation); and

Software designed for use in nuclear/military industries (as listed in Annex VIIA to the EU Regulation). The above EU sanctions activities can only be engaged if prior authorization (granted on a case-by-case basis) is obtained. The remaining restrictions apply to the sale, supply, transfer or export, directly or indirectly to any Iranian person/for use in Iran, as well as the provision of technical assistance, financing or financial assistance in relation to the restricted activity. Certain individuals and entities remain sanctioned and the prohibition to make available, directly or indirectly, economic resources or assets to or for the benefit of sanctioned parties remains. Economic resources is widely defined and it remains prohibited to provide vessels for a fixture from which a sanctioned party (or parties related to a sanctioned party) directly or indirectly benefits. It is therefore still necessary to carry out due diligence on the parties and cargoes involved in fixtures involving Iran.

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### **Russia/Ukraine**

As a result of the crisis in Ukraine and the annexation of Crimea by Russia in 2014, both the U.S. and the EU have implemented sanctions against certain Russian individuals and entities.

The EU has imposed travel bans and asset freezes on certain Russian persons and entities pursuant to which it is prohibited to make available, directly or indirectly, economic resources or assets to or for the benefit of the sanctioned parties. Certain Russian ports including Kerch Commercial Seaport; Sevastopol Commercial Seaport and Port Feodosia are subject to the above restrictions. Other entities are subject to sectoral sanctions, which limit the provision of equity financing and loans to the listed entities. In addition, various restrictions on trade have been implemented which, amongst others, include a prohibition on the import into the EU of goods originating in Crimea or Sevastopol as well as restrictions on trade in certain dual-use and military items and restrictions in relation to various items of technology associated with the oil industry for use in deep water exploration and production, Arctic oil exploration and production or shale oil projects in Russia. As such, it is important to carry out due diligence on the parties and cargoes involved in fixtures relating to Russia.

The U.S. has imposed sanctions against certain designated Russian entities and individuals ( U.S. Russian Sanctions Targets ). These sanctions block the property and all interests in property of the U.S. Russian Sanctions Targets. This effectively prohibits U.S. persons from engaging in any economic or commercial transactions with the U.S. Russian Sanctions Targets unless the same are authorized by the U.S. Treasury Department. Similar to EU sanctions, U.S. sanctions also entail restrictions on certain exports from the U.S. to Russia and the imposition of Sectoral Sanctions, which restrict the provision of equity and debt financing to designated Russian entities. While the prohibitions of these sanctions are not directly applicable to us, we have compliance measures in place to guard against transactions with U.S. Russian Sanctions Targets, which may involve the U.S. or U.S. persons and thus implicate prohibitions. The U.S. also maintains prohibitions on trade with Crimea.

The U.S. has also taken a number of steps toward implementing aspects of the Countering America's Adversaries Through Sanctions Act ( CAATSA ), a major piece of sanctions legislation.

Under CAATSA, the U.S. has imposed secondary sanctions relating to Russia's energy export pipelines, investments in special Russian crude oil projects. CAATSA has a provision that requires the U.S. President to sanction persons who knowingly engage in significant transactions with parties affiliated with Russia's defense and intelligence sectors.

### **Venezuela-Related Sanctions**

The U.S. sanctions with respect to Venezuela prohibit various financial and other transactions and activities, dealings with designated Venezuelan government officials and entities, and curtail the provision of financing to Petroleos de Venezuela, S.A. ( PdVSA ) and other government entities. EU sanctions against Venezuela are primarily governed by EU Council Regulation 2017/2063 of 13 November 2017 concerning restrictive measures in view of the situation in Venezuela. This includes financial sanctions and restrictions on listed persons and an, arms embargo, and related prohibitions and restrictions including restrictions related to internal repression.

### **US Executive Orders**

The following Executive Orders govern the U.S. sanctions with respect to Venezuela that U.S. persons must comply with.

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13857 Taking Additional Steps to Address the National Emergency with Respect to Venezuela (January 28, 2019) Expanded the definition of Government of Venezuela to include PdVSA.

13850 Blocking Property of Additional Persons Contributing to the Situation in Venezuela (November 1, 2018).

13835 Prohibiting Certain Additional Transactions with Respect to Venezuela (May 21, 2018).

13827 Taking Additional Steps to Deal with the Situation in Venezuela (March 19, 2018) prohibits all transactions related to, provision of financing for, and other dealings in, by a United States person or within the United States, in any digital currency, digital coin, or digital token, (the Petro) that was issued by, for, or on behalf of the Government of Venezuela on or after January 9, 2018.

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13808 Imposing Additional Sanctions with Respect to the Situation in Venezuela (August 24, 2017) This executive Order prohibits transactions involving, dealings in, and the provision of financing for (by (US persons) of:

New debt with a maturity of greater than 90 days of PdVSA;

New debt with a maturity of greater than 30 days or new equity of the Government of Venezuela, other than debt of PdVSA;

Bonds issued by the Government of Venezuela prior to August 25, 2017, the EO's effective date;

Dividend payments or other distributions of profits to the Government of Venezuela from any entity directly or indirectly owned or controlled by the Government of Venezuela; or

Direct or indirect purchase by U.S. persons or persons within the U.S. of securities from the Government of Venezuela, other than securities qualifying as new debt with a maturity of less than or equal to 90 or 30 days as covered by the EO (Section 1).

13692 Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela (March 8, 2015) blocks designated Venezuelan government officials.

### Other U.S. Economic Sanctions Targets

In addition to Iran and certain Russian entities and individuals, as indicated above, the U.S. maintains economic sanctions against Syria, Cuba, North Korea, and sanctions against entities and individuals (such as entities and individuals in the foregoing targeted countries, designated terrorists, narcotics traffickers) whose names appear on the List of SDNs and Blocked Persons maintained by the U.S. Treasury Department (collectively, the Sanctions Targets ). We are subject to the prohibitions of these sanctions to the extent that any transaction or activity we engage in involves Sanctions Targets and a U.S. person or otherwise has a nexus to the U.S.

### Other E.U. Economic Sanctions Targets

The EU also maintains sanctions against Syria, North Korea and certain other countries and against individuals listed by the EU. These restrictions apply to our operations and as such, to the extent that these countries may be involved in any business it is important to carry out checks to ensure compliance with all relevant restrictions and to carry out due diligence checks on counterparties and cargoes.

### Compliance

Considering the aforementioned prohibitions of U.S. as well as EU sanctions and the nature of our business, there is a sanctions risk for us due to the worldwide trade of our vessels, which we seek to minimize by the implementation of our corporate Sanctions and our compliance with all applicable sanctions and embargo laws and regulations. Although we intend to maintain such Economic Sanctions Compliance Policy and Procedures, there can be no assurance that we

will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations, and the law may change. Moreover, despite, for example, relevant provisions in charter parties forbidding the use of our vessels in trade that would violate economic sanctions, our charterers may nevertheless violate applicable sanctions and embargo laws and regulations and those violations could in turn negatively affect our reputation and be imputed to us. In addition, given our relationship with Navios Acquisition, Navios Partners and Navios Containers, we cannot give any assurance that an adverse finding against Navios Acquisition, Navios Partners or Navios Containers by a governmental or legal authority or others with respect to the matters discussed herein or any future matter related to regulatory compliance by Navios Acquisition, Navios Partners or Navios Containers will not have a material adverse impact on our business, reputation or the market price or trading of our common stock-units.

We are constantly monitoring developments in the U.S., the E.U. and other jurisdictions that maintain economic sanctions against Iran, other countries, and other sanctions targets, including developments in implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries and persons subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our vessels from calling in ports in sanctioned countries or could limit their cargoes. If any of the risks described above materialize, it could have a material adverse impact on our business and results of operations.

To reduce the risk of violating economic sanctions, we have a policy of compliance with applicable economic sanctions laws and have implemented and continue to implement and diligently follow compliance procedures to avoid economic sanctions violations.



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***Security breaches and disruptions to our information technology infrastructure could interfere with our operations and expose us to liability which could have a material adverse effect on our business, financial condition, cash flows and results of operations.***

In the ordinary course of business, we rely on information technology networks and systems to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. Additionally, we collect and store certain data, including proprietary business information and customer and employee data, and may have access to other confidential information in the ordinary course of our business. Despite our cybersecurity measures designed to protect and secure our data, our information technology networks and infrastructure may be vulnerable to damage, disruptions, or shutdowns due to attack by hackers or breaches, employee error or malfeasance, data leakage, power outages, computer viruses and malware, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. Any such events could result in legal claims or proceedings, liability or penalties under privacy or other laws, disruption in operations, and damage to our reputation, which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

***Changing laws and evolving reporting requirements could have an adverse effect on our business.***

Changing laws, regulations and standards relating to reporting requirements, including the European Union General Data Protection Regulation ( GDPR ), may create additional compliance requirements for us. To maintain high standards of corporate governance and public disclosure, we have invested in, and intend to continue to invest in, reasonably necessary resources to comply with evolving standards.

GDPR broadens the scope of personal privacy laws to protect the rights of European Union citizens and requires organizations to report on data breaches within 72 hours and be bound by more stringent rules for obtaining the consent of individuals on how their data can be used. GDPR has become enforceable on May 25, 2018 and non-compliance may expose entities to significant fines or other regulatory claims, which could have an adverse effect on our business, financial conditions, results of operations and cash flows. Our Company is compliant with applicable GDPR Regulations.

***We could be materially adversely affected by violations of the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and anti-corruption laws in other applicable jurisdictions.***

As an international shipping company, we may operate in countries known to have a reputation for corruption. The U.S. Foreign Corrupt Practices Act of 1977 (the FCPA ) and other anti-corruption laws and regulations in applicable jurisdictions generally prohibit companies registered with the SEC and their intermediaries from making improper payments to government officials for the purpose of obtaining or retaining business. Under the FCPA, U.S. companies may be held liable for some actions taken by strategic or local partners or representatives. Legislation in other countries includes the U.K. Bribery Act 2010 (the U.K. Bribery Act ) which is broader in scope than the FCPA because it does not contain an exception for facilitation payments. We and our customers may be subject to these and similar anti-corruption laws in other applicable jurisdictions. Failure to comply with legal requirements could expose us to civil and/or criminal penalties, including fines, prosecution and significant reputational damage, all of which could materially and adversely affect our business and the results of operations, including our relationships with our customers, and our financial results. Compliance with the FCPA, the U.K. Bribery Act and other applicable anti-corruption laws and related regulations and policies imposes potentially significant costs and operational burdens on us. Moreover, the compliance and monitoring mechanisms that we have in place including our Code of Ethics and our anti-bribery and anti-corruption policy, may not adequately prevent or detect all possible violations under applicable anti-bribery and anti-corruption legislation. However, we believe that the procedures we have in place to prevent bribery are adequate and that they should provide a defense in most circumstances to a violation or a

mitigation of applicable penalties, at least under the U.K. s Bribery Act.

***We may be unable to attract and retain qualified, skilled employees or crew necessary to operate our business or may have to pay substantially increased costs for our employees and crew.***

Our success will depend in part on our ability to attract, hire, train and retain highly skilled and qualified personnel. In crewing our vessels, we require technically skilled employees with specialized training who can perform physically demanding work. Competition to attract, hire, train and retain qualified crew members is intense. In addition, recently, the limited supply of, and increased demand for, well-qualified crew members, due to the increase in the size of global shipping fleet, has created upward pressure on crewing costs, which we generally bear under our period, time and spot charters. If we are not able to increase our hire rates to compensate for any crew cost increases, our business, financial condition and results of operations may be adversely affected. Any inability we experience in the future to attract, hire, train and retain a sufficient number of qualified employees could impair our ability to manage, maintain and grow our business.

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***Our Chairman and Chief Executive Officer holds approximately 29.4% of our common stock and will be able to exert considerable influence over our actions; her failure to own a significant amount of our common stock or to be our Chief Executive Officer would constitute a default under our secured credit facilities.***

Ms. Angeliki Frangou owns approximately 29.4% of the outstanding shares of our common stock directly or through her affiliates, and has previously filed an amended Schedule 13D indicating that she intends, subject to market conditions, to purchase up to \$20.0 million of our common stock (as of April 22, 2019, she had purchased approximately \$10.0 million of the total \$20.0 million in value of our common stock). As the Chairman, Chief Executive Officer and a significant stockholder, she has the power to exert considerable influence over our actions and the outcome of matters on which our stockholders are entitled to vote including the election of directors and other significant corporate actions. The interests of Ms. Frangou may be different from your interests. Furthermore, if Ms. Frangou ceases to hold a minimum of 20% of our common stock, does not remain actively involved in the business, or ceases to be our Chief Executive Officer, then we will be in default under our secured credit facilities.

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

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

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

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

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

We engage in worldwide commerce with a variety of entities. Although our operations may expose us to certain levels of foreign currency risk, our transactions are predominantly U.S. dollar-denominated at the present. Additionally, our South American subsidiaries transact a nominal amount of their operations in Uruguayan pesos, Paraguayan Guaranies, Argentinean pesos and Brazilian Reales, whereas our wholly-owned vessel subsidiaries and the vessel management subsidiaries transact a nominal amount of their operations in Euros; however, all of the subsidiaries' primary cash flows are U.S. dollar-denominated. In 2018, approximately 58.8% of our expenses were incurred in currencies other than U.S. dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, thereby decreasing our income. A change in exchange rates between the U.S. dollar

and each of the foreign currencies listed above of 1.00% would change our net loss for the year ended December 31, 2018 by \$1.4 million.

For example, as of December 31, 2018, the value of the U.S. dollar as compared to the Euro increased by approximately 4.7% compared with the respective value as of December 31, 2017. A greater percentage of our transactions and expenses in the future may be denominated in currencies other than U.S. dollar. As part of our overall risk management policy, we attempt to hedge these risks in exchange rate fluctuations from time to time. We may not always be successful in such hedging activities and, as a result, our operating results could suffer as a result of non-hedged losses incurred as a result of exchange rate fluctuations.

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

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

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

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

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

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

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

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

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

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); and

the obligation to obtain shareholder approval in connection with the approval of, and material revisions to, equity compensation plans.

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 U.S.

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**Risks Relating to Our Common Stock**

*Our stock price may be volatile, and investors in our common stock could lose all or part of their investment.*

The following factors could cause the price of our common stock in the public market to fluctuate significantly:

variations in our quarterly operating results;

changes in market valuations of companies in our industry;

fluctuations in stock market prices and volumes;

issuance of common stock or other securities in the future;

the addition or departure of key personnel;

announcements by us or our competitors of new business or trade routes, acquisitions or joint ventures;  
and

the other factors discussed elsewhere in this Annual Report.

Volatility in the market price of our common stock may prevent investors from being able to sell their common stock at or above the price; an investor pays for our common stock in an offering. In the past, class action litigation has often been brought against companies following periods of volatility in the market price of those companies' common stock. We may become involved in this type of litigation in the future. Litigation is often expensive and diverts management's attention and company resources and could have a material effect on our business, financial condition and operating results.

*The New York Stock Exchange may delist our securities from quotation on its exchange, which could limit your ability to trade our securities and subject us to additional trading restrictions.*

Our securities are listed on the New York Stock Exchange (the "NYSE"), a national securities exchange. The NYSE minimum listing standards require that we meet certain requirements relating to stockholders' equity, number of round-lot holders, market capitalization, aggregate market value of publicly held shares and distribution requirements.

Although we currently satisfy the NYSE minimum listing standards, we cannot assure you that our securities will continue to be listed on NYSE in the future. If NYSE delists our securities from trading on its exchange, we could face significant material adverse consequences, including:

a limited availability of market quotations for our securities;

a limited amount of news and analyst coverage for us;

a decreased ability for us to issue additional securities or obtain additional financing in the future;

limited liquidity for our stockholders due to thin trading; and

loss of our tax exemption under Section 883 of the U.S. Internal Revenue Code of 1986, as amended (the Code), loss of preferential capital gain tax rates for certain dividends received by certain non-corporate U.S. holders and loss of mark-to-market election by U.S. holders in the event we are treated as a passive foreign investment company ( PFIC ).

### **Risks Relating to Our Series G and Series H and the Depositary Shares**

*Our Series G and Series H are subordinated to our debt obligations, and a holder's interests could be diluted by the issuance of additional shares, including additional Series G, Series H and by other transactions.*

Our Series G, with a liquidation preference of \$2,500.00 per share and our Series H, with a liquidation preference of \$2,500.00 per share (the Series G and the Series H together referred to as the Series G and H), both represented by American Depositary Shares (the Depositary Shares), are subordinated to all of our existing and future indebtedness. As of December 31, 2018, our total debt was \$1,843.9 million. We may incur substantial additional debt from time to time in the future, and the terms of the Series G and H do not limit the amount of indebtedness we may incur. In February 2016, we announced the suspension of payment of quarterly dividends on our common stock and on the Series G and Series H. The payment of principal and interest on our debt reduces cash available for distribution to us and on our shares, including the Series G and H and the Depositary Shares, should such dividends be reinstated. We currently have no plans or intention to pay dividends on the Series G or Series H.



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The issuance of additional preferred stock on a parity with or senior to our Series G and H would dilute the interests of the holders of our Series G and H, and any issuance of any preferred stock senior to or on parity with our Series G and H or additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our Series G and H. No provisions relating to our Series G and H protect the holders of our Series G and H in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, which might adversely affect the holders of our Series G and H.

Our Series G and H will rank pari passu with any other class or series of our capital stock established after the original issue date of the Series G and H that is not expressly subordinated or senior to the Series G and H ( Parity Securities ) as to the payment of dividends and amounts payable upon liquidation or reorganization. If less than all dividends payable with respect to the Series G and H and any Parity Securities are paid, any partial payment shall be made pro rata with respect to shares of Series G and H and any Parity Securities entitled to a dividend payment at such time in proportion to the aggregate amounts remaining due in respect of such shares at such time.

***We may not have sufficient cash from our operations to enable us to pay dividends on or to redeem our Series G and H, and accordingly the Depositary Shares, as the case may be, following the payment of expenses and the establishment of any reserves.***

In February 2016, we announced the suspension of payment of quarterly dividends on the Series G and Series H, and have not paid a quarterly dividend payments on the Series G or Series H since then, and as a result the respective dividend rates increased by 0.25%. We will reinstate and pay quarterly dividends on the Series G and H, and accordingly the Depositary Shares, only from funds legally available for such purpose when, as and if declared by our board of directors. We may not have sufficient cash available to reinstate such dividend or to pay dividends each quarter if and when reinstated. We currently have no plans or intention to pay dividends on the Series G or Series H. In addition, we may have insufficient cash available to redeem the Series G and H, and accordingly the Depositary Shares. The amount of cash we can use to pay dividends or redeem our Series G and H and the Depositary Shares depends upon the amount of cash we generate from our operations, which may fluctuate significantly, and other factors, including the following:

changes in our operating cash flow, capital expenditure requirements, working capital requirements and other cash needs;

the amount of any cash reserves established by our board of directors;

restrictions under our credit facilities and other instruments and agreements governing our existing and future debt, including restrictions under our existing credit facilities and indentures governing our debt securities (other than the indenture governing the newly issued 9.75% Senior Notes due 2024 (the 2024 Notes )) on our ability to pay dividends if an event of default has occurred and is continuing, or if the payment of the dividend would result in an event of default, and on our ability to redeem equity securities;

restrictions under Marshall Islands law as described below; and

our overall financial and operating performance, which, in turn, is subject to prevailing economic and competitive conditions and to the risks associated with the shipping industry, our dry bulk operations and the other factors described herein, many of which are beyond our control.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which will be affected by noncash items, and our board of directors in its discretion may elect not to declare any dividends. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends. As a result of these and the other factors mentioned above, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record net income.

***Our ability to pay dividends on and to redeem our Series G and H, and therefore holders' ability to receive payments on the Depositary Shares, is limited by the requirements of Marshall Islands law.***

If we reinstate the payment of dividends, Marshall Islands law provides that we may pay dividends on and redeem the Series G and H only to the extent that assets are legally available for such purposes. Legally available assets generally are limited to our surplus, which essentially represents our retained earnings and the excess of consideration received by us for the sale of shares above the par value of the shares. In addition, under Marshall Islands law we may not pay dividends on or redeem Series G and H if we are insolvent or would be rendered insolvent by the payment of such a dividend or the making of such redemption.

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**Table of Contents*****The Series G and H represent perpetual equity interests.***

The Series G and H represent perpetual equity interests in us and, unlike our indebtedness, will not give rise to a claim for payment of a principal amount at a particular date. As a result, holders of the Series G and H (and accordingly the Depositary Shares) may be required to bear the financial risks of an investment in the Series G and H (and accordingly the Depositary Shares) for an indefinite period of time. In addition, the Series G and H will rank junior to all our indebtedness and other liabilities, and any other senior securities we may issue in the future with respect to assets available to satisfy claims against us.

 ***Holders of Depositary Shares have extremely limited voting rights, will have even more limited rights than holders of the Series G and H and may encounter difficulties in exercising some of such rights.***

Voting rights of holders of Depositary Shares will be extremely limited. Our common stock is the only class of stock carrying full voting rights. Holders of the Series G and H, and accordingly holders of the Depositary Shares, generally have no voting rights. In February 2016, we announced the suspension of payment of quarterly dividends on the Series G and Series H. As such, (i) we have used commercially reasonable efforts to obtain an amendment to our articles of incorporation to effectuate any and all such changes thereto as may be necessary to permit either the Series G Preferred Shareholders or the Series H Preferred Shareholders, as the case may be, to exercise the voting rights described in the following clause (ii)(x), and (ii) if and when dividends payable on either the Series G or the Series H, as the case may be, are in arrears for six or more quarterly periods, whether or not consecutive (and whether or not such dividends shall have been declared and whether or not there are profits, surplus, or other funds legally available for the payment of dividends), then (x) if our articles of incorporation have been amended as described in the preceding clause (i), the holders of Series G or the holders of Series H, as the case may be, will have the right (voting together as a class with all other classes or series of parity securities upon which like voting rights have been conferred and are exercisable), to elect one additional director to serve on our board of directors, and the size of our board of directors will be increased as needed to accommodate such change (unless the size of our board of directors already has been increased by reason of the election of a director by holders of securities on parity with either the Series G or Series H, as the case may be, upon which like voting rights have been conferred and with which the Series G and H voted as a class for the election of such director), and (y) if our articles of incorporation have not been amended as described in the preceding clause (i), then, until such amendment is fully approved and effective, the dividend rate on the Series G or the Series H, as the case may be, shall increase by 25 basis points. At our respective Annual Meeting of stockholders held on December 15, 2016, December 15, 2017 and December 21, 2018, the Company proposed an amendment to our articles of incorporation to effectuate any and all such changes as were necessary to permit the Series G and/or Series H holders the ability to exercise the certain voting rights described above. These proposals failed to receive the affirmative vote of holders of two-thirds of the Company's issued and outstanding common stock entitled to vote at the respective Annual Meeting, which was required to approve the proposal. Therefore, since the proposals failed and the dividends for the Series G and Series H are in arrears for six or more quarterly periods the dividend rate on the Series G and Series H have increased by 25 basis points respectively. There can be no assurance that any such further proposal to our stockholders to amend our articles of incorporation will be approved by our common stockholders.

Furthermore, holders of the Depositary Shares may encounter difficulties in exercising any voting rights acquired by the Series G or the Series H for as long as they hold the Depositary Shares rather than the Series G or the Series H. For example, holders of the Depositary Shares will not be entitled to vote at meetings of holders of Series G or of the Series H, and they will only be able to exercise their limited voting rights by giving timely instructions to The Bank of New York Mellon (the Depositary) in advance of any meeting of holders of Series G or the Series H, as the case may be. The Depositary will be the holder of the Series G or the Series H underlying the Depositary Shares and holders may exercise voting rights with respect to the Series G or the Series H represented by the Depositary Shares only in

accordance with the deposit agreement (the Deposit Agreement ) relating to the Depositary Shares. To the limited extent permitted by the Deposit Agreement, the holders of the Depositary Shares should be able to direct the Depositary to vote the underlying Series G or the Series H, as the case may be, in accordance with their individual instructions. Nevertheless, holders of Depositary Shares may not receive voting materials in time to instruct the Depositary to vote the Series G or the Series H, as the case may be, underlying their Depositary Shares. In addition, the Depositary and its agents are not responsible for failing to carry out voting instructions of the holders of Depositary Shares or for the manner of carrying out such instructions. Accordingly, holders of Depositary Shares may not be able to exercise voting rights, and they will have little, if any, recourse if the underlying Series G or the Series H, as the case may be, is not voted as requested.

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***The Depositary Shares lack a well developed trading market. Various factors may adversely affect the price of the Depositary Shares.***

Even though the Depositary Shares are listed on the NYSE, there may be little or no secondary market for the Depositary Shares, in which case the trading price of the Depositary Shares could be adversely affected and a holder's ability to transfer its securities will be limited. The Depositary Shares may trade at prices lower than the offering price and the secondary market may not provide sufficient liquidity. In addition, since the Series G and Series H do not have a stated maturity date, investors seeking liquidity in the Depositary Shares will be limited to selling their Depositary Shares in the secondary market absent redemption by us. We do not expect that there will be any other trading market for the Series G and Series H except as represented by the Depositary Shares.

Other factors, some of which are beyond our control, will also influence the market prices of the Depositary Shares. Factors that might influence the market prices of the Depositary Shares include:

whether we are able to reinstate dividends on the Series G and Series H;

the market for similar securities;

our issuance of debt or preferred equity securities;

our creditworthiness;

our financial condition, results of operations and prospects; and

economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

Accordingly, the Depositary Shares that an investor purchases may trade at a discount to their purchase price.

***Depositary Shares that you continue to hold after the Exchange Offer (as defined herein) are expected to become less liquid following the Exchange Offer.***

The Company recently offered to exchange for (1) cash; and/or (2) newly issued newly issued 9.75% Senior Notes due 2024 of the Company, on the terms and conditions set forth in the Company's prospectus. On March and April 2019, Navios Holdings exchanged cash and/or 2024 Notes for 10,930 Series H and 8,841 Series G, respectively. Following consummation of the Exchange Offer, the number of Depositary Shares that are publicly traded has been reduced and the trading market for the remaining outstanding Depositary Shares may be less liquid and market prices may fluctuate significantly depending on the volume of trading in the Depositary Shares. Therefore, holders whose Depositary Shares are not repurchased will own a greater percentage interest in the remaining outstanding Depositary Shares following consummation of the Exchange Offer. This may reduce the volume of trading and make it more difficult to buy or sell significant amounts of Depositary Shares without affecting the market price. Decreased liquidity may make it more difficult for holders of Depositary Shares to sell their Depositary Shares.

***The Series G and H represented by the Depositary Shares have not been rated, and ratings of any other of our securities may affect the trading price of the Depositary Shares.***

We have not sought to obtain a rating for the Series G and H, and both stocks may never be rated. It is possible, however, that one or more rating agencies might independently determine to assign a rating to either the Series G or the Series H or that we may elect to obtain a rating of either our Series G or the Series H in the future. In addition, we have issued securities that are rated and may elect to issue other securities for which we may seek to obtain a rating. Any ratings that are assigned to the Series G or the Series H in the future, that have been issued on our outstanding securities or that may be issued on our other securities, if they are lower than market expectations or are subsequently lowered or withdrawn, could imply a lower relative value for the Series G or the Series H and could adversely affect the market for or the market value of the Depositary Shares of the Series G and H Preferred Shares respectively. Ratings only reflect the views of the issuing rating agency or agencies and such ratings could at any time be revised downward or withdrawn entirely at the discretion of the issuing rating agency. A rating is not a recommendation to purchase, sell or hold any particular security, including the Series G and H and the Depositary Shares. Ratings do not reflect market prices or suitability of a security for a particular investor and any future rating of the Series G and H and the Depositary Shares may not reflect all risks related to us and our business, or the structure or market value of the Series G and H and the Depositary Shares.

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***The amount of the liquidation preference of our Series G and H is fixed and holders will have no right to receive any greater payment regardless of the circumstances.***

The payment due upon liquidation for both our Series G and H is fixed at the liquidation preference of \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus accumulated and unpaid dividends to the date of liquidation (whether or not declared). If in the case of our liquidation, there are remaining assets to be distributed after payment of this amount, holders will have no right to receive or to participate in these amounts. Furthermore, if the market price for the Series G or the Series H, as the case may be, is greater than the liquidation preference, holders will have no right to receive the market price from us upon our liquidation.

***The Series G and H are only redeemable at our option and investors should not expect us to redeem either the Series G or the Series H on the dates they respectively become redeemable or on any particular date afterwards.***

We may redeem, at our option, all or from time to time part of the Series G or the Series H on or after January 28, 2019 and July 8, 2019 respectively. If we redeem the Series G, holders of the Series G will be entitled to receive a redemption price equal to \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus accumulated and unpaid dividends to the date of redemption (whether or not declared). If we redeem the Series H, holders of the Series H will be entitled to receive a redemption price equal to \$2,500.00 per share (equivalent to \$25.00 per Depositary Share) plus accumulated and unpaid dividends to the date of redemption (whether or not declared). Any decision we may make at any time to propose redemption of either the Series G or the Series H will depend upon, among other things, our evaluation of our capital position, the composition of our shareholders' equity and general market conditions at that time. In addition, investors might not be able to reinvest the money they receive upon redemption of the Series G or the Series H, as the case may be, in a similar security or at similar rates. We may elect to exercise our partial redemption right on multiple occasions.

***Holders of Depositary Shares may be subject to additional risks related to holding Depositary Shares rather than shares.***

Because holders of Depositary Shares do not hold their shares directly, they are subject to the following additional risks, among others:

a holder of Depositary Shares will not be treated as one of our direct shareholders and may not be able to exercise shareholder rights;

distributions on the Series G and H represented by the Depositary Shares will be paid to the Depositary, and before the Depositary makes a distribution to holder on behalf of the Depositary Shares, withholding taxes or other governmental charges, if any, that must be paid will be deducted;

we and the Depositary may amend or terminate the Deposit Agreement without the consent of holders of the Depositary Shares in a manner that could prejudice holders of Depositary Shares or that could affect their ability to transfer Depositary Shares, among others; and

the Depositary may take other actions inconsistent with the best interests of holders of Depositary Shares.

### **Risks Relating to Our Debt**

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

As of December 31, 2018, we had \$1,843.9 million in aggregate principal amount of debt outstanding, of which \$401.9 million was unsecured.

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

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

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

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



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

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

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

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

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

We and our subsidiaries may be able to incur substantial additional indebtedness in the future as the terms of the indenture governing our 11.25% Senior Secured Notes due 2022 (the 2022 Senior Secured Notes ) and the indenture governing our 7.375% First Priority Ship Mortgage Notes due 2022 (the 2022 Notes ) do not fully prohibit us or our subsidiaries from doing so. The terms of the indenture governing the 7.25% Senior Notes due 2022 (the 2022 Logistics Senior Notes ) of Navios South American Logistics ( Navios Logistics ), the agreements governing the terms of Term Loan B Facility (the Term Loan B Facility ) and the agreements governing the terms of the other indebtedness of Navios Logistics also permit Navios Logistics to incur substantial additional indebtedness in accordance with the terms of such agreements. The agreements of Navios Containers also permit Navios Containers to incur substantial additional indebtedness in accordance with the terms of such agreements. If new debt is added to our current debt levels, the related risks that we now face would increase and we may not be able to meet all of our debt obligations.

***The agreements and instruments governing our debt, other than the 2024 Notes, contain restrictions and limitations that could significantly impact our ability to operate our business.***

Our secured credit facilities and our indentures, other than the indenture governing the 2024 Notes, impose certain operating and financial restrictions on us. These restrictions limit our ability to:

incur or guarantee additional indebtedness;

create liens on our assets;

make new investments;

engage in mergers and acquisitions;

pay dividends or redeem capital stock;

make capital expenditures;

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

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

sell any of our vessels.

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

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

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

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

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

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

***We may be unable to raise funds necessary to finance the change of control repurchase offer required by the indentures governing our outstanding notes, other than the 2024 Notes, and our secured credit facilities.***

The indenture governing the 2022 Senior Secured Notes, the indenture governing the 2022 Notes, the indentures governing the 2022 Logistics Senior Notes and our, Navios Logistics and Navios Containers secured credit facilities contain certain change of control provisions. If we, Navios Logistics or Navios Containers experience specified changes of control under our respective notes, we, Navios Logistics or Navios Containers, as the case may be, will be required to make an offer to repurchase all of our respective outstanding notes (unless otherwise redeemed), other than the 2024 Notes, at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the repurchase date. The occurrence of specified events that would constitute a change of control may constitute a default under our, Navios Logistics and Navios Containers secured credit facilities. In the event of a change of control under these debt agreements, we cannot assure you that we would have sufficient assets to satisfy all of our obligations under these debt agreements, including but not limited to, repaying all indebtedness outstanding under the applicable secured credit facilities or repurchasing the applicable notes.

***If volatility in the London InterBank Offered Rate, or LIBOR, occurs, or if LIBOR is replaced as the reference rate under our debt obligations, it could affect our profitability, earnings and cash flow.***

LIBOR has historically been volatile, with the spread between LIBOR and the prime lending rate widening significantly at times. These conditions are the result of the disruptions in the international credit markets. Because the interest rates borne by our outstanding indebtedness fluctuate with changes in LIBOR, if this volatility were to occur, it would affect the amount of interest payable on our debt, which in turn, could have an adverse effect on our profitability, earnings and cash flow. See also Item 11 Qualitative and Quantitative Disclosures about Market Risk.

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

In addition, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. The Alternative Reference Rate Committee, or Committee, a committee convened by the United States Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or SOFR. The impact of such a transition away from LIBOR would be significant for us because of our substantial indebtedness.

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

Factors that influence vessel values include:

number of newbuilding deliveries;

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

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

changes in global dry cargo commodity supply;

types and sizes of vessels;

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

cost of vessel acquisitions;

cost of newbuilding vessels;

governmental or other regulations;

prevailing level of charter rates;

general economic and market conditions affecting the shipping industry; and

the cost of retrofitting or modifying existing ships to respond to technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

If the market values of our owned vessels decrease, we may breach covenants contained in our secured credit facilities. If we breach such covenants and are unable to remedy any relevant breach, our lenders could accelerate our debt and foreclose on the collateral, including our vessels. Any loss of vessels would significantly decrease our ability to generate positive cash flow from operations and, therefore, service our debt. In addition, if the book value of a

vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, we would incur a loss. Navios Logistics and Navios Containers may be subject to similar ramifications under its credit facilities if the market values of its owned vessels decrease.

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

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

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

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

As of December 31, 2018, we had a 63.8% ownership interest in Navios Logistics, and, as a result, Navios Logistics is a consolidated subsidiary. As such, the income and losses relating to Navios Logistics and the indebtedness and other liabilities of Navios Logistics are shown in our consolidated financial statements.

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On June 8, 2017, Navios Maritime Containers Inc. completed a private placement in which Navios Holdings invested \$5.0 million. Navios Maritime Containers Inc. registered its shares on the Norwegian Over-The-Counter Market (N-OTC) on June 12, 2017 under the ticker NMCI. On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers' general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios Holdings. As of that date, Navios Holdings obtained control over Navios Containers and consequently the results of operations of Navios Containers are consolidated under Navios Holdings. As such, the income and losses relating to Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018 and the indebtedness and other liabilities of Navios Containers for the year ended December 31, 2018 are shown in our consolidated financial statements. As of December 31, 2018, Navios Holdings had a 3.7% ownership interest in Navios Containers.

We also have substantial equity investments in two public companies that are accounted for under the equity method Navios Acquisition and Navios Partners. As of December 31, 2018, we held 32.8% of the voting stock and 35.8% of the economic interest of Navios Acquisition and 20.0% of the equity interest in Navios Partners (including a 2.0% general partner interest). As of such date, the carrying value of our investments in these two affiliated companies amounted to \$79.7 million.

In addition to the value of our investment, we receive dividend payments relating to our investments. As a result of our investment, in fiscal year 2018, we received \$5.8 million in dividends from Navios Acquisition and \$2.1 million dividends from Navios Partners. Furthermore, we receive management and general and administrative fees from Navios Acquisition and Navios Partners, which amounted to \$101.8 million and \$78.2 million, respectively, in fiscal year 2018.

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe Inc. ( Navios Europe I ) and had economic interests of 47.5%, 47.5% and 5.0%, respectively and 50%, 50% and 0%, voting interests, respectively. As of December 31, 2018, Navios Holdings portion of the Navios Term Loans I (as defined herein) relating to Navios Europe I was \$4.8 million.

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe (II) Inc. ( Navios Europe II ) and had economic interests of 47.5%, 47.5% and 5.0%, respectively and voting interests of 50%, 50% and 0%, respectively. As of December 31, 2018, Navios Holdings portion of the Navios Term Loans II (as defined herein) relating to Navios Europe II was \$6.7 million.

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

We evaluate our investments in Navios Acquisition, Navios Partners, Navios Europe I and Navios Europe II for other-than-temporary impairment ( OTTI ) on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than the carrying value, (ii) their financial condition and near term prospects, and (iii) the intent and ability of the Company to retain our investment in these companies, for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2018, the Company considered the decline in fair value of its investment in Navios Partners as other-than-temporary and therefore recognized a loss of \$55.5 million in the accompanying consolidated statement of comprehensive (loss)/income.

As of December 31, 2018 and 2017, management considers the decline in the market value of its investment in Navios Acquisition to be temporary. However, there is the potential for future impairment changes relative to this security if its respective fair value does not recover and an OTTI analysis indicates such write down is necessary, which may have a material adverse impact on our results of operations in the period recognized. During the year ended December 31, 2017, we did not recognize any impairment loss in earnings.

During the year ended December 31, 2016, the Company considered the decline in fair value of its investment in Navios Partners and Navios Acquisition as other-than-temporary and therefore, recognized a loss of \$228.0 million in the accompanying consolidated statement of comprehensive (loss)/income.



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During each of the years ended December 31, 2016 and 2015, the Company considered the decline in fair value of the shares of Korea Line Corporation ( KLC ) as other-than-temporary and therefore, recognized a loss out of accumulated other comprehensive income /(loss) of \$0.3 million and \$1.8 million, respectively. The respective loss was included within the caption Other expense in the accompanying consolidated statement of comprehensive (loss)/income.

### **Risks Relating to Navios Logistics**

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

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

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

In each of Navios Logistics businesses, a significant part of its revenues from a small number of customers. Navios Logistics expects that a small number of customers will continue to generate a substantial portion of its revenues for the foreseeable future. For the year ended December 31, 2018, its three largest customers, Vale International S.A. ( Vale ), Cammesa S.A. ( Cammesa ) and Axion Energy Paraguay S.A. ( Axion Energy ), accounted for 32.0%, 10.8% and 10.2% of its revenues, respectively, and its five largest customers accounted for approximately 65.4% of our revenues. For the year ended December 31, 2017, Navios Logistics three largest customers, Vale, YPF S.A. ( YPF ) and Axion Energy, accounted for 20.3%, 13.7% and 12.7% of its revenues, respectively, and its five largest customers accounted for approximately 61.9% of its revenues. For the year ended December 31, 2016, Navios Logistics three largest customers, Vale, Axion Energy and Cammesa, accounted for 28.0%, 13.8% and 11.5% of its revenues, respectively, and its five largest customers accounted for approximately 67.4% of its revenues. In addition, some of Navios Logistics customers, including many of its most significant customers, operate their own vessels and/or barges as well as port terminals. These customers may decide to cease or reduce the use of its services for various reasons, including employment of their own vessels or port terminals as applicable. The loss of any of its significant customers, including its large take-or-pay customers or the change of the contractual terms of any one of its most significant take-or-pay contracts or any significant dispute with one of these customers could materially adversely affect its financial condition and our results of operations.

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

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

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

the customer terminates the contract because Navios Logistics fails to meet their contracted storage needs and/or the contracted operational performance;

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

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

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Navios Logistics could also become involved in legal disputes with customers, including but not limited to Navios Logistics' long-term take-or-pay customers, relating to its contracts, be it through litigation, arbitration or otherwise, which could lead to delays in, or suspension or termination of its take-or-pay contracts or others and result in time-consuming, disruptive and expensive litigation or arbitration. If such contracts are suspended for an extended period of time, or if a number of Navios Logistics' material contracts are terminated or renegotiated, its financial condition and results of operations could be materially adversely affected. Even if Navios Logistics prevail in legal disputes relating to its customer contracts, which could entitle it to compensation, Navios Logistics cannot assure you that it would receive such compensation on a timely basis or in an amount that would fully compensate Navios Logistics for its losses.

***Vale represents a significant portion of Navios Logistics' revenue, and the fulfillment of their obligations under the in-force agreements with Navios Logistics, and their inability or unwillingness to honor these obligations could significantly reduce Navios Logistics' revenues and cash flow.***

Vale's payments to Navios Logistics represent a significant source of its revenue for Navios Logistics. Reductions in the demand for or the oversupply of iron ore would place Vale under financial pressure and may increase the likelihood of Vale being unable or unwilling to pay Navios Logistics contracted rates or renew contracts upon termination.

If Vale were to terminate or not renew one of their contracts, Navios Logistics may be unable to enter into new contracts under similarly favorable terms or at all. Also, Navios Logistics will not receive any revenues from such vessels while they are un-chartered, but will still be required to pay expenses necessary to maintain and insure the pushboat and barges.

The loss of any of Navios Logistics' charterers, time charters or vessels, or a decline in payments under its time charters, could have a material adverse effect on Navios Logistics business, results of operations and financial condition, as well as its cash flows, including cash available for distributions to Navios Logistics' shareholders, or its ability to continue to service Navios Logistics' indebtedness.

In addition, the ability and willingness of Vale to perform its obligations under the agreements with charter parties and the iron ore port service contract will depend upon a number of factors that are beyond Navios Logistics' control and may include, among other things, general economic conditions, the state of the capital markets, the condition of the commodities industry and charter hire rates. Should Vale fail to honor its obligations under the agreements with Navios Logistics, we could sustain significant losses, which in turn could have a material adverse effect on Navios Logistics' business, results of operations and financial condition, as well as its cash flows. Notwithstanding the foregoing, Navios Logistics' contracts have dispute resolution clauses and protections that it may seek to enforce in such events. For example, on June 10, 2016, Navios Logistics initiated arbitration proceedings against Vale pursuant to the dispute resolution provisions of the service contract relating to the iron ore port facility in Nueva Palmira. On December 20, 2016, the arbitration tribunal ruled that the Vale port contract remains in full force and effect, and if Vale were to further repudiate or renounce the contract, Navios Logistics may elect to terminate the contract and be entitled to damages calculated by reference to guaranteed volumes and agreed tariffs for the remaining period of the contract. As of the date hereof, no further claim has been made or received from Vale. Any litigation or arbitration proceeding would be costly and time consuming and may result in the deterioration of Navios Logistics' commercial relationships with Vale.

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

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

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

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

Navios Logistics' capital expenditures during 2016, 2017 and 2018 were \$91.2 million, \$46.5 million and \$19.6 million, respectively, mainly used to acquire and/or pay installments for among others one newbuilding estuary tanker vessel, three pushboats and to expand Navios Logistics' port terminal operations through the construction of an iron ore port terminal facility and the development of a new upriver terminal. In order to follow its current strategy for growth, Navios Logistics will need to fund future asset or business acquisitions, increase working capital levels and increase capital expenditures.

In the future, Navios Logistics will also need to make capital expenditures required to maintain its current ports, fleet and infrastructure. Cash generated from its earnings may not be sufficient to fund all of these measures. Accordingly, Navios Logistics may need to raise capital through borrowings or the sale of debt or equity securities. Navios Logistics' ability to obtain bank financing or to access the capital markets for future offerings may be limited by its financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond its control. If Navios Logistics fails to obtain the funds necessary for capital expenditures required to maintain its ports, fleet and infrastructure, it may be forced to take vessels out of service or curtail operations, which could materially harm its revenues and profitability. If Navios Logistics fails to obtain the funds that might be necessary to acquire new vessels, expand its existing infrastructure, or increase its working capital or capital expenditures, Navios Logistics might not be able to grow its business and its earnings could suffer. Furthermore, despite covenants under the indenture governing the 2022 Logistics Senior Notes and Term Loan B Facility and the agreements governing its other indebtedness, Navios Logistics will be permitted to incur additional indebtedness, which would limit cash available for working capital, and to service its indebtedness.

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

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

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

The costs to operate and maintain a port or a vessel increase with the age of the port equipment or the vessel. Governmental regulations, safety or other equipment standards related to the age of the operational port equipment or vessels may require expenditures for alterations or the addition of new equipment to Navios Logistics' port equipment or vessels and may restrict the type of activities in which these ports or vessels may engage. The failure to make capital expenditures to alter or add new equipment to our barges, pushboats or, vessels and/or ports may restrict the type of activities in which these barges, pushboats and, vessels and/or ports may engage and may decrease their operational efficiency and increase our costs. As charterers prefer newer vessels that are more fuel efficient than older vessels, the age of some of Navios Logistics' vessels, barges and pushboats may make them less attractive to charterers. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers as well.

Navios Logistics cannot assure you that, as its operational port equipment and vessels barges and pushboats age, market conditions will justify those expenditures or enable Navios Logistics to operate them profitably during the remainder of their useful lives. If Navios Logistics sells such assets, it may have to sell them at a loss, or opt to scrap its assets, and if clients no longer use its ports or charter-out its vessels due to their age, its results of operations could be materially adversely affected.

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

Navios Logistics ports and its fleet may need spare parts to be provided in order to replace old or damaged parts in the normal course of its operations. Given the increased activity in the maritime industry and the industry that supplies it, the manufacturers of key equipment for Navios Logistics vessels and its ports (such as engine makers, propulsion systems makers, control system makers and others) may not have the spare parts needed available immediately (or off the shelf) and may have to produce them when required. If this was the case, Navios Logistics vessels and ports may be unable to operate while waiting for such spare parts to be produced, delivered, installed and tested, resulting in a substantial loss of revenues for Navios Logistics.

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

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

In addition, approval of governmental, regulatory and other authorities may be needed to implement any acquisitions or expansions. For example, Navios Logistics has available land in Brazil, and Uruguay where it plans to develop or expand its port facilities. In order to complete these projects, however, Navios Logistics needs to receive required authorization from several authorities. If these authorities deny its request for authorization, or if existing authorizations are revoked, Navios Logistics will not be able to proceed with these projects.

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

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

by its ability to acquire or charter-in additional barges.

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



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**Table of Contents*****Rising crew costs, fuel prices and other cost increases may adversely affect Navios Logistics profits.***

At December 31, 2018, Navios Logistics employed 384 land-based employees and 572 seafarers as crew on its vessels. Crew costs are a significant expense for Navios Logistics. Recently, the limited supply of and increased demand for well-qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which Navios Logistics generally bears under its time and spot contracts. Additionally, labor union activity in the Hidrovia may create pressure for Navios Logistics to pay higher crew salaries and wages. In addition, fuel is one of the largest operating expenses in Navios Logistics barge and cabotage businesses, when the revenue is contracted mainly by ton per cargo shipped. The prices for and availability of fuel may be subject to rapid change or curtailment, respectively, due to, among other things, new laws or regulations, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. Currently, most of Navios Logistics long-term contracts provide for the adjustment of freight rates based on changes in the fuel prices and crew costs. Navios Logistics may be unable to include similar provisions in these contracts when they are renewed or in future contracts with new customers. To the extent Navios Logistics contracts do not pass-through changes in fuel prices to its clients, Navios Logistics will be forced to bear the cost of fuel price increases. Navios Logistics may hedge in the futures market all or part of its exposure to fuel price variations. Navios Logistics cannot assure you that it will be successful in hedging its exposure. In the event of a default by Navios Logistics contractual counterparties or other circumstance affecting their performance under a contract, Navios Logistics may be subject to exposure under, and may incur losses in connection with, its hedging instruments, if any. In certain jurisdictions, the price of fuel is affected by high local taxes and may become more expensive than prevailing international prices. Navios Logistics may not be able to pass onto its customers the additional cost of such taxes and may suffer losses as a consequence of such inability. Such increases in crew and fuel costs may materially adversely affect Navios Logistics results of operations.

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

Navios Logistics provides services through its ports and employs its fleet in highly competitive markets. The river and sea coastal logistics market is international in scope and Navios Logistics competes with many different companies, including other port or vessel owners and major oil companies.

With respect to loading, storage and ancillary services, the market is divided between transits and exports, depending on the cargo origin. In the case of transits there are other companies operating in the river system that are able to offer services similar to Navios Logistics. With respect to exports, its competitors are Montevideo Port in Montevideo and Ontur and TGU in Nueva Palmira. The main competitor of its liquid port terminal in Paraguay is Petropar, a Paraguayan state-owned entity. Other competitors include Copetrol, TLP, Petrobras and Trafigura Pte Ltd.

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

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

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

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

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

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

Navios Logistics periodically employs some of its fleet on a spot basis. As of December 31, 2018, 60% of its cabotage fleet and 26% of its barge fleet on a dwt tons basis was employed under time charter or COA contracts. The remaining percentage of its barge fleet and cabotage fleet were employed in the spot market. The spot charter market can be competitive and freight rates within this market may be volatile with the timing and amount of fluctuations in spot rates being difficult to determine. Longer-term contracts provide income at pre-determined rates over more extended periods of time. The cycles in its target markets have not yet been clearly determined but Navios Logistics expects them to exhibit significant volatility as the South American markets mature. Navios Logistics cannot assure you that it will be successful in keeping its fleet fully employed in these short-term markets, or that future spot rates will be sufficient to enable such fleet to be operated profitably, as spot rates may decline below the operating cost of vessels. A significant decrease in spot market rates or its inability to fully employ its fleet by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and could materially adversely affect its results of operations, and operating cash flow.

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

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

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

Navios Logistics' success depends to a significant extent upon the abilities and efforts of its management team and its ability to retain them. In particular, many members of its senior management team, including its Chairman, its Chief Executive Officer, its Chief Financial Officer, its Chief Operating Officers and its Chief Commercial Officer, have extensive experience in the logistics and shipping industries. If Navios Logistics was to lose their services for any reason, it is not clear whether any available replacements would be able to manage its operations as effectively. The

loss of any of the members of its management team could impair Navios Logistics' ability to identify and secure vessel contracts, to maintain good customer relations and to otherwise manage its business, which could have a material adverse effect on its financial performance and its ability to compete. Navios Logistics does not maintain key man insurance on any of its officers. Further, the efficient and safe operation of its fleet and ports requires skilled and experienced crew members and employees. Difficulty in hiring and retaining such crew members and employees could adversely affect its results of operations.

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**Table of Contents****Risks Relating to Argentina**

Argentine government actions concerning the economy, including decisions with respect to inflation, interest rates, price controls, foreign exchange controls, wages and taxes, restrictions on production, imports and exports, have had and could continue to have a material adverse effect on Navios Logistics. Navios Logistics cannot provide any assurance that future economic, social and political developments in Argentina, over which it has no control, will not impair its business, financial condition or results of operations, the guarantees or the market price of the 2022 Logistics Senior Notes.

***The future economic and political environment of Argentina is uncertain.***

Since assuming office on December 10, 2015, the Macri administration has announced several economic and policy reforms, including, foreign exchange, foreign trade and infrastructure. The Macri Administration has further settled claims with substantially all of the holdout bondholders who had not previously participated in Argentina's sovereign debt restructurings (in terms of claims) and regained access to the international capital markets, issuing several new series of sovereign bonds. On May 7, 2018, the Argentine government subscribed a stand-by agreement with the International Monetary Fund (IMF), whereby the IMF granted a Stand-By Loan to Argentina for an amount of up to 50.0 billion for a term of up to 36 months. The total Stand-By Loan was increased for an amount of up to approximately \$56.3 billion.

As of the date hereof, the impact that these measures and any future measures taken by the current administration will have on the Argentine economy cannot be predicted. In particular, Navios Logistics has no control over the implementation of the reforms to the regulatory framework that governs its operations and cannot guarantee that these reforms will be implemented or implemented in a manner that will benefit Navios Logistics' business. The failure of these measures to achieve their intended goals could adversely affect the Argentine economy, which, in turn may have an adverse effect on Navios Logistics' financial condition and results of operations.

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

Over the last few years, the Argentine government has implemented certain programs aimed at controlling inflation and monitoring the prices of many goods and services, including price agreements between the Argentine government and private sector companies.

On December 27, 2017, the Central Bank updated its inflation target regime by adopting the inflation targets set by the Ministry of the Treasury for the next three years, including targets of 15% for 2018, 10% for 2019 and 5% by the end of 2020. However, such forecasts revealed to be inaccurate: inflation reached a rate of 47.6% for the year 2018.

A high inflation economy could undermine Argentina's cost competitiveness abroad if not offset by a devaluation of the Argentine peso, which could also negatively affect economic activity and employment levels. While most of the client contracts of Navios Logistics' Argentine subsidiaries are denominated in U.S. dollars, freight under those contracts is collected in Argentine pesos at the prevailing exchange rate. These contracts also include crew cost adjustment terms. Uncertainty about future inflation may contribute to slowdown or contraction in economic growth. Argentine inflation rate volatility makes it impossible to estimate with reasonable certainty the extent to which activity levels and results of operations of Navios Logistics' Argentine subsidiaries could be affected by inflation and exchange rate volatility in the future.

***The Argentine Central Bank has imposed restrictions on the transfer of funds outside of Argentina and other exchange controls in the past and may do so in the future, which could prevent Navios Logistics' Argentine***

*subsidiaries from transferring funds for the payment of the 2022 Logistics Senior Notes or the related guarantees.*

Controls and restrictions may be imposed in the future, and could impair our ability to transfer funds generated by Navios Logistics Argentine operations in U.S. dollars outside Argentina to Navios Logistics for the payment of its indebtedness. In addition, any other restrictions or requirements that may be imposed in the future, expose Navios Logistics to the risk of losses arising from fluctuations in the exchange rate of the Argentine peso.

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

If the Argentine government decides to alter the tax regime in Argentina, its results of operations and financial condition could be materially and adversely affected.

***The Argentine economy could be adversely affected by economic developments in other global markets.***

Argentina's economy is vulnerable to external shocks that could be caused by adverse developments affecting its principal trading partners. A significant decline in the economic growth of any of Argentina's major trading partners (including Brazil, the European Union, China and the United States) could have a material adverse impact on Argentina's balance of trade and could adversely affect Argentina's economic growth. Argentina may also be affected by other countries that have influence over world economic cycles. If interest rates rise significantly in developed economies, including the United States, emerging market economies, including Argentina, could find it increasingly challenging and expensive to borrow capital and refinance existing debt, which could negatively affect their economic growth.

***Future policies of the Argentine government may affect the economy as well as Navios Logistics' operations.***

During past years, the Argentine government took several actions to re-nationalize concessions and public services companies that were privatized in the 1990's, such as Aguas Argentinas S.A. and Aerolíneas Argentinas S.A. On May 3, 2012, expropriation law 26,741 was passed by the Argentine Congress, providing for the expropriation of 51% of the share capital of YPF S.A., represented by an identical stake of Class D shares owned, directly or indirectly, by Repsol YPF and its controlled or controlling entities, which have been declared of public interest. The Argentine government made an offer to compensate Repsol YPF for around \$5.0 billion, which was accepted by the Board of Directors and shareholders of Repsol YPF and confirmed by the Argentine Congress. Although the current administration has not implemented or advocated any nationalization or expropriation measures, similar measures, such as mandatory renegotiation or modification of existing contracts, new taxation policies, changes in laws, regulations and policies affecting foreign trade, investment, among others, that may be adopted by the Argentine government in the future could adversely affect Navios Logistics' business, financial condition and results of operations.

**Risks Relating to Uruguayan Free Zone Regulation**

Certain of Navios Logistics' subsidiaries in Uruguay are operating as direct free trade zone users under an agreement with the Free Zone Division of the Uruguayan Department of Trade allowing them to operate in isolated public and private areas within national borders and to enjoy tax exemptions and other benefits, such as a generic exemption on present and future national taxes including the Corporate Income Tax, Value-Added Tax and Wealth Tax. Other benefits that Navios Logistics' subsidiaries enjoy are simplified corporate law provisions, the ability to negotiate preferential public utility rates with government agencies and government guarantees of maintenance of such benefits and tax exemptions. Free trade zone users do not need to pay import and export tariffs to introduce goods from abroad to the free trade zone, to transfer or send such goods to other free trade zones in Uruguay or send them abroad. However, Navios Logistics' subsidiaries may lose all the tax benefits granted to them if they breach or fail to comply with the free trade zone contracts or framework. The right of the Uruguay Department of Trade Free Zones Division to early terminate the Free Zone User Agreement is subject to an explanation on the specific factual and legal reasons in which such decision is based. Generic decisions will not be admissible, just like not all breaches by the Free Zone User will entitle the Uruguayan Department of Trade Free Zones Division to early terminate the Free Zone User Agreement. Such a decision must therefore be proportional to the noncompliance's nature. Under the Free Zone

Agreement, the following are some of the causes under which the Uruguay Department of Trade Free Zones Division may terminate the Free Zone User Agreement: the non fulfilment of the obligations to improve the land, as per the terms of each Free Zone User Agreement; material breaches the terms of the Free Zone User Agreement; violation of labor laws; failure to pay agreed fees to the Uruguayan authorities; failure to make required social security contributions requirements; or the commission of illegal acts or acts expressly forbidden by the Free Zone User Agreement. Should CNSA or Corporacion Navios Granos S.A. ( Granos ) lose their Free Zone User status, they will not be able to operate their terminal facilities.



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**Other Risks Relating to the Countries in which Navios Logistics Operates**

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

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

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

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

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

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

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

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

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

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

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

difficulties and costs of staffing and managing its foreign operations;

compliance with anti-bribery laws; and

acts of terrorism.

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

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

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

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

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

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

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

Navios Logistics engages in regional commerce with a variety of entities. Although its operations expose Navios Logistics to certain levels of foreign currency risk, its revenues are predominantly U.S. dollar-denominated at the present. Additionally, Navios Logistics South American subsidiaries transact certain operations in Uruguayan pesos, Paraguayan guaranies, Argentinean pesos and Brazilian reals; however, all of the subsidiaries primary cash flows are U.S. dollar-denominated. Currencies in Argentina and Brazil have fluctuated significantly against the U.S. dollar in the past. As of December 31, 2018, 2017 and 2016 approximately 48.6%, 60.3% and 61.1%, respectively, of its expenses were incurred in currencies other than U.S. dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, thereby decreasing Navios Logistics income. A greater percentage of Navios Logistics transactions and expenses in the future may be denominated in currencies other than U.S. dollars. As part of its overall risk management policy, Navios Logistics may attempt to hedge these risks in exchange rate fluctuations from time to time but cannot guarantee it will be successful in these hedging activities. Future fluctuations in the value of local currencies relative to the U.S. dollar in the countries in which it operates may occur, and if such fluctuations were to occur in one or a combination of the countries in which it operates, its results of operations or financial condition could be materially adversely affected.

**Tax Risks*****We may earn U.S. source income that is subject to tax, thereby adversely affecting our results of operations and cash flows.***

Under the Internal Revenue Code, or the Code, 50.0% of the gross shipping income of a vessel owning or chartering corporation that is attributable to transportation that either begins or ends, but that does not both begin and end, in the U.S. is characterized as U.S.-source shipping income. U.S.-source shipping income generally is subject to a 4.0% U.S. federal income tax without allowance for deduction or, if such U.S.-source shipping income is effectively connected with the conduct of a trade or business in the U.S., U.S. federal corporate income tax (the statutory rate presently is 21.0%) as well as a branch profits tax (presently imposed at a 30.0% rate on effectively connected earnings), unless that corporation qualifies for exemption from tax under Section 883 of the Code. We believe that we and each of our subsidiaries qualifies and will continue to qualify for the foreseeable future for this statutory tax exemption under Section 883 with respect to our U.S.-source shipping income, provided that our common stock continues to be listed on the NYSE and represents more than 50.0% of the total combined voting power of all classes of our stock entitled to vote and of the total value of our stock, and less than 50.0% of our common stock is owned,

actually or constructively under specified stock attribution rules, on more than half the number of days in the relevant year by persons who each own 5.0% or more of the vote and value of our common stock. Our ability to qualify for the exemption at any given time will depend upon circumstances related to the ownership of our common stock at such time and thus are beyond our control. Furthermore, our board of directors could determine that it is in our best interests to take an action that would result in this tax exemption not applying to us in the future. Accordingly, we can give no assurance that we would qualify for the exemption under Section 883 with respect to any such income we earn. If we were not entitled to the Section 883 exemption for any taxable year, we generally would be subject to a 4.0% U.S. federal gross income tax with respect to our U.S.-source shipping income or, if such U.S. source shipping income were effectively connected with the conduct of a trade or business in the U.S., U.S. federal corporate income tax as well as a branch profits tax for those years. As a result, depending on the trading patterns of our vessels, we could become liable for tax, and our net income and cash flow could be adversely affected. Please see the discussion under **Taxation Material U.S. Federal Income Tax Considerations U.S. Federal Income Taxation of the Company Taxation of Our Shipping Income.**

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**Table of Contents*****Navios Holdings may be taxed as a U.S. corporation.***

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

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

We are an international company that conducts business throughout the world. Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense is based upon our interpretation of tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, or in the valuation of our deferred tax assets, could result in a materially higher tax expense or a higher effective tax rate on our worldwide earnings, and such change could be significant to our financial results. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries, or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure, or if we lose a material tax dispute in any country, our effective tax rate on our worldwide earnings from our operations could increase substantially and our earnings and cash flows from these operations could be materially adversely affected. For example, in accordance with the currently applicable Greek law, foreign flagged vessels that are managed by Greek or foreign ship management companies having established an office in Greece are subject to duties towards the Greek state, which are calculated on the basis of the relevant vessel's tonnage. The payment of said duties exhausts the tax liability of the foreign ship owning company and the relevant manager against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

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

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

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

A foreign corporation will be treated as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes if either (1) at least 75% of its gross income for any taxable year consists of certain types of passive income or (2) at least 50% of the quarterly average value of the corporation's assets produce or are held for the production of those types of passive income. For purposes of these tests, passive income includes dividends, interest, capital gains and rents (other than rents derived other than in the active conduct of a rental business). For purposes of these tests, income derived from the performance of services does not constitute passive income. U.S. stockholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the income derived by the PFIC, the

distributions they receive from the PFIC and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC and additional tax filing obligations.

Based upon our actual and projected income, assets and activities, we believe that we should not be a PFIC for our taxable year ended December 31, 2018 or for subsequent taxable years. Based upon our operations as described herein, our income from time charters should not be treated as passive income for purposes of determining whether we are a PFIC. Accordingly, our income from our time chartering activities should not constitute passive income, and the assets that we own and operate in connection with the production of that income should not constitute passive assets.

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There is substantial legal authority supporting this position consisting of case law and U.S. Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters and voyage charters as services income for other tax purposes. However, it should be noted that there is also authority, which characterizes time charter income as rental income rather than services income for other tax purposes. Accordingly, no assurance can be given that the IRS or a court of law will accept this position and there is a risk that the IRS or a court of law could determine that we are a PFIC. In addition, no assurance can be given as to our current and future PFIC status, because such status requires an annual factual determination based upon the composition of our income and assets for the entire taxable year. The PFIC determination also depends on the application of complex U.S. federal income tax rules concerning the classification of our income and assets for this purpose, and there are legal uncertainties involved in determining whether the income derived from our chartering activities and from our logistics activities constitutes rental income or income derived from the performance of services. We have not sought, and we do not expect to seek, an IRS ruling on this issue. As a result, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations, or the nature or composition of our income or assets, will not change in the future, or that we can avoid PFIC status in the future.

If the IRS were to find that we are or have been a PFIC for any taxable year, our U.S. stockholders would face adverse U.S. federal income tax consequences and certain information reporting requirements. Under the PFIC rules, unless those stockholders make an election available under the Code (which election could itself have adverse consequences for such stockholders, and which election may not be available if our common stock were to cease to be listed on the NYSE), such stockholders would be liable to pay U.S. federal income tax at the then prevailing ordinary income tax rates, plus interest, upon excess distributions and upon any gain from the disposition of their shares of common stock, as if the excess distribution or gain had been recognized ratably over the stockholder's holding period of the common stock. In addition, for each year during which we are treated as a PFIC and you actually or constructively own our common stock you generally will be required to file IRS Form 8621 with your U.S. federal income tax return to report certain information concerning your ownership of our common stock. Please see the discussion under

Taxation Material U.S. Federal Income Tax Considerations Taxation of U.S. Holders of our Common Stock Passive Foreign Investment Company Status.

**Item 4. Information on the Company*****A. History and Development of the Company***

The legal and commercial name of the Company is Navios Maritime Holdings Inc. The Company's office and principal place of business is located at 7 Avenue de Grande Bretagne, Office 11B2, Monte Carlo, MC 98000 Monaco, and its telephone number is (011) + (377) 9798-2140. The Company is a corporation incorporated under the BCA and the laws of the Republic of the Marshall Islands. Trust Company of the Marshall Islands, Inc. serves as the Company's agent for service of process, and the Company's registered address, as well as address of its agent for service of process, is Trust Company Complex, Ajeltake Island P.O. Box 1405, Majuro, Marshall Islands MH96960.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among ISE, Navios Holdings, and all the shareholders of Navios Holdings, ISE acquired Navios Holdings through the purchase of all of the outstanding shares of common stock of Navios Holdings. As a result of this acquisition, Navios Holdings became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios Holdings, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, whose name was and continued to be Navios Maritime Holdings Inc.

The Company operates a fleet of owned Capesize, Panamax, Ultra Handymax and Handysize vessels and a fleet of time chartered Capesize, Panamax, Ultra Handymax and Handysize vessels that are employed to provide worldwide transportation of bulk commodities. Navios Holdings is a global, vertically integrated seaborne shipping, logistics company focused on the transport and transshipment of dry bulk commodities including iron ore, coal and grain as well as containerships. For over 60 years, Navios Holdings has had in-house technical ship management expertise that has worked with producers of raw materials, agricultural traders and exporters, industrial end-users, ship owners and charterers.

### **Navios Logistics**

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



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On January 1, 2008, pursuant to a share purchase agreement, Navios Holdings contributed cash, and the authorized capital stock of its wholly-owned subsidiary Corporacion Navios Sociedad Anonima ( CNSA ) in exchange for the issuance and delivery of 63.8% of Navios Logistics' outstanding stock. Navios Logistics acquired all ownership interests in the Horamar Group ( Horamar ) in exchange for cash, and the issuance of 36.2% of Navios Logistics' outstanding stock. As of December 31, 2018, Navios Holdings owned 63.8% of Navios Logistics.

## **Navios Containers**

Navios Containers is a growth vehicle dedicated to the container sector of the maritime industry. On June 8, 2017, Navios Maritime Containers Inc. completed a private placement and Navios Holdings invested \$5.0 million. Navios Maritime Containers Inc. registered its shares on the Norwegian Over-The-Counter Market (N-OTC) on June 12, 2017 under the ticker NMCI . On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers' general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios Holdings. As of that date, Navios Holdings obtained control over Navios Containers and consequently the results of operations of Navios Containers are consolidated under Navios Holdings.

On December 3, 2018, Navios Partners distributed approximately 2.5% of the outstanding equity of Navios Containers to the unitholders of Navios Partners in connection with the listing of Navios Containers on the NASDAQ. As of December 31, 2018, Navios Holdings had a 3.7% ownership interest in Navios Containers.

## **Affiliates (not consolidated under Navios Holdings)**

### ***Navios Partners***

Navios Partners (NYSE:NMM) is an international owner and operator of dry cargo vessels and is engaged in the seaborne transportation services of a wide range of dry cargo commodities including iron ore, coal, grain, fertilizer and also containers, chartering its vessels under medium to long-term charters.

On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Navios GP L.L.C., or the general partner, a wholly-owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of Navios Partners and received a 2.0% general partner interest in Navios Partners.

On or prior to the closing of Navios Partners' initial public offering, or IPO, in November 2007, Navios Holdings entered into certain agreements with Navios Partners: (a) a management agreement with Navios Partners pursuant to which Navios Shipmanagement Inc. (the Manager ), a wholly-owned subsidiary of Navios Holdings, provides Navios Partners with commercial and technical management services; (b) an administrative services agreement with the Manager pursuant to which the Manager provides Navios Partners administrative services; and (c) an omnibus agreement with Navios Partners, governing, among other things, when Navios Partners and Navios Holdings may compete against each other as well as rights of first offer on certain dry bulk carriers.

Since the formation of Navios Partners, Navios Holdings sold in total 12 vessels to Navios Partners (the Navios Hope, the Navios Apollon, the Navios Hyperion, the Navios Aurora II, the Navios Fulvia, the Navios Melodia, the Navios Pollux, the Navios Luz, the Navios Orbiter, the Navios Buena Ventura, the Navios Sphera and the Navios Mars) and also sold the rights of Navios Sagittarius to Navios Partners. All vessels were sold in exchange of cash and 5,601,920 common units of Navios Partners in total.

As of December 31, 2018, Navios Holdings' interest in Navios Partners was 20.0% (including 2.0% general partner interest).

***Navios Acquisition***

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

On July 1, 2008, Navios Acquisition completed its IPO. On May 28, 2010, Navios Acquisition consummated the vessel acquisition, which constituted its initial business combination. Following such transaction, Navios Acquisition commenced its operations as an operating company. On that date, Navios Holdings acquired control over Navios Acquisition, and consequently concluded a business combination had occurred and consolidated the results of Navios Acquisition from that date until March 30, 2011.

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On May 28, 2010, Navios Holdings entered into (a) a management agreement with Navios Acquisition pursuant to which Navios Tankers Management Inc. (the Tankers Manager ) provides Navios Acquisition commercial and technical management services; (b) an administrative services agreement with the Tankers Manager pursuant to which the Tankers Manager provides Navios Acquisition administrative services and is in turn reimbursed for reasonable costs and expenses; and (c) an omnibus agreement with Navios Acquisition and Navios Partners (the Acquisition Omnibus Agreement ) in connection with the closing of Navios Acquisition's vessel acquisition, governing, among other things, competition and rights of first offer on certain types of vessels and businesses.

On March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition common stock it held for 1,000 shares of non-voting Series C Convertible Preferred Stock of Navios Acquisition and had 45.0% of the voting power and 53.7% of the economic interest in Navios Acquisition, since the preferred stock is considered, in substance, common stock for accounting purposes. From March 30, 2011, Navios Acquisition has been considered as an affiliate entity of Navios Holdings and not as a controlled subsidiary of the Company.

In February, May and September 2013, Navios Acquisition completed multiple offerings, including registered direct offerings and private placements to Navios Holdings and certain members of the management of Navios Acquisition, Navios Partners and Navios Holdings. A total of 94,097,529 shares were issued. As part of these offerings, Navios Holdings purchased in private placements an aggregate of 46,969,669 shares of Navios Acquisition common stock for \$160.0 million. In February 2014, Navios Acquisition completed a public offering of 14,950,000 shares of its common stock.

In February 2018, the Board of Directors of Navios Acquisition authorized a stock repurchase program for up to \$25.0 million of Navios Acquisition's common stock, for two years. Stock repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. As of December 31, 2018, Navios Acquisition has repurchased its shares of common stock for a total cost of approximately \$7.1 million.

On November 9, 2018, the Stockholders of Navios Acquisition approved a one-for-15 reverse stock split of all outstanding common stock shares of Navios Acquisition, which was effected on November 14, 2018.

On December 13, 2018, Navios Acquisition completed the merger (the Merger ) contemplated by the previously announced Agreement and Plan of Merger (the Merger Agreement ), dated as of October 7, 2018, by and among Navios Acquisition, its direct wholly-owned subsidiary NMA Sub LLC ( Merger Sub ), Navios Midstream and Navios Midstream Partners GP LLC (the NAP General Partner ). Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition.

As of December 31, 2018, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition was 32.8% and its economic interest in Navios Acquisition was 35.8%.

### ***Navios Europe I***

Navios Europe I is engaged in the marine transportation industry through the ownership of five tanker and five container vessels.

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe I under the laws of Marshall Islands and have economic interests of 47.5%, 47.5% and 5.0%, respectively and effective from November 2014, voting interests of 50%, 50% and 0%, respectively. On December 18, 2013, Navios Europe I acquired ten vessels for aggregate consideration consisting of (i) cash (which was funded with the proceeds of senior

loan facilities (the Senior Loans I ) and loans aggregating to \$10.0 million from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe I) (collectively, the Navios Term Loans I ) and (ii) the assumption of a junior participating loan facility (the Junior Loan I ). In addition to the Navios Term Loans I, Navios Holdings, Navios Acquisition and Navios Partners also made available to Navios Europe I revolving loans of up to \$24.1 million to fund working capital requirements (collectively, the Navios Revolving Loans I ). In December 2018, the amount of the Navios Revolving Loans I increased by \$30.0 million.

Refer also to Item 5. Operating and Financial Review and Prospects in Recent Developments .

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**Table of Contents*****Navios Europe II***

Navios Europe II is engaged in the marine transportation industry through the ownership of seven dry bulkers and seven container vessels.

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe II under the laws of Marshall Islands and have economic interests of 47.5%, 47.5% and 5.0%, respectively, and voting interests of 50.0%, 50.0% and 0%, respectively. From June 8, 2015 through December 31, 2015, Navios Europe II acquired 14 vessels for aggregate consideration consisting of: (i) cash (which was funded with the proceeds of a senior loan facility (the Senior Loans II) and loans aggregating to \$14.0 million from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe II) (collectively, the Navios Term Loans II) and (ii) the assumption of a junior participating loan facility (the Junior Loan II). In addition to the Navios Term Loans II, Navios Holdings, Navios Acquisition and Navios Partners will also make available to Navios Europe II revolving loans up to \$43.5 million to fund working capital requirements (collectively, the Navios Revolving Loans II). In March 2017, the amount of the Navios Revolving Loans II increased by \$14.0 million.

***B. Business overview*****Introduction**

Navios Holdings is a global, vertically integrated seaborne shipping, logistics company focused on the transport and transshipment of dry bulk commodities including iron ore, coal and grain as well as containerships. For over 60 years, Navios Holdings has had an in-house commercial ship management expertise that has worked with producers of raw materials, agricultural traders and exporters, industrial end-users, ship owners, and charterers. Navios Holdings' current core fleet (excluding the Navios Logistics fleet and the Navios Containers fleet), the average age of which is approximately 7.8 years, basis fully delivered fleet, consists of a total of 61 vessels, aggregating approximately 6.4 million dwt. Navios Holdings owns 13 Capesize vessels (169,000-182,000 dwt), ten modern Ultra Handymax vessels (50,000-59,000 dwt), ten Panamax vessels (74,000-85,000 dwt) and one Handysize vessel. It also time charters-in and operates a fleet of two Ultra Handymax, one Handysize, 18 Panamax, and six Capesize vessels under long-term time charters. Navios Holdings has options to acquire 22 time chartered-in vessels (on one of which Navios Holdings holds an initial 50% purchase option).

Navios Holdings also offers commercial and technical management services to the fleets of Navios Partners, Navios Acquisition, Navios Europe I, Navios Europe II and Navios Containers.

As of December 31, 2018, Navios Partners' fleet was comprised of 33 drybulk vessels and five Container vessels. In each of October 2013, August 2014, February 2015, February 2016 and November 2017, the Company amended its existing management agreement with Navios Partners to fix the fees for ship management services of its owned fleet at: (i) \$4,225 daily rate per Ultra-Handymax vessel; (ii) \$4,325 daily rate per Panamax vessel; (iii) \$5,250 daily rate per Capesize vessel; (iv) \$6,700 daily rate per container vessel of TEU 6,800; (v) \$7,400 daily rate per container vessel of more than TEU 8,000; and (vi) \$8,750 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2019. Drydocking expenses under this agreement will be reimbursed by Navios Partners at cost at occurrence.

As of December 31, 2018, Navios Acquisition's fleet was comprised of 28 product and chemical tankers and 13 VLCC vessels. In each of May 2016 and May 2018, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6,500 per MR2 product tanker and chemical tanker vessel; (ii) \$7,150 per LR1 product tanker vessel; and (iii) \$9,500 per VLCC through May

2020. Drydocking expenses under this agreement will be reimbursed at cost at occurrence for all vessels. Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the management agreement also covers vessels acquired.

Navios Europe I's fleet was comprised of five product tankers and five container vessels and management fees and drydocking expenses under the management agreement will be reimbursed at cost at occurrence. Navios Europe II's fleet was comprised of seven dry bulker and seven container vessels and management fees and drydocking expenses under the management agreement will be reimbursed at cost at occurrence.

As of December 31, 2018, Navios Containers' fleet was comprised of 28 container vessels. The fee for the ship management services provided by Navios Holdings is a daily fee of \$6,100 per day for up to 5,500 TEU container vessels, \$6,700 per day for above 5,500 TEU and up to 8,000 TEU container vessels and \$7,400 per day for above 8,000 TEU and up to 10,000 TEU container vessels. Drydocking expenses under this agreement are reimbursed by Navios Containers at cost.

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Navios Holdings strategy and business model focuses on:

*Operation of a high quality, modern fleet.* Navios Holdings owns and charters-in a modern, high quality fleet, having an average age of approximately 7.8 years, basis fully delivered fleet 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.

*Pursuing an appropriate balance between vessel ownership and a long-term chartered-in fleet.* Navios Holdings controls, through a combination of vessel ownership and long-term time chartered vessels, approximately 6.4 million dwt in tonnage, which, we believe, makes Navios Holdings one of the largest independent dry bulk operators in the world. Navios Holdings ability, through its long-standing relationships with various shipyards and trading houses, to charter-in vessels allows it to control additional shipping capacity without the capital expenditures required by new vessel acquisition. In addition, having purchase options on 22 time chartered vessels (including the purchase options of the vessels under bareboat contracts, expected to be delivered through 2020) permits Navios Holdings to determine when is the most commercially opportune time to own or charter-in vessels. Navios Holdings intends to monitor developments in the sales and purchase market to maintain the appropriate balance between owned and long-term time chartered vessels.

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

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

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

*Enhance vessel utilization and profitability through a mix of spot charters, time charters, and COAs.* 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 (whether with a fixed rate or a floating rate based on a Baltic index or other commonly published index), whereby the vessel is hired out for a predetermined period but without any specification as to voyages to be performed, with the ship owner being responsible for operating costs and the charterer for voyage costs;

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

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 99.6% as of December 31, 2018, Navios Holdings believes that it has one of the highest fleet utilization rates in the industry.



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### **Competitive Advantages**

Controlling approximately 6.4 million dwt (excluding Navios Logistics and Navios Containers) in dry bulk tonnage, Navios Holdings is one of the largest independent dry bulk operators in the world. Management believes that Navios Holdings occupies a competitive position within the industry in that its reputation in the global dry bulk markets permits it to enter into at any time, and take on spot, medium or long-term freight commitments, depending on its view of future market trends. In addition, many of the long-term charter deals may be brought to the attention of Navios Holdings prior to even being quoted in the open market. Even in the open market, Navios Holdings' solid reputation allows it to take in large amounts of tonnage on a short, medium, or long-term basis on very short notice. This ability is possessed by relatively few ship owners and operators, and is a direct consequence of Navios Holdings' market reputation for reliability in the performance of its obligations in each of its roles as a ship owner, COA operator, and charterer. Navios Holdings, therefore, has much greater flexibility than a traditional ship owner or charterer to quickly go long or short relative to the dry bulk markets.

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

In addition to its long-standing reputation and flexible business model, management believes that Navios Holdings is well-positioned in the 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, fuel economy and quality of a vessel are of significant importance in competing for business;

A core fleet which has been chartered-in (some through 2030, assuming minimum available charter extension periods are exercised) on terms generally that allow Navios Holdings to charter-out the vessels at an attractive spread during strong markets and to weather down cycles in the market while maintaining low costs;

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

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

Visibility into worldwide commodity flows through its physical shipping operations and port terminal operations in South America; and

An experienced management team with a strong track record of operational experience and a strong brand having a well established reputation for reliability and performance.

Management intends to maintain and build on these qualitative advantages, while at the same time continuing to benefit from Navios Holdings' reputation.

**Table of Contents****Shipping Operations**

**Navios Holdings Fleet.** Navios Holdings controls a core fleet of 34 owned vessels and 27 chartered-in vessels (22 of which have purchase options, including the purchase options of the vessels under bareboat contracts, expected to be delivered through 2020). The average age of the fleet is 7.8 years, basis fully delivered fleet.

**Owned Fleet.** Navios Holdings owns and operates a fleet comprised of ten modern Ultra Handymax vessels, 13 Capesize vessels, ten Panamax vessels and one Handysize vessel.

**Owned Vessels**

| <b>Vessel Name</b>     | <b>Vessel Type</b> | <b>Year Built</b> | <b>Deadweight<br/>(in metric tons)</b> |
|------------------------|--------------------|-------------------|--|
| Navios Serenity        | Handysize          | 2011              | 34,690                                 |
| Navios Vector          | Ultra Handymax     | 2002              | 50,296                                 |
| Navios Mercator        | Ultra Handymax     | 2002              | 53,553                                 |
| Navios Arc             | Ultra Handymax     | 2003              | 53,514                                 |
| Navios Hios            | Ultra Handymax     | 2003              | 55,180                                 |
| Navios Kypros          | Ultra Handymax     | 2003              | 55,222                                 |
| Navios Astra           | Ultra Handymax     | 2006              | 53,468                                 |
| Navios Primavera       | Ultra Handymax     | 2007              | 53,464                                 |
| Navios Ulysses         | Ultra Handymax     | 2007              | 55,728                                 |
| Navios Celestial       | Ultra Handymax     | 2009              | 58,063                                 |
| Navios Vega            | Ultra Handymax     | 2009              | 58,792                                 |
| Navios Star            | Panamax            | 2002              | 76,662                                 |
| Navios Northern Star   | Panamax            | 2005              | 75,395                                 |
| Navios Amitie          | Panamax            | 2005              | 75,395                                 |
| Navios Taurus          | Panamax            | 2005              | 76,596                                 |
| Navios Asteriks        | Panamax            | 2005              | 76,801                                 |
| N Amalthia             | Panamax            | 2006              | 75,318                                 |
| Navios Galileo         | Panamax            | 2006              | 76,596                                 |
| N Bonanza              | Panamax            | 2006              | 76,596                                 |
| Navios Avior           | Panamax            | 2012              | 81,355                                 |
| Navios Centaurus       | Panamax            | 2012              | 81,472                                 |
| Navios Equator Prosper | Capesize           | 2000              | 171,191                                |
| Navios Stellar         | Capesize           | 2009              | 169,001                                |
| Navios Bonavis         | Capesize           | 2009              | 180,022                                |
| Navios Happiness       | Capesize           | 2009              | 180,022                                |
| Navios Phoenix         | Capesize           | 2009              | 180,242                                |
| Navios Lumen           | Capesize           | 2009              | 180,661                                |
| Navios Antares         | Capesize           | 2010              | 169,059                                |
| Navios Etoile          | Capesize           | 2010              | 179,234                                |
| Navios Bonheur         | Capesize           | 2010              | 179,259                                |
| Navios Altamira        | Capesize           | 2011              | 179,165                                |
| Navios Azimuth         | Capesize           | 2011              | 179,169                                |
| Navios Ray             | Capesize           | 2012              | 179,515                                |

Navios Gem

Capesize

2014

181,336

**Long-Term Fleet.** In addition to the 34 owned vessels, Navios Holdings controls a fleet of six Capesize, 18 Panamax, two Ultra Handymax, and one Handysize vessels under long-term time charters (including five Panamax vessels to be delivered through the second quarter of 2020), having an average age of approximately 3.3 years, basis fully delivered fleet.

**Table of Contents****Long-term Chartered-in Fleet in Operation**

| <b>Vessel Name</b>   | <b>Vessel Type</b> | <b>Year Built</b> | <b>Deadweight (in metric tons)</b> | <b>Purchase Option <sup>(1)</sup></b> |
|----------------------|--------------------|-------------------|------------------------------------|---------------------------------------|
| Navios Lyra          | Handysize          | 2012              | 34,718                             | Yes <sup>(2)</sup>                    |
| Navios Mercury       | Ultra Handymax     | 2013              | 61,393                             | Yes                                   |
| Navios Venus         | Ultra Handymax     | 2015              | 61,339                             | Yes                                   |
| Navios Marco Polo    | Panamax            | 2011              | 80,647                             | Yes                                   |
| Navios Southern Star | Panamax            | 2013              | 82,224                             | Yes                                   |
| Sea Victory          | Panamax            | 2014              | 77,095                             | Yes                                   |
| Elsa S               | Panamax            | 2015              | 80,954                             | No                                    |
| Navios Amber         | Panamax            | 2015              | 80,994                             | Yes                                   |
| Navios Sky           | Panamax            | 2015              | 82,056                             | Yes                                   |
| Navios Coral         | Panamax            | 2016              | 84,904                             | Yes                                   |
| Navios Citrine       | Panamax            | 2017              | 81,626                             | Yes                                   |
| Navios Dolphin       | Panamax            | 2017              | 81,630                             | Yes                                   |
| Mont Blanc Hawk      | Panamax            | 2017              | 81,638                             | No                                    |
| Cassiopeia Ocean     | Panamax            | 2018              | 82,069                             | No                                    |
| Navios Gemini        | Panamax            | 2018              | 81,704                             | No <sup>(3)</sup>                     |
| Navios Horizon I     | Panamax            | 2019              | 81,692                             | No <sup>(3)</sup>                     |
| King Ore             | Capesize           | 2010              | 176,800                            | Yes                                   |
| Navios Koyo          | Capesize           | 2011              | 181,415                            | Yes                                   |
| Navios Obeliks       | Capesize           | 2012              | 181,415                            | Yes                                   |
| Dream Canary         | Capesize           | 2015              | 180,528                            | Yes                                   |
| Dream Coral          | Capesize           | 2015              | 181,249                            | Yes                                   |
| Navios Felix         | Capesize           | 2016              | 181,221                            | Yes                                   |

**Long-term Bareboat Chartered-in Fleet to be delivered**

| <b>Vessel Name</b> | <b>Vessel Type</b> | <b>Delivery Date</b> | <b>Deadweight (in metric tons)</b> | <b>Purchase Option <sup>(1)</sup></b> |
|--------------------|--------------------|----------------------|------------------------------------|---------------------------------------|
| Navios Herakles I  | Panamax            | Q3 2019              | 81,000                             | Yes                                   |
| Navios Felicity I  | Panamax            | Q4 2019              | 81,000                             | Yes                                   |
| Navios Uranus      | Panamax            | Q4 2019              | 81,600                             | Yes                                   |
| Navios Galaxy II   | Panamax            | Q1 2020              | 81,600                             | Yes                                   |
| Navios Magellan II | Panamax            | Q2 2020              | 81,000                             | Yes                                   |

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

(2) Navios Holdings holds the initial 50% purchase option on the vessel.

(3) Navios Holdings has the right of first refusal and profit share on sale of vessel.

Many of Navios Holdings' current long-term chartered-in vessels are chartered from ship owners with whom Navios Holdings has long-standing relationships. Navios Holdings pays these ship owners daily rates of hire for such vessels, and then charters out these vessels to other parties, who pay Navios Holdings a daily rate of hire. Navios Holdings also enters into COAs pursuant to which Navios Holdings has agreed to carry cargoes, typically for industrial

customers, who export or import dry bulk cargoes. Further, Navios Holdings enters into spot market voyage contracts, where Navios Holdings is paid a rate per ton to carry a specified cargo from point A to point B.

**Short-Term Fleet:** Navios Holdings' short-term fleet is comprised of Capesize, Panamax and Ultra Handymax vessels chartered-in for duration of less than 12 months. The number of short-term vessels varies from time to time. These vessels are not included in the core fleet of the Company.

### **Exercise of Vessel Purchase Options**

Navios Holdings has executed several purchase options comprising of seven Ultra Handymax, six Panamax and one Capesize vessels, which were delivered on various dates from November 30, 2005 until November 7, 2018. Navios Holdings currently has options to acquire 22 chartered-in vessels currently in operation (including the purchase options of the vessels under bareboat contracts, expected to be delivered through 2020).

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**Commercial Ship Management:** Commercial management of Navios Holdings, Navios Partners, Navios Acquisition, Navios Europe I, Navios Europe II and Navios Containers fleet involves identifying and negotiating charter party employment for the vessels. In addition to its internal commercial ship management capabilities, Navios Holdings used the services of a former related party, Acropolis Chartering & Shipping Inc. (Acropolis), based in Piraeus, until the sale of its investment on December 6, 2018, as well as numerous third-party charter brokers, to solicit, research, and propose charters for its vessels. Charter brokers research and negotiate with different charterers, and propose charters to Navios Holdings for cargoes suitable for carriage by Navios Holdings, Navios Partners, Navios Acquisition, Navios Europe I, Navios Europe II and Navios Containers vessels. Navios Holdings then evaluates the employment opportunities available for each type of vessel and arranges cargo and country exclusions, bunkers, loading and discharging conditions, and demurrage.

**Technical Ship Management:** Navios Holdings provides, through its subsidiaries, Navios Shipmanagement Inc., Navios Containers Management Inc. and Navios Tankers Management Inc., technical ship management and maintenance services to its owned vessels and has also provided such services to Navios Partners, Navios Acquisition, Navios Europe I, Navios Europe II and Navios Containers vessels under the terms of the management agreements between the parties. Based in Piraeus, Greece, Monaco and Singapore, this operation is run by experienced professionals who oversee every step of technical management, from the construction of the vessels to subsequent shipping operations throughout the life of a vessel, including the superintendence of maintenance, repairs and drydocking.

**Operation of the Fleet:** The operations departments supervise the post-fixture business of the vessels in Navios Holdings, Navios Partners, Navios Acquisition, Navios Europe I, Navios Europe II and Navios Containers fleet (i.e., once the vessel is chartered and being employed) by monitoring their daily positions to ensure that the terms and conditions of the charters are being fulfilled.

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

*Credit Risk.* Navios Holdings closely monitors its credit exposure to charterers. Navios Holdings has established policies to ensure that contracts are entered into with counterparties that have appropriate credit history. Counterparties and cash transactions are limited to high quality credit collateralized corporations and financial institutions. Most importantly, Navios Holdings has guidelines and policies that are designed to limit the amount of credit exposure.

*Foreign Exchange Risk.* Although Navios Holdings' revenues are U.S. dollar-based, 18.9% of its expenses, related to its Navios Logistics segment, are in Uruguayan pesos, Argentinean pesos, Paraguayan Guaranies and Brazilian Reales, 0.1% of its expenses related to its Navios Containers segment, are in Euros and 18.6% of its expenses related to operation of its Greek, Belgian and Monaco offices, are in Euros. Navios Holdings monitors its Euro, Argentinean Peso, Uruguayan Peso, Paraguayan Guarani and Brazilian Real exposure against long-term currency forecasts and enters into foreign currency contracts when considered appropriate.

## **Customers**

## **Dry bulk Vessel Operations**

The international dry bulk shipping industry is highly fragmented and, as a result, there are numerous charterers. Navios Holdings' assessment of a charterer's financial condition and reliability is an important factor in negotiating employment of its vessels. Navios Holdings generally charters its vessels to major trading houses (including commodities traders), major producers and government-owned entities. Navios Holdings' customers under charter parties, COAs, and other counterparties, include national, regional and international companies, such as Cargill International S.A., GIIC, Louis Dreyfus Commodities, Oldendorff Carriers, Swiss Marine, Rio Tinto and Mansel Ltd. (See also Item 3.D. Risk Factors We depend upon significant customers for part of our revenues. The loss of one or more of these customers or a decline in the financial capability of our customers could materially adversely affect our financial performance. ).



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**Table of Contents****Logistics Business Operations**

Customers of Navios Logistics include affiliates of ADM, Axion Energy, Bunge, Cargill, Glencore, Louis Dreyfus, Petrobras, Petropar (the national oil company of Paraguay), Shell, Vale, Vitol and YPF. Navios Logistics has a long history of operating in the Hidrovia region and has been able to generate and maintain longstanding relationships with its customers. In its grain port facilities in Uruguay, Navios Logistics has been serving three of its key customers, ADM, Cargill and Louis Dreyfus, for more than 20 years on average. In its liquid port facility, liquid barge transportation and cabotage business, Navios Logistics has had long-term relationships with its global petroleum customers for more than 17 years on average (such as Axion Energy, Petrobras Group, YPF and Shell or their successors). In its dry barge business, Navios Logistics started its relationship with Vale in 2008 for iron ore transportation and has signed new contracts since then. Navios Logistics is committed to providing quality logistics services for its customers and further developing and maintaining its long-term relationships.

Concentrations of credit risk with respect to accounts receivables are limited due to Navios Logistics' large number of customers, who are established international operators and have an appropriate credit history. Due to these factors, management believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in its trade receivables. (See also Item 3.D. Risk Factors Navios Logistics depends on a few significant customers for a large part of its revenues and the loss of one or more of these customers could materially and adversely affect its revenues. ).

**Container Vessel Operations**

Customers of Navios Containers in the containership sector consist of a limited number of liner companies. The tough economic conditions faced by liner companies and the intense competition among them has caused, and may in the future cause, certain liner companies to default resulting in consolidation among liner companies. The number of leading liner companies which are Navios Containers' client base may continue to shrink and Navios Containers may depend on an even more limited number of customers to generate a substantial portion of its revenues. The cessation of business with these liner companies or their failure to fulfill their obligations under the time charters for Navios Containers' containerships could have a material adverse effect on Navios Containers' business, financial condition and results of operations, as well as its cash flows, including cash available for distributions to Navios Containers' unit holders and repurchases of common units. In addition to consolidations, alliances involving Navios Containers' customers could further increase the concentration of Navios Containers' business and reduce its bargaining power.

For the period from November 30, 2018 (date of obtaining control) to December 31, 2018, Navios Containers' one largest customer, NOL Liner PTE Ltd accounted for 37.9% of its revenues. Other than its largest customer mentioned above, no other customer accounted for more than 10% of Navios Containers' revenues during the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

**Competition**

The dry bulk shipping markets are extensive, diversified, competitive and highly fragmented, divided among 1,938 independent dry bulk carrier owners. The world's active dry bulk fleet consists of approximately 11,400 vessels, aggregating approximately 846.7 million dwt as of April 1, 2019. 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 owner/operators. Even among the larger dry bulk owners and operators, whose vessels are mainly in the larger sizes, only ten companies are known to have fleets of 100 vessels or more: China Ocean Shipping and China Shipping Group into China COSCO Shipping, Nippon Yusen Kaisha, the Fredriksen Group, Wisdom Marine, China Merchants, Kawasaki Kisen, Pacific Basin, Mitsui O.S.K. Lines, plus Oldendorff Carriers and Star Bulk Carriers. There are about 40 owners known to have fleets of between 30 and 100 vessels. However, vessel ownership is not the only

determinant of fleet control. Many owners of bulk carriers charter their vessels out for extended periods, not just to end users (owners of cargo), but also to other owner/operators and to tonnage pools. Such operators may, at any given time, control a fleet many times the size of their owned tonnage. Navios Holdings is one such operator; others include Cargill, Pacific Basin Shipping, Bocimar, Zodiac Maritime, Louis Dreyfus/Cetrappa, Cobelfret, Torvald Klaveness and Swiss Marine.

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

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**Table of Contents***Navios Logistics*

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

With respect to loading, storage and ancillary services, the market is divided between transits and exports, depending on the cargo origin. In the case of transits, there are other companies operating in the river system that are able to offer services similar to Navios Logistics. However, most of these companies are proprietary service providers that are focused on servicing their own cargo. Unlike these companies, Navios Logistics is an independent service provider in the market for transits. With respect to exports, its competitors are Montevideo Port in Montevideo, Ontur in Nueva Palmira, and TGU in Nueva Palmira. The main competitor of its liquid port terminal in Paraguay is Petropar, a Paraguayan state-owned entity. Other competitors include Copetrol, TLP, Trafigura Pte Ltd and Petrobras.

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

Navios Logistics believes that its ability to combine its ports in Uruguay and Paraguay with its versatile fleet of barges, pushboats and tankers to offer integrated, end-to-end logistics solutions for both its dry and liquid customers seeking to transport mineral and grain commodities and liquid cargoes through the Hidrovia region has allowed Navios Logistics to differentiate its business and offer superior services compared to its competitors.

*Navios Containers*

The global container shipping market is extensive, diversified, competitive and fragmented, divided among approximately 635 liner operators and independent owners. The world's active containership fleet consists of approximately 5,270 vessels, aggregating approximately 22.1 million TEU as of February 1, 2019. As a general principle, the smaller the cargo carrying capacity of a containership, the more fragmented is its market, both with regard to charterers and vessel owner/operators. Even among the larger liner companies and independent containership owners and operators, whose vessels are mainly in the larger sizes, only ten companies are known to control, through vessel ownership and/or time charters, fleets of 97 vessels or more: AP Moller, Mediterranean Shipping Co. (MSC), China COSCO Shipping, CMA CGM, Evergreen, Pacific International Lines, Hapag Lloyd, Seaspan, Imabari Shipbuilding and Wan Hai Lines. There are about 40 owners known to control, through vessel ownership and/or time charters, fleets of between 26 and 83 vessels. Liner companies, who control the movement of containers on land and at sea, own vessels directly and also charter-in vessels on short- and long-term charters. Many owners/managers of containerships charter their vessels out for extended periods but unlike the liner companies, do not control the movement of any containers. These owners/managers are often called tonnage providers. Liner companies may, at any given time, control a fleet many times the size of their owned tonnage. AP Moller and MSC are such liner operators; whereas Seaspan, Costamare and others, including us, are tonnage providers.

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

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Navios Containers believe that the containership sector of the international shipping industry is characterized by the significant time required to develop the operating expertise and professional reputation necessary to obtain and retain customers. Navios Containers believe that its development of an intermediate-size containerships fleet has enhanced our relationship with its principal charterers by enabling them to serve the East-West, North-South and Intra-regional trade routes efficiently, while enabling us to operate in the different rate environments prevailing for those routes. Navios Containers also believe that its focus on customer service and reliability enhances its relationships with its charterers.

## **Intellectual Property**

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

## **Governmental and Other Regulations**

**Sources of Applicable Rules and Standards:** Shipping is one of the world's most heavily regulated industries, and, in addition, it is subject to many industry standards. Government regulation significantly affects the ownership and operation of vessels. These regulations consist mainly of rules and standards established by international conventions, but they also include national, state, and local laws and regulations in force in jurisdictions where vessels may operate or are registered, and which are commonly more stringent than international rules and standards such as the International Convention for the Prevention of Pollution from Ships, the International Convention for the Control and Management of Ships' Ballast Water and Sediments, the International Convention for Civil Liability for Oil Pollution Damage, the International Convention on Civil Liability for Bunker Oil Pollution Damage, the Comprehensive Environmental Response, Compensation, and Liability Act, and The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015. This is the case particularly in the U.S. and, increasingly, in Europe.

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

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

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

**Ship Safety Regulation:** In the former category the primary international instrument is the SOLAS, as amended, together with the regulations and codes of practice that form part of its regime. Much of SOLAS is not directly

concerned with preventing pollution, but some of its safety provisions are intended to prevent pollution as well as promote safety of life and preservation of property. These regulations have been and continue to be regularly amended as new and higher safety standards are introduced with which we are required to comply.

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

Another amendment of SOLAS, made after the terrorist attacks in the U.S. on September 11, 2001, introduced special measures to enhance maritime security, including the ISPS Code.

Our owned fleet maintains ISM Code and ISPS Code certifications for safety and security of operations. Each vessel's certificate must be periodically renewed and compliance must be periodically verified. In addition, the Manager voluntarily implements and maintains certifications pursuant to the International Organization for Standardization (ISO), for its office and ships covering both quality of services and environmental protection (ISO 9001 and ISO 14001, respectively).

**International Regulations to Prevent Pollution from Ships:** In the second main category of international regulation, the primary instrument is the International Convention for the Prevention of Pollution from Ships (MARPOL), which imposes environmental standards on the shipping industry set out in Annexes I-VI of MARPOL. These contain regulations for the prevention of pollution by oil (Annex I), by noxious liquid substances in bulk (Annex II), by harmful substances in packaged forms within the scope of the International Maritime Dangerous Goods Code (Annex III), by sewage (Annex IV), by garbage (Annex V), and by air emissions (Annex VI).

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

For example, MARPOL Annex VI, together with the NOx Technical Code established thereunder, sets limits on sulphur oxide and nitrogen oxide emissions from ship exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. It also includes a global cap on the sulphur content of fuel oil and allows for special areas to be established with more stringent controls on emissions. Originally adopted in September 1997, Annex VI came into force in May 2005 and was amended in October 2008 (as was the NOx Technical Code) to provide for progressively more stringent limits on such emissions from 2010 onwards. The new standards seek to reduce air pollution from vessels by, among other things, establishing a series of progressive requirements to further limit the sulfur content of fuel oil that will be phased in through 2020 and by establishing new tiers of nitrogen oxide emission standards for new marine diesel engines, depending on their date of installation. Additionally, more stringent emission standards apply in the coastal areas designated emission control areas (ECAs). Thus far, ECAs have been formally adopted for the Baltic Sea area (limits SOx emissions only); the North Sea area including the English Channel (limiting SOx emissions only) and the North American ECA (which came into effect on August 1, 2012 limiting SOx, NOx and particulate matter emissions). In October 2016, the IMO approved the designation of the North Sea and the Baltic Sea as ECAs for NOx under Annex VI, which would take effect in January 2021. The U.S. Caribbean Sea ECA entered into force on January 1, 2013 and has been effective since January 1, 2014, limiting SOx,

NOx and particulate matter emissions. In January 2015, the limit for fuel oil sulfur levels fell to 0.10% m/m in ECAs established to limit SOx and particulate matter emissions.



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After considering the issue for many years, the IMO announced on October 27, 2016 that it was proceeding with a requirement for 0.5% m/m sulfur content in marine fuel (down from current levels of 3.5%) outside the ECAs starting on January 1, 2020. Under Annex VI, the 2020 date was subject to review as to the availability of the required fuel oil. Annex VI required the fuel availability review to be completed by 2018 but was ultimately completed in 2016. Therefore, by 2020, ships will be required to remove sulfur from emissions through the use of emission control equipment, or purchase marine fuel with 0.5% sulfur content, which may see increased demand and higher prices due to supply constraints. Installing pollution control equipment or using lower sulfur fuel could result in significantly increased costs to our company. Similarly, Annex VI requires Tier III standards for NOx emissions to be applied to ships constructed and engines installed in ships operating in NOx ECAs from January 1, 2016. The IMO's Marine Environment Protection Committee (the MEPC) adopted amendments (effective September 2015) to Annex VI, regulation 13, regarding NOx and the date for the implementation of the Tier III standards within ECAs. These amendments provide, inter alia, that such standards, applicable on January 1, 2016, apply to marine diesel engines installed on ships which operate in the North American ECA or the U.S. Caribbean Sea ECA and to installed marine diesel engines which operate in other ECAs which might be designated in the future for Tier III NOx control. At the 69<sup>th</sup> session (2016), Annex VI was also amended to require recordkeeping requirements to demonstrate compliance with the NOx Tier III ECA.

Certain jurisdictions have adopted more stringent requirements. For instance, California has also adopted more stringent low sulfur fuel requirements within California-regulated waters. We anticipate incurring costs to comply with these more stringent standards by implementing measures such as fuel switching, vessel modification adding distillate fuel storage capacity, or addition of exhaust gas cleaning scrubbers, and may require installation and operation of further control equipment at significantly increased cost. While it is unclear how the new emissions standard will affect the employment of our vessels, over time it is possible that ships not retrofitted to comply with new standards will become less competitive.

The IMO has introduced the first ever mandatory measures for an international greenhouse gas reduction regime for a global industry sector. These energy efficiency measures apply to all ships of 400 gross tonnage and above. They include the development of a ship energy efficiency management plan (SEEMP) which is akin to a safety management plan. At its 66th session (2014), the MEPC continued its work on developing technical and operational measures relating to energy-efficiency measures for ships, following the entry into force of the mandatory efficiency measures on January 1, 2013. It adopted the 2014 Guidelines on the Method of Calculation of the Attained EEDI, applicable to new ships. It further adopted amendments to MARPOL Annex VI concerning the extension of the scope of application of the EEDI to Liquefied Natural Gas (LNG) carriers, ro-ro cargo ships (vehicle carriers), ro-ro passenger ships and cruise passenger ships with nonconventional propulsion. At its 67th session (2014), the MEPC adopted the 2014 Guidelines on survey and certification of the EEDI, updating the previous version to reference ships fitted with dual-fuel engines using LNG and liquid fuel oil. The MEPC also adopted amendments to the 2013 Interim Guidelines for determining minimum propulsion power to maintain the maneuverability of ships in adverse conditions, to make the guidelines applicable to phase 1 (starting January 1, 2015) of the EEDI requirements. At its 68th session (2015), the MEPC amended the 2014 Guidelines on EEDI survey and certification as well as the method of calculating of EEDI for new ships. At its 70th session (2016), the MEPC again amended the method of calculating EEDI, and adopted mandatory requirements for ships of 5,000 gross tonnage or greater to collect fuel consumption data for each type of fuel used, and report the data to the flag State after the end of each calendar year.

The revised Annex I to the MARPOL Convention entered into force in January 2007. It incorporates various amendments to the MARPOL Convention and imposes construction requirements for oil tankers delivered on or after January 1, 2010. On August 1, 2007, Regulation 12A (an amendment to Annex I) came into force imposing performance standards for accidental oil fuel outflow and requiring oil fuel tanks to be located inside the double-hull in all ships with an aggregate oil fuel capacity of 600 cubic meters and above, and which are delivered on or after

August 1, 2010, including ships for which the building contract is entered into on or after August 1, 2007 or, in the absence of a contract, for which keel is laid on or after February 1, 2008. We intend that all of our newbuild tanker vessels, if any, will comply with Regulation 12A.

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

In December 2011, United Nations climate change talks took place in Durban and concluded with an agreement referred to as the Durban Platform for Enhanced Action. In preparation for the Durban Conference, the International Chamber of Shipping ( ICS ) produced a briefing document, confirming the shipping industry s commitment to cut shipping emissions by 20% by 2020, with significant further reductions thereafter. The ICS called on the participants in the Durban Conference to give the IMO a clear mandate to deliver emissions reductions through market-based measures, for example a shipping industry environmental compensation fund. Notwithstanding the ICS request for global regulation of the shipping industry, the Durban Conference did not result in any proposals specifically addressing the shipping industry s role in climate change.

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Although regulation of greenhouse gas emissions in the shipping industry was discussed during the 2015 United Nations Climate Change Conference in Paris (the Paris Conference), the agreement reached among the 195 nations, which entered into force on November 4, 2016, did not expressly reference the shipping industry. Following the Paris Conference, the IMO announced it would continue its efforts on this issue at the MEPC, and at its 70th session, the MEPC approved a Roadmap for developing a comprehensive GHG emissions reduction strategy for ships, which includes the goal of adopting an initial strategy and emission reduction commitments in 2018 with a goal of adopting a revised strategy in 2023 to include short-, mid- and long-term reduction measures and schedules for implementation. In April 2018, the committee charged with creating the reduction strategy must finalize the initial draft of the strategy and submit a report to MEPC. The EU, Canada, the U.S. and other individual countries, states and provinces also have or are evaluating various measures to reduce greenhouse gas emissions from international shipping, which may include some combination of market-based instruments, a carbon tax or other mandatory reduction measures. The EU recently adopted Regulation (EU) 2015/757 concerning the monitoring, reporting and verification of carbon dioxide emissions from vessels (the MRV Regulation) which entered into force on July 1, 2015 (as amended by Regulation (EU) 2016/2071). The MRV Regulation applies to all vessels over 5,000 gross tonnage (except for a few types, including, but not limited to, warships and fish-catching or fish-processing vessels), irrespective of flag, in respect of carbon dioxide emissions released during voyages within the EU as well as voyages coming into and going out of the EU. The first reporting period will commence on January 1, 2018. The monitoring, reporting and verification system adopted by the MRV Regulation may be the precursor to a market-based mechanism to be adopted in the future. This EU Regulation may be seen as indicative of an intention to maintain pressure on the international negotiating process. An Implementing Regulation, which entered into force in November 2016, was also adopted setting templates for monitoring plans, emissions reports and compliance documents pursuant to Regulation 2015/757.

Further, in February 2017, EU member states met to consider independently regulating the shipping industry under the ETS. On February 15, 2017, European Parliament voted in favor of a bill to include maritime shipping in the ETS by 2023 if the IMO has not promulgated a comparable system by 2021. In November 2017, the Council of Ministers, the EU's main decision making body, agreed that the EU should act on shipping emissions by 2023 if the IMO fails to deliver effective global measures. Last year, IMO's urgent call to action to bring about shipping greenhouse gas emissions reductions before 2023 was met with industry push-back in many countries. Depending on how fast IMO and the EU move on this issue, the ETS may result in additional compliance costs for our vessels.

Any passage of climate control legislation or other regulatory initiatives by the IMO, EU, Canada, the U.S. or other individual jurisdictions where we operate, that restrict emissions of greenhouse gases from vessels, could require us to make significant capital expenditures and may materially increase our operating costs.

**Other International Regulations to Prevent Pollution:** In addition to MARPOL, other more specialized international instruments have been adopted to prevent different types of pollution or environmental harm from ships. In February 2004, the IMO adopted an International Convention for the Control and Management of Ships' Ballast Water and Sediments Convention (the BWM Convention). The BWM Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits, as well as other obligations including recordkeeping requirements and implementation of a Ballast Water and Sediments Management Plan.

The BWM Convention entered into force on September 8, 2017. As of February 11, 2019, the BWM Convention had 79 contracting states for 80.94% of world gross tonnage. New ships constructed after September 8, 2017 must comply on delivery with the BWM Convention. For vessels constructed prior to September 8, 2017, installation of ballast water management systems must take place at the first renewal survey following September 8, 2017 (the date the BWM Convention entered into force). Ships built before September 8, 2017 must comply with IMO discharge standards by the due date for their IOPPC renewal survey under MARPOL Annex 1. All ships must meet the IMO

ballast water discharge standard by September 8, 2024. The BWM Convention requires ships to manage ballast water in a manner that removes, renders harmless or avoids the uptake or discharge of aquatic organisms and pathogens within ballast water and sediment. Recently updated Ballast Water and Sediment Management Plan guidance includes more robust testing and performance specifications. The entry of the BWM Convention and revised guidance, as well as similar ballast water treatment requirements in certain jurisdictions (such as the United States and states within the United States), will likely result in substantial compliance costs relating to the installation of equipment on our vessels to treat ballast water before it is discharged and other additional ballast water management and reporting requirements. In the United States, the Vessel Incidental Discharge Act (VIDA) was signed into law on December 4, 2018, which requires the U.S. Coast Guard to address the regulation of discharges incidental to the normal operation of commercial vessels into navigable waters, including management of ballast water. This change is expected to result in a simplification of the current patch-work state of ballast water regulation in the United States, which is currently variably regulated by the U.S. Environmental Protection Agency and the various states

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**Table of Contents****European Regulations**

European regulations in the maritime sector are in general based on international law. However, since the *Erika* incident in 1999, the EU has become increasingly active in the field of regulation of maritime safety and protection of the environment. It has been the driving force behind a number of amendments of MARPOL (including, for example, changes to accelerate the time-table for the phase-out of single hull tankers, and to prohibit the carriage in such tankers of heavy grades of oil), and if dissatisfied either with the extent of such amendments or with the time-table for their introduction it has been prepared to legislate on a unilateral basis. It should be noted, for instance, that the EU has its own regime as far as ship emissions are concerned and while it does in some respects align with the IMO regime, this is not always the case. As far as sulfur dioxide emissions are concerned, for example, the EU regulation has not just caught up with the IMO limits for sulfur in ECAs, but it continues to have certain elements that exceed IMO regulations (e.g. as of January 1, 2015, EU Member States must ensure that ships in the Baltic, the North Sea and the English Channel are using gas oils with a sulfur content of no more than 0.10%). The EU has adopted legislation that (1) requires member states to refuse access to their ports to certain sub-standard vessels, according to vessel type, flag and number of previous detentions, (2) obliges member states to inspect at least 25% of vessels using their ports annually and provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment, (3) provides the EU with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies, and (4) requires member states to impose criminal sanctions for certain pollution events, such as the unauthorized discharge of tank washings. It has also considered legislation that could affect the operation of vessels and the liability of owners for oil pollution. In some instances where it has done so, international regulations have subsequently been amended to the same level of stringency as that introduced in Europe, but the risk is well established that EU regulations may from time to time impose burdens and costs on ship owners and operators which are additional to those involved in complying with international rules and standards. In December 2016, the EU signed into law the National Emissions Ceiling ( NEC ) Directive, which entered into force on December 31, 2016. The NEC must be implemented by individual member states through particular laws in each state by June 30, 2018. The NEC aims to set stricter emissions limits on SO<sub>2</sub>, ammonia, non-methane volatile organic compounds, NO<sub>x</sub> and fine particulate (PM<sub>2.5</sub>) by setting new upper limits for emissions of these pollutants, starting in 2020. While the NEC is not specifically directed toward the shipping industry, the EU specifically mentions the shipping industry in its announcement of the NEC as a contributor to emissions of PM<sub>2.5</sub>, SO<sub>2</sub> and NO<sub>x</sub>. Implementation of new laws by member states to reduce emissions may ultimately result in increased costs to us to comply with the more stringent standards.

Notably, in 2015 the EU adopted a directive, as amended in 2009, on ship-source pollution, imposing criminal sanctions for pollution not only where this is caused by intent or recklessness (which would be an offense under MARPOL), but also where it is caused by serious negligence . The concept of serious negligence may be interpreted in practice to be little more than ordinary negligence. The directive could therefore result in criminal liability being incurred in circumstances where it would not be incurred under international law. Criminal liability for a pollution incident could not only result in us incurring substantial penalties or fines but may also, in some jurisdictions, facilitate civil liability claims for greater compensation than would otherwise have been payable.

The EU has also recently adopted a regulation that seeks to facilitate the ratification of the IMO Recycling Convention and sets forth rules relating to vessel recycling and management of hazardous materials on vessels. The new regulation contains requirements for the recycling of vessels at approved recycling facilities that must meet certain requirements, so as to minimize the adverse effects of recycling on human health and the environment. The new regulation also contains rules for the control and proper management of hazardous materials on vessels and prohibits or restricts the installation or use of certain hazardous materials on vessels. The new regulation applies to vessels flying the flag of a member state and certain of its provisions apply to vessels flying the flag of a third country calling at a port or anchorage of a member state. For example, when calling at a port or anchorage of a member state, a vessel

flying the flag of a third country will be required, among other things, to have on board an inventory of hazardous materials that complies with the requirements of the new regulation and the vessel must be able to submit to the relevant authorities of that member state a copy of a statement of compliance issued by the relevant authorities of the country of the vessel's flag verifying the inventory. The new regulation is to apply no later than December 31, 2018, although certain of its provisions are to apply at different stages, with certain of them applicable from December 31, 2020. Pursuant to this regulation, the EU has recently published the first version of a European List of approved ship recycling facilities meeting the requirements of the regulation, as well as four further implementing decisions dealing with certification and other administrative requirements set out in the regulation.

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In response to the 2010 Deepwater Horizon incident, the EU has issued Directive 2013/30/EU of the European Parliament and of the Council of June 12, 2013 on safety of offshore oil and gas operations. The objective of this Directive is to reduce as much as possible the occurrence of major accidents relating to offshore oil and gas operations and to limit their consequences, thus increasing the protection of the marine environment and coastal economies against pollution, establishing minimum conditions for safe offshore exploration and exploitation of oil and gas limiting possible disruptions to EU indigenous energy production, and to improve the response mechanisms in case of an accident. Member states must implement the Directive by July 19, 2015. The U.K. has various new or amended regulations such as: the Offshore Petroleum Activities (Offshore Safety Directive) (Environmental Functions) Regulations 2015 (OSDEF), the 2015 amendments to the Merchant Shipping (Oil Pollution Preparedness, Response and Cooperation Convention) Regulations 1998 (OPRC 1998) and other environmental Directive requirements, specifically the Environmental Management System. The Offshore Petroleum Licensing (Offshore Safety Directive) Regulations 2015 will implement the licensing Directive requirements.

**U.S. Environmental Regulations and Laws Governing Civil Liability for Pollution:** Environmental legislation in the U.S. merits particular mention as it is in many respects more onerous than international laws, representing a high-water mark of regulation with which ship-owners and operators must comply, and of liability likely to be incurred in the event of non-compliance or an incident causing pollution.

U.S. federal legislation, including notably the Oil Pollution Act of 1990 ( OPA 90 ), establishes an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills, including cargo or bunker oil spills from tankers. OPA 90 affects all owners and operators whose vessels trade in the U.S., its territories and possessions or whose vessels operate in U.S. waters, which includes the U.S. territorial sea and its 200 nautical mile exclusive economic zone. Under OPA 90, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or substantial threats of discharges, of oil from their vessels. OPA 90 defines these other damages broadly to include:

natural resource damages and the costs of assessment thereof;

real and personal property damage;

net loss of taxes, royalties, rents, fees and other lost revenues;

lost profits or impairment of earning capacity due to property or natural resource damages; and

net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA 90 preserves the right to recover damages under other existing laws, including maritime tort law. In addition to potential liability under OPA as the relevant federal legislation, vessel owners may in some instances incur liability on an even more stringent basis under state law in the particular state where the spillage occurred.

Title VII of the Coast Guard and Maritime Transportation Act of 2004 (the CGMTA ), amended OPA 90 to require the owner or operator of any non tank vessel of 400 gross tons or more, that carries oil of any kind as a fuel for main propulsion, including bunkers, to prepare and submit a response plan for each vessel on or before August 8, 2005. The implementing regulations took effect on October 30, 2013. The vessel response plans must include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or substantial threat of such a discharge of ore from the vessel due to operational activities or casualties.

OPA 90 liability limits are periodically adjusted for inflation, and the U.S. Coast Guard issued a final rule on November 19, 2015 to reflect increases in the Consumer Price Index. With this adjustment, OPA 90 currently limits liability of the responsible party for single-hull tank vessels over 3,000 gross tons to the greater of \$3,500 per gross ton or \$25.846 million (this amount is reduced to \$7.05 million if the vessel is less than 3,000 gross tons). For tank vessels over 3,000 gross tons, other than a single-hull vessel, liability is limited to \$2,200 per gross ton or \$18.8 million (or \$4.7 million for a vessel less than 3,000 gross tons), whichever is greater. For non-tank vessels, liability is limited to \$1,100 per gross ton or \$939,800 per incident, whichever is greater. Under OPA 90, these limits of liability do not apply if an incident was directly caused by violation of applicable U.S. federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.



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In response to the Deepwater Horizon incident in the Gulf of Mexico, in 2010 the U.S. Congress proposed, but did not formally adopt, legislation to amend OPA 90 to mandate stronger safety standards and increased liability and financial responsibility for offshore drilling operations. While Congressional activity on this topic is expected to continue to focus on offshore facilities rather than on vessels generally, it cannot be known with certainty what form any such new legislative initiatives may take.

In addition, the Comprehensive Environmental Response, Compensation, and Liability Act ( CERCLA ), which applies to the discharge of hazardous substances (other than oil) whether on land or at sea, contains a similar liability regime and provides for cleanup, removal and natural resource damages. CERCLA, as well as certain U.S. state laws that may also apply to petroleum or petroleum products, imposes joint and several liability, without regard to fault, on the owner or operator of a vessel, vehicle or facility from which there has been a release, along with other specified parties. Liability under CERCLA is limited to the greater of \$300 per gross ton or \$0.5 million for vessels not carrying hazardous substances as cargo or residue, unless the incident is caused by gross negligence, willful misconduct, or a violation of certain regulations, in which case liability is unlimited.

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

All owners and operators of vessels over 300 gross tons are required to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under OPA 90 and CERCLA. Under OPA 90, an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessel in the fleet having the greatest maximum liability under OPA. Under the self-insurance provisions, the ship owner or operator must have a net worth and working capital, measured in assets located in the U.S. against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the U.S. Coast Guard regulations by providing a certificate of responsibility from third party entities that are acceptable to the U.S. Coast Guard evidencing sufficient self-insurance.

The U.S. Coast Guard's regulations concerning certificates of financial responsibility provide, in accordance with OPA 90, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA 90 laws, including the major protection and indemnity organizations have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses. This requirement may have the effect of limiting the availability of the type of coverage required by the Coast Guard and could increase our costs of obtaining this insurance as well as the costs of our competitors that also require such coverage.

OPA 90 specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states' environmental laws impose unlimited liability for oil spills. For example, California regulations prohibit the discharge of oil, require an oil contingency plan be filed with the state, require that the ship owner contract with an oil response organization and require a valid certificate of

financial responsibility, all prior to the vessel entering state waters. In some cases, states, which have enacted such legislation, have not yet issued implementing regulations defining vessels owners responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

The U.S. Clean Water Act ( CWA ) prohibits the discharge of oil or hazardous substances in U.S. navigable waters and imposes strict liability in the form of penalties for unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under CERCLA. The U.S. Environmental Protection Agency ( EPA ) regulates the discharge of ballast water and other substances incidental to the normal operation of vessels in U.S. waters using a Vessel General Permit ( VGP ), system pursuant to the CWA, in order to combat the risk of harmful organisms that can travel in ballast water carried from foreign ports and to minimize the risk of water pollution through numerous specified effluent streams incidental to the normal operation of vessels. Compliance with the conditions of the VGP is required for commercial vessels 79 feet in length or longer (other than commercial fishing vessels). On March 28, 2013, the EPA adopted the 2013 VGP, which took effect on December 19, 2013. The 2013 VGP is valid for five years.

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This new 2013 VGP imposes a numeric standard to control the release of non-indigenous invasive species in ballast water discharges. On October 5, 2015, the U.S. Court of Appeals for the Second Circuit found the EPA was arbitrary and capricious in issuing the ballast water provisions of the VGP, finding that the EPA failed to adequately explain why stricter technology-based effluent standards should not be applied. The court instructed the EPA to reconsider these issues but held the 2013 VGP remains in effect until the EPA addresses the issues. If the EPA establishes more stringent numeric standards for ballast water discharges, we may incur costs to modify our vessels to comply with new standards. In addition, through the CWA certification provisions, that allow U.S. states to place additional conditions on the use of the VGP within state waters, a number of states have proposed or implemented a variety of stricter ballast water requirements including, in some states, specific treatment standards. Because the VGP expires at the end of this year, there may be new U.S. federal and state requirements that could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters.

Compliance with new U.S. federal and state requirements could require the installation of equipment on our vessels to treat ballast water before it is discharged or the implementation of other port facility disposal arrangements or procedures at potentially substantial cost, and/or otherwise restrict our vessels from entering U.S. waters. Coast Guard regulations require commercial ships operating in U.S. waters to manage ballast water by meeting certain requirements, which include using a U.S. type-approved Ballast Water Management System ( BWMS ), temporarily using a foreign-type BWMS that has been accepted by the Coast Guard, using ballast water obtained from a U.S. Public Water System, discharging ballast water into a shore-side facility or not discharging ballast water within 12 nautical miles. As of January 1, 2014, vessels are technically subject to the phasing-in of these standards. As a result, the U.S. Coast Guard in the past provided waivers to vessels which could not install the then unapproved ballast water treatment technology, but has begun to deny requests for waivers in light of its recent approval of a handful of technologies. The EPA, on the other hand, has taken a different approach to enforcing ballast discharge standards under the VGP. On December 27, 2013, the EPA issued an enforcement response policy in connection with the new VGP in which the EPA indicated that it would take into account the reasons why vessels do not have the requisite technology installed, but will not grant any waivers.

A number of bills relating to ballast water management have been introduced in the U.S. Congress, but it is difficult to predict which, if any, will be enacted. Several states, including Michigan and California, have adopted legislation or regulations relating to the permitting and management of ballast water discharges. California has extended its ballast water management program to the regulation of hull fouling organisms attached to vessels and adopted regulations limiting the number of organisms in ballast water discharges. Other states could adopt similar requirements that could increase the costs of operation in state waters.

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

Also under the CAA, since 1990, the U.S. Coast Guard has regulated the safety of VCSs that are required under EPA and state rules. Our vessels operating in regulated port areas have installed VCSs that are compliant with EPA, state and U.S. Coast Guard requirements. On July 16, 2013, the U.S. Coast Guard adopted regulations that made its VCS requirements more compatible with new EPA and State regulations, reflected changes in VCS technology, and codified existing U.S. Coast Guard guidelines. We intend to comply with all applicable state and U.S. federal regulations in the ports where our vessels call.

#### **International laws governing civil liability for oil pollution damage**

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

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When a tanker is carrying clean oil products that do not constitute persistent oil that would be covered under the CLC, liability for any pollution damage will generally fall outside the CLC and will depend on other international conventions or domestic laws in the jurisdiction where the spillage occurs. The same principle applies to any pollution from the vessel in a jurisdiction, which is not a party to the CLC. The CLC applies in over 100 jurisdictions around the world, but it does not apply in the U.S., where the corresponding liability laws such as the OPA 90 discussed above, are particularly stringent.

For vessel operations not covered by the CLC, in 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention), which imposes strict liability on shipowners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker oil. The Bunker Convention defines bunker oil as any hydrocarbon mineral oil, including lubricating oil, used or intended to be used for the operation or propulsion of the ship, and any residues of such oil. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime. The Bunker Convention entered into force on November 21, 2008, and as of February 7, 2019, had 91 contracting states, representing 92.85% of the gross tonnage of the world's merchant fleet. In other jurisdictions, liability for spills or releases of oil from ships' bunkers continues to be determined by the national or other domestic laws in the jurisdiction where the events or damages occur.

Outside the U.S., national laws generally provide for the owner to bear strict liability for pollution, subject to a right to limit liability under applicable national or international regimes for limitation of liability. The most widely applicable international regime limiting maritime pollution liability is the Convention on Limitation of Liability for Maritime Claims of 1976 (the 1976 Convention). Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowners' intentional or reckless conduct. Some states have ratified the 1996 LLMC Protocol to the 1976 Convention, which provides for liability limits substantially higher than those set forth in the 1976 Convention to apply in such states. Finally, some jurisdictions are not a party to either the 1976 Convention or the 1996 LLMC Protocol, and, therefore, shipowners' rights to limit liability for maritime pollution in such jurisdictions may be uncertain.

## **Other Regional Requirements**

The environmental protection regimes in certain other countries, such as Canada, resemble those of the U.S. To the extent we operate in the territorial waters of such countries or enter their ports, our vessels would typically be subject to the requirements and liabilities imposed in such countries. Other regions of the world also have the ability to adopt requirements or regulations that may impose additional obligations on our vessels and may entail significant expenditures on our part and may increase the costs of our operations. These requirements, however, would apply to the industry operating in those regions as a whole and would also affect our competitors. However, it is difficult to predict what legislation, if any, may be promulgated by the U.S., the EU or any other country or authority.

## **Security Regulations**

A number of initiatives have been introduced in recent years intended to enhance vessel security. On November 25, 2002, MTSA was signed into law. To implement certain portions of the MTSA, the U.S. Coast Guard issued regulations in July 2003 requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. This new chapter came 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 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 U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, provided such vessels have on board a valid International Ship Security Certificate that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures required by the IMO, SOLAS and the ISPS Code and have approved ISPS certificates and plans certified by the applicable flag state on board all our vessels. Starting January 1, 2016, the IMDG Code also included updates to the provisions for radioactive material, reflecting the latest provisions from the International Atomic Energy Agency, or the IAEA, new marking requirements for overpack and salvage and updates to various individual packing requirement

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

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

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

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

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

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

**Risk of Loss and Liability Insurance**

**General:** The operation of any cargo vessel includes risks such as mechanical failure, physical damage, collision, fire, contact with floating objects, property loss, cargo loss or damage, business interruption due to political circumstances in foreign countries, hostilities, and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. OPA 90, which imposes virtually unlimited liability upon owners, operators and demise charterers of any vessel trading in the U.S. exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship owners and operators trading in the U.S. market. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates. Our current insurance includes the following:

*Hull and Machinery and War Risk Insurance:* We have marine hull and machinery and war risk insurance, which include coverage of the risk of actual or constructive total loss, for all of our owned vessels. Each of the owned vessels is covered up to at least fair market value, with a deductible of \$0.1 million per Panamax, Handymax and Container vessel and \$0.2 million per Capesize vessel for the hull and machinery insurance. We have also extended our war risk insurance to include war loss of hire for any loss of time to the vessel, including for physical repairs, caused by a warlike incident and piracy seizure for up to 270 days of detention / loss of time. There are no deductibles for the war risk insurance or the war loss of hire cover.



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We have arranged, as necessary, increased value insurance for our vessels. With the increased value insurance, in case of total loss of the vessel, we will be able to recover the sum insured under the increased value policy in addition to the sum insured under the hull and machinery policy. Increased value insurance also covers excess liabilities that are not recoverable in full by the hull and machinery policies by reason of underinsurance. We do not expect to maintain loss of hire insurance for our vessels. Loss of hire insurance covers business interruptions that result in the loss of use of a vessel.

*Protection and Indemnity Insurance:* Protection and indemnity insurance is expected to be provided by mutual protection and indemnity associations ( P&I Associations ), who indemnify members in respect of discharging their tortious, contractual or statutory third-party legal liabilities arising from the operation of an entered ship. Such liabilities include but are not limited to third-party liability and other related expenses from 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 and always provided in accordance with the applicable associations rules and members agreed terms and conditions.

Our fleet is currently entered for protection and indemnity insurance with International Group associations where, in line with all International Group Clubs, coverage for oil pollution is limited to \$1.0 billion per event. The 13 P&I Associations that comprise the International Group insure approximately 95% of the world's commercial tonnage and have entered into a pooling agreement to collectively reinsure each association's liabilities. Each vessel that we acquire will be entered with P&I Associations of the International Group. Under the International Group reinsurance program for the current policy year, each P&I club in the International Group is responsible for the first \$10.0 million of every claim. In every claim the amount in excess of \$10.0 million and up to \$100.0 million is shared by the clubs under the pooling agreement. Any claim in excess of \$100.0 million is reinsured by the International Group in the international reinsurance market under the General Excess of Loss Reinsurance Contract. This policy currently provides an additional \$2.0 billion of coverage for non-oil pollution claims. Further to this, an additional reinsurance layer has been placed by the International Group for claims up to \$1.0 billion in excess of \$2.1 billion, or \$3.1 billion in total. For passengers and crew claims, the overall limit is \$3.0 billion for any one event on any one vessel with a sub-limit of \$2.0 billion for passengers. With the exception of pollution, passenger or crew claims, should any other P&I claim exceed Group reinsurance limits, the provisions of all International Group Club's overspill claim rules will operate and members of any International Group Club will be liable for additional contributions in accordance with such rules. To date, there has never been an overspill claim, or one even nearing this level.

As a member of the P&I Associations that are members of the International Group, we will be subject to calls payable to the associations based on our individual fleet record, the associations' overall its claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I Associations comprising the International Group. The P&I Associations' policy year commences on February 20th. Calls are levied by means of Estimated Total Premiums ( ETP ) and the amount of the final installment of the ETP varies according to the actual total premium ultimately required by the club for a particular policy year. Members have a liability to pay supplementary calls, which might be levied by the board of directors of the club if the ETP is insufficient to cover amounts paid out by the club. Should a member leave or entry cease with any of the associations, at the Club's Managers discretion, they may be also be liable to pay release calls or provide adequate security for the same amount. Such calls are levied in respect of potential outstanding Club/Member liabilities on open policy years and include but are not limited to liabilities for deferred calls and supplementary calls.

*Uninsured Risks:* Not all risks are insured and not all risks are insurable. The principal insurable risks, which nonetheless remain uninsured across our businesses, are loss of hire, strikes, except in cases of loss of hire due to war

or a piracy event or due to presence of contraband on board, defense, and credit risk. Specifically, we do not insure these risks because the costs are regarded as disproportionate. These insurances provide, subject to a deductible, a limited indemnity for hire that would not be receivable by the shipowner for reasons set forth in the policy. Should a vessel on time charter, where the vessel is paid a fixed hire day by day, suffer a serious mechanical breakdown, the daily hire will no longer be payable by the charterer. The purpose of the loss of hire insurance is to secure the loss of hire during such periods. In the case of strikes insurance, if a vessel is being paid a fixed sum to perform a voyage and the ship becomes strike bound at a loading or discharging port, the insurance covers the loss of earnings during such periods. However, in some cases when a vessel is transiting high risk war and/or piracy areas, we arrange war loss of hire insurance to cover up to 270 days of detention/loss of time. When our charterers engage in legally permitted trading in locations which may still be subject to sanctions or boycott, such as Iran, Syria and Sudan, our insurers may be contractually or by operation of law prohibited from honoring our insurance contract for such trading, which could result in reduced insurance coverage for losses incurred by the related vessels. Furthermore, our insurers and we may be prohibited from posting or otherwise be unable to post security in respect of any incident in such locations, resulting in the loss of use of the relevant vessel and negative publicity for our Company which could negatively impact our business, results of operations, cash flows and share price.

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There are no deductibles for the war loss of hire cover in case of piracy and contraband cover. We maintain strike and business interruption insurance for our port terminal operations.

Even if our insurance coverage is adequate to cover our losses, if we suffer a loss of a vessel, we may not be able to obtain a timely replacement for any lost vessel. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. For example, more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also on the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could have a material adverse effect on our business, results of operations and financial condition. Any uninsured or underinsured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain required certification.

## **Risk Management**

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

Navios Holdings seeks to manage risk through a number of strategies, including vessel control strategies (chartering and ownership) and freight carriage. Navios Holdings vessel control strategies include seeking the appropriate mix of owned vessels, long- and short-term chartered-in vessels, coupled with purchase options, when available, and spot charters. Navios Holdings also enters into COAs, which gives Navios Holdings, subject to certain limitations, the flexibility to determine the means of getting a particular cargo to its destination.

## **Legal Proceedings**

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

From time to time, Navios Holdings may be subject to legal proceedings and claims in the ordinary course of business. It is expected that these claims would be covered by insurance if they involved liabilities such as those that arise from a collision, other marine casualty, damage to cargoes, oil pollution and 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.

Refer to Item 8. Financial Information in Legal Proceedings .

## **Crewing and Shore Employees**

Navios Holdings crews its vessels primarily with Greek, Ukrainian, Georgian, Filipino, Polish, Romanian, Indian and Russian officers and Filipino, Georgian, Indian, Romanian, Ethiopian and Ukrainian seamen. Navios Holdings fleet manager is responsible for selecting its Greek officers. Other nationalities are referred to Navios Holdings fleet manager by local crewing agencies. Navios Holdings is also responsible for travel and payroll of the crew. The

crewing agencies handle each seaman's training. Navios Holdings requires that all of its seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Navios Logistics crews its fleet with Argentinean, Brazilian and Paraguayan officers and seamen. Navios Logistics' fleet managers are responsible for selecting the crew. Employees of the Navios Holdings provide assistance to Navios Containers and its operating subsidiaries pursuant to the Management Agreement and the Administrative Services Agreement; therefore Navios Containers does not employ additional staff.

As of December 31, 2018, with respect to shore-side employees, Navios Holdings and its subsidiaries employed 250 employees in its Piraeus, Greece office, 11 employees in its New York office, seven employees in its Antwerp, Belgium office, three employees in its Monaco office and one employee in its Singapore office. Navios Logistics employs 50 employees in the Asuncion, Paraguay office, 21 employees at the port facility in San Antonio, Paraguay, 99 employees in the Buenos Aires, Argentina office, eight employees in the Montevideo, Uruguay office, 196 employees at the port facility in Nueva Palmira, Uruguay and 10 employees in the Corumba, Brazil office.

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### **Facilities**

Navios Holdings and its affiliates currently lease the following properties:

Navios Shipmanagement Inc. and Navios Corporation lease approximately 1,650.9 square meters of space at 85 Akti Miaouli, Piraeus, Greece, pursuant to several lease agreements that continue to be effective until either party terminates the agreement and other lease agreements that expire in 2019.

Kleimar N.V. leases approximately 632 square meters for its offices, in Antwerp, Belgium, pursuant to a lease that expires in June 2019.

Navios Corporation leases approximately 16,703 square feet of space at 825 Third Avenue, New York, New York, pursuant to a lease that expires in April 2019 and 17,627 square feet of space at 599 Lexington Avenue, New York, New York, pursuant to a lease that expires in 2029. Navios Holdings sublets a portion of the 34th floor in the building located at 825 Third Avenue, New York, New York, which premises comprise a portion of the premises under the main lease, to a third party pursuant a sub-lease that expires in 2019. Navios Holdings sublets a portion of the 35th floor in the building located at 599 Lexington Avenue, New York, New York, which premises comprise a portion of the premises under the main lease, to a third party pursuant a sub-lease that expires in 2029.

Navios Tankers Management Inc. leases approximately 2,954 square meters for its offices in Piraeus, Greece, pursuant to a lease that expires in 2019 and other lease agreements that expire in 2025 and 2034.

Navios Containers Management Inc. leases approximately 373 square meters for its offices in Piraeus, Greece, pursuant to a lease that expires in 2030.

Kleimar LTD. leases approximately 30 square meters for its offices in Piraeus, Greece, pursuant to a lease that expires in 2030.

Navios Holdings and Navios Tankers Management Inc. leases office space in Monaco pursuant to a lease that expires in June 2023.

Navios Logistics and its subsidiaries currently lease, (or occupy as free zone users, as the case may be), the following premises:

CNSA, as a free zone direct user at the Nueva Palmira Free Zone, holds the right to occupy the land on which it operates its port and transfer facilities, located at Zona Franca, Nueva Palmira, Uruguay. CNSA has been authorized to operate as a free zone user on November 29, 1955 by a resolution of the Executive, who on September 27, 1956 approved an agreement, as required by applicable law at the time. On December 4, 1995,

CNSA's rights as a direct user were renewed in a single free zone user agreement. On March 4, 2016, the extension of the agreement has been modified, allowing CNSA to install and operate a transfer station to handle and store goods, and to build and operate a plant to receive, prepare and dry grain, iron ore, minerals and all types of liquid cargo on land in the Nueva Palmira Free Zone. As a part of a restructuring process, on November 13, 2018, CNSA has modified its user agreement with the Free Zone of Nueva Palmira, returning to the Free Trade Zone the area in which the facilities of the grain terminal were located, so that such area was subsequently assigned to Granos, another Navios Logistics subsidiary. By the means of the restructuring process, CNSA currently performs all activities related to transshipment and deposit of minerals, whereas Granos performs activities related to the transshipment and deposit of agro-commodities and grains. Under the aforementioned agreement, CNSA has the right of use of approximately 37 acres and pays a total fixed annual fee that amounts to \$0.1 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$0.25 per ton transshipped. CNSA has also assumed certain obligations with respect to improving the land subject to the agreement, and the agreement is terminable by the Free Zone Division if it breaches the terms of the agreement, or labor laws and social security contributions, and if it commits illegal acts or acts expressly forbidden by the agreement. The agreement entered into between CNSA and the Free Zone expires on March 3, 2046, with a 20-year extension at our option, until 2066.

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As a consequence of the above-mentioned restructuring process, on November 13, 2018, Granos has entered into a user agreement with the Free Zone of Nueva Palmira, having been authorized to operate as a direct free zone user, therefore being allowed to install and operate a transfer station to handle and store goods, and to build and operate a plant to receive, prepare and dry grain and all types of liquid cargo on land in the Nueva Palmira Free Zone. By the means of the said agreement, Granos currently has the right of use of approximately 46 acres and pays a total fixed annual fee that amounts to \$0.2 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$ 0.25 per ton transshipped. The agreement with the Free Zone expires on March 3, 2046, with a 20-year extension at our option, until 2066.

CNSA also leases approximately 400 square meters of space at Paraguay 2141, Montevideo, Uruguay, pursuant to a lease that expires in November 2020.

Compania Naviera Horamar S.A. leases approximately 409 square meters at Cepeda 429 Street, San Nicolás, Buenos Aires, Argentina, pursuant to a lease agreement that expires in November 2020.

Compania Naviera Horamar S.A. leases approximately 277 square meters at 874 California Street, Buenos Aires, Argentina. The lease agreement expires in August 31, 2021.

Compania Naviera Horamar S.A. leases a piece of land called La Misteriosa in an Island in the Province of Entre Rios, Argentina, Department of Islands of Ibicuy and Paranacito. As per an amendment dated December 13, 2018, the lease agreement has been suspended until April 30, 2019.

Compania Naviera Horamar S.A. leases approximately 1,370 square meters of office space at Av. Juana Manso 205, Buenos Aires, Argentina, pursuant to a lease agreement that expires in June 2021.

Merco Par S.A.C.I. leases approximately 655 square meters of office space at Avenida Aviadores del Chaco No 1.669 corner San Martín, Asuncion, Paraguay, pursuant to a lease agreement that expires in October 2023.

Hidronave South American Logistics leases an office space at 688, 15 de novembro street, Corumbá, Brazil, pursuant to a lease agreement that expires in May 2020.

Docas Fluvial de Porto Murtinho Ltda. owns plots of land in Porto Murtinho, Brazil. This land is approximately 58,876 square meters and it is located on the shoreline of the Paraguay River.

CNSA owns premises in Montevideo, Uruguay. This space is approximately 112 square meters and is located at Juan Carlos Gomez 1445, Oficina 701, Montevideo 1100, Uruguay.

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

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Compania Naviera Horamar S.A. owns two storehouses located at 880 Calle California, Ciudad Autonoma de Buenos Aires, Argentina and at 791/795 Calle General Daniel Cerri, Ciudad Autonoma de Buenos Aires, Argentina of approximately 259 and 825 square meters, respectively. Compania Naviera Horamar S.A. also owns approximately 1,139 square meters of office space located in 846 Avenida Santa Fe, Ciudad Autonoma de Buenos Aires, Argentina.

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

Navios Containers and its subsidiaries currently lease the following premises:

Navios Containers leases office space in Monaco pursuant to a lease that expires in June 2023.



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Navios Holdings and/or its subsidiaries maintain offices in Monaco, Piraeus, Greece, Antwerp, Belgium, New York and Singapore. Commercial ship management, risk management, operation and technical management of Navios Holdings' owned vessels are conducted through wholly-owned subsidiaries of Navios Holdings. Navios Logistics maintains offices in Montevideo - Uruguay, Buenos Aires - Argentina, Asuncion - Paraguay, and Corumba - Brazil. Navios Logistics conducts the commercial and technical management of its vessels, barges and pushboats through its wholly-owned subsidiaries. Navios Logistics holds the rights to operate the ports and transfer facilities in Nueva Palmira indirectly through its Uruguayan subsidiary, CNSA, and Granos and owns the San Antonio port facility through its Paraguayan subsidiary, Petrosan.

As of December 31, 2018, all subsidiaries included in the consolidated financial statements are 100% owned, except for Navios Logistics and its subsidiaries, which is 63.8% owned by Navios Holdings and Navios Containers and its subsidiaries, which is 3.7% owned by Navios Holdings.

The table below sets forth Navios Holdings' corporate structure as of December 31, 2018.

**Subsidiaries included in the consolidation:**

| Company Name                         | Nature                                       | Ownership Interest | Country of Incorporation | Statement of Operations |             |             |
|--------------------------------------|--|--------------------|--------------------------|-------------------------|-------------|-------------|
|                                      |  |                    |                          | 2018                    | 2017        | 2016        |
| Navios Maritime Holdings Inc.        | Holding Company                              |                    | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios South American Logistics Inc. | Sub-Holding Company                          | 63.8%              | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Maritime Containers L.P.      | Holding Company                              | 3.7%               | Marshall Is.             | 11/30 - 12/31           |             |             |
| Navios Corporation                   | Sub-Holding Company                          | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios International Inc.            | Operating Company                            | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navimax Corporation                  | Operating Company                            | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Handybulk Inc.                | Operating Company                            | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Hestia Shipping Ltd                  | Operating Company                            | 100%               | Malta                    | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Anemos Maritime Holdings Inc.        | Sub-Holding Company                          | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Shipmanagement Inc.           | Management Company                           | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| NAV Holdings Limited                 | Sub-Holding Company                          | 100%               | Malta                    | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Kleimar N.V.                         | Operating Company/<br>Vessel Owning Company/ | 100%               | Belgium                  | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |

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|  |                       |      |              |             |             |             |
|--|-----------------------|------|--------------|-------------|-------------|-------------|
|  | Management Company    |      |              |             |             |             |
| Kleimar Ltd.                             | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Bulkinvest S.A.                          | Operating Company     | 100% | Luxembourg   | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Primavera Shipping Corporation           | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Ginger Services Co.                      | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Aquis Marine Corp.                       | Sub-Holding Company   | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Tankers Management Inc.           | Management Company    | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Astra Maritime Corporation               | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Achilles Shipping Corporation            | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Apollon Shipping Corporation             | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Herakles Shipping Corporation            | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Hios Shipping Corporation                | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Ionian Shipping Corporation              | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Kypros Shipping Corporation              | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Meridian Shipping Enterprises Inc.       | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Mercator Shipping Corporation            | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Arc Shipping Corporation                 | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Horizon Shipping Enterprises Corporation | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Magellan Shipping Corporation            | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Aegean Shipping Corporation              | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Star Maritime Enterprises Corporation    | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Corsair Shipping Ltd.                    | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Rowboat Marine Inc.                      | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |

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|                               |                       |      |              |             |             |             |
|-------------------------------|-----------------------|------|--------------|-------------|-------------|-------------|
| Beaufiks Shipping Corporation | Operating Company     | 100% | Marshall Is  | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Nostos Shipmanagement Corp.   | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Portorosa Marine Corp.        | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Shikhar Ventures S.A.         | Vessel Owning Company | 100% | Liberia      | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Sizzling Ventures Inc.        | Operating Company     | 100% | Liberia      | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Rheia Associates Co.          | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Taharqa Spirit Corp.          | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Rumer Holding Ltd.            | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Pharos Navigation S.A.        | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Pueblo Holdings Ltd           | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Quena Shipmanagement Inc.     | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Aramis Navigation Inc.        | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| White Narcissus Marine S.A.   | Vessel Owning Company | 100% | Panama       | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios GP L.L.C.              | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Red Rose Shipping Corp.       | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Highbird Management Inc.      | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Ducale Marine Inc.            | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Vector Shipping Corporation   | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Faith Marine Ltd.             |                       | 100% | Liberia      | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |

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|   |                             |      |              |             |             |             |
|---|-----------------------------|------|--------------|-------------|-------------|-------------|
|   | Vessel<br>Owning<br>Company |      |              |             |             |             |
| Navios Maritime Finance (US) Inc.       | Operating<br>Company        | 100% | Delaware     | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Maritime Finance II (US)<br>Inc. | Operating<br>Company        | 100% | Delaware     | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Tulsi Shipmanagement Co.                | Operating<br>Company        | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Cinthara Shipping Ltd.                  | Operating<br>Company        | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Rawlin Services Company                 | Operating<br>Company        | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Mauve International S.A.                | Operating<br>Company        | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Serenity Shipping Enterprises Inc.      | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Mandora Shipping Ltd                    | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Solange Shipping Ltd.                   | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Diesis Ship Management Ltd              | Operating<br>Company        | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Holdings Europe Finance<br>Inc.  | Sub-Holding<br>Company      | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Asia LLC                         | Sub-Holding<br>Company      | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Iris Shipping Corporation               | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Jasmine Shipping Corporation            | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Emery Shipping Corporation              | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Lavender Shipping Corporation           | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Esmeralda Shipping Corporation          | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 8/30  | 1/1 - 12/31 | 1/1 - 12/31 |
| Triangle Shipping Corporation           | Vessel<br>Owning<br>Company | 100% | Marshall Is. | 1/1 - 8/30  | 1/1 - 12/31 | 1/1 - 12/31 |
| Roselite Shipping Corporation           | Operating<br>Company        | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Smaltite Shipping Corporation           |                             | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |

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|                                   |                       |      |              |               |               |              |
|-----------------------------------|-----------------------|------|--------------|---------------|---------------|--------------|
|                                   | Operating Company     |      |              |               |               |              |
| Motiva Trading Ltd                | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31   | 1/1 - 12/31   | 11/2 - 12/31 |
| Alpha Merit Corporation           | Sub-Holding Company   | 100% | Marshall Is. | 1/1 - 12/31   | 11/3 - 12/31  |              |
| Thalassa Marine S.A.              | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31   | 12/15 - 12/31 |              |
| Asteroid Shipping S.A.            | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31   |               |              |
| Cloud Atlas Marine S.A.           | Operating Company     | 100% | Marshall Is. | 1/15 - 12/31  |               |              |
| Heodor Shipping Inc.              | Vessel Owning Company | 100% | Marshall Is. | 2/13 - 12/31  |               |              |
| Navios Maritime Containers GP LLC | Operating Company     | 100% | Marshall Is. | 9/11 - 12/31  |               |              |
| Navios Containers Management Inc. | Management Company    | 100% | Marshall Is. | 1/1 - 12/31   |               |              |
| Pacifico Navigation Corp.         | Vessel Owning Company | 100% | Marshall Is. | 11/7 - 12/31  |               |              |
| Rider Shipmanagement Inc.         | Operating Company     | 100% | Marshall Is. | 12/4 - 12/31  |               |              |
| Talia Shiptrade S.A.              | Operating Company     | 100% | Marshall Is. | 10/11 - 12/31 |               |              |

**Table of Contents****Affiliates included in the financial statements accounted for under the equity method:**

In the consolidated financial statements of Navios Holdings, the following entities are included as affiliates and are accounted for under the equity method for such periods: (i) Navios Partners and its subsidiaries (ownership interest as of December 31, 2018 was 20.0%, which includes a 2.0% general partner interest); (ii) Navios Acquisition and its subsidiaries (economic interest as of December 31, 2018 was 35.8%); (iii) Navios Europe I and its subsidiaries (economic interest as of December 31, 2018 was 47.5%); (iv) Navios Europe II and its subsidiaries (economic interest as of December 31, 2018 was 47.5%); and (v) Navios Containers and its subsidiaries (economic interest as of November 30, 2018, date of obtaining control, was 3.7%).

***D. Property, plants and equipment***

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

**Item 4A. Unresolved Staff Comments**

None.

**Item 5. Operating and Financial Review and Prospects**

The following is a discussion of Navios Holdings' financial condition and results of operations for each of the fiscal years ended December 31, 2018, 2017 and 2016. Navios Holdings' financial statements have been prepared in accordance with U.S. GAAP. You should read this section together with the consolidated financial statements and the accompanying notes to those financial statements, which are included in this document.

This report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Reform Act of 1995. These forward-looking statements are based on Navios Holdings' current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward-looking statements contained in this report are those discussed under Risk Factors and Forward-Looking Statements .

**Overview**

Navios Holdings is a global, vertically integrated seaborne shipping, logistics company focused on the transport and transshipment of dry bulk commodities, including iron ore, coal and grain as well as containerships. Navios Holdings technically and commercially manages its owned fleet, Navios Acquisition's fleet, Navios Partners' fleet, Navios Europe I's fleet, Navios Europe II's fleet and Navios Containers' fleet, and commercially manages its chartered-in fleet.

Navios Logistics, a consolidated subsidiary of Navios Holdings, is one of the largest logistics companies in the Hidrovia region river system, the main navigable river system in the region, and on the cabotage trades along the eastern coast of South America, serving its customers in the Hidrovia region through three port storage and transfer facilities, one for agricultural, forest-related exports, one for mineral-related exports and the other for refined petroleum products. Navios Logistics complements its three port terminals with a diverse fleet of 336 barges and pushboats and eight vessels, including six oceangoing tankers, one bunker vessel and one river and estuary tanker to be delivered which operate in its cabotage business. Navios Holdings currently owns 63.8% of Navios Logistics.

Navios Containers, a consolidated subsidiary of Navios Holdings since November 30, 2018 (date of obtaining control), is a growth-oriented international owner and operator of containerships. Navios Containers was formed in April 2017 to take advantage of acquisition and chartering opportunities in the container shipping sector. As of December 31, 2018, Navios Holdings had a 3.7% ownership interest in Navios Containers.

On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. Navios G.P. L.L.C. ( General Partner ), a wholly owned subsidiary of Navios Holdings, was also formed on that date to act as the general partner of Navios Partners and received a 2.0% general partner interest in Navios Partners. Navios Partners is an affiliate and not consolidated under Navios Holdings.

On May 28, 2010, Navios Holdings acquired control over Navios Acquisition. As a result, Navios Holdings concluded a business combination had occurred and consolidated the results of Navios Acquisition from that date until March 30, 2011. From March 30, 2011, Navios Acquisition has been considered as an affiliate entity of Navios Holdings.

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On December 13, 2018, Navios Acquisition completed the Merger contemplated by the previously announced Merger Agreement, dated as of October 7, 2018, by and among Navios Acquisition, its Merger Sub, Navios Midstream and NAP General Partner. Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition. As of December 31, 2018, Navios Holdings' ownership of the outstanding voting stock of Navios Acquisition was 32.8% and its economic interest in Navios Acquisition was 35.8%.

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe I and have economic interests of 47.5%, 47.5% and 5.0%, respectively, and effective November 2014 voting interests of 50%, 50% and 0%, respectively.

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe II and have economic interests of 47.5%, 47.5% and 5.0%, respectively and voting interests of 50%, 50% and 0%, respectively.

## **Charter Policy and Industry Outlook**

Navios Holdings' policy has been to take a portfolio approach to managing operating risks. This policy may lead Navios Holdings to time charter-out many of the vessels that it is operating (i.e., vessels owned by Navios Holdings or which Navios Holdings has taken into its fleet under charters having a duration of more than 12 months) for long-term periods at fixed or floating rates to various shipping industry counterparties considered by Navios Holdings to have appropriate credit profiles. By doing this, Navios Holdings aims to lock in, subject to credit and operating risks, favorable forward revenue and cash flows, which it believes, will cushion it against unfavorable market conditions, when the Company deems necessary. In addition, Navios Holdings trades additional vessels taken in on shorter term charters of less than 12 months duration as well as voyage charters or COAs.

Generally, this chartering policy may have the effect of generating Time Charter Equivalents ( TCE ) that are higher than spot employment. The average daily charter-in vessel cost for the Navios Holdings long-term charter-in fleet (excluding vessels, which are utilized to serve voyage charters or COAs) was \$12,700 per day for the year ended December 31, 2018. The average long-term charter-in hire rate per vessel was included in the amount of long-term hire included elsewhere in this document and was computed by (a) multiplying (i) the daily charter-in rate for each vessel by (ii) the number of days each vessel is in operation for the year; (b) summing those individual multiplications; and (c) dividing such total by the total number of charter-in vessel days for the year. Furthermore, Navios Holdings has the ability to increase its owned fleet through purchase options exercisable in the future at favorable prices relative to the then-current market. Navios Holdings holds 22 purchase options, including the purchase options of the vessels under bareboat contracts, expected to be delivered through 2020.

Navios Holdings believes that a decrease in global commodity demand from its current level, and the delivery of dry bulk carrier new buildings into the world fleet, could have an adverse impact on future revenue and profitability. However, Navios Holdings believes that the operating cost advantage of its owned vessels and long-term chartered fleet will continue to help mitigate the impact of any declines in freight rates. A reduced freight rate environment also has an adverse impact on the value of Navios Holdings' owned fleet. In reaction to a decline in freight rates, available ship financing can also be negatively impacted.

Navios Logistics owns and operates vessels, barges and pushboats located mainly in Argentina, the largest independent bulk transfer and storage port facility in Uruguay, and an upriver liquid port facility located in Paraguay. Operating results for Navios Logistics are highly correlated to: (i) South American grain production and export, in particular Argentinean, Brazilian, Paraguayan, Uruguayan and Bolivian production and export; (ii) South American



iron ore production and export, mainly from Brazil; and (iii) sales (and logistic services) of petroleum products in the Argentine and Paraguayan markets. Navios Holdings believes that the continuing development of these businesses will foster throughput growth and therefore increase revenues at Navios Logistics. Should this development be delayed, grain harvests be reduced, or the market experience an overall decrease in the demand for grain or iron ore, the operations in Navios Logistics could be adversely affected.

Navios Containers policy has been to take a portfolio approach to managing operating risks. This policy may lead Navios Containers to time charter-out many or all of the vessels that it is operating (i.e., vessels owned by Navios Containers or which Navios Containers controls) for periods at fixed rates to various shipping industry counterparties considered by Navios Containers to have appropriate credit profiles. By doing this, Navios Containers aims to lock in, subject to credit and operating risks, favorable forward revenue and cash flows, which it believes, will cushion it against unfavorable market conditions, when Navios Containers deems necessary.

Navios Containers believes that a decrease in the global finished and semi-finished goods trades from its current level, and the delivery of containership new buildings into the world fleet, could have an adverse impact on future revenue and profitability. However, Navios Containers believes that the operating cost advantage of its owned vessels will continue to help mitigate the impact of any declines in time charter rates. A reduced time charter rate environment also has an adverse impact on the value of Navios Containers owned fleet. In reaction to a decline in time charter rates, available ship financing can also be negatively impacted.

**Table of Contents****Fleet**

The following is the current core fleet employment profile (excluding Navios Logistics and Navios Containers). The current core fleet consists of 61 vessels totaling 6.4 million deadweight tons and has an average age of 7.8 years, assuming basis delivered fleet. The employment profile of the fleet as of April 19, 2019 is reflected in the tables below. Navios Holdings has currently chartered-out 80.1% of available days for 2019, out of which 46.0% on fixed rate and 34.1% on index. Although the fees as presented below are based on contractual charter rates, any contract is subject to performance by the counterparties and us. Additionally, the level of these fees would decrease depending on the vessels' off-hire days to perform periodic maintenance.

**Owned Vessels**

| Vessels              | Type           | Built | DWT    | Charter-out Rate <sup>(1)</sup> | Profit Share  | Expiration Date <sup>(2)</sup> |
|----------------------|----------------|-------|--------|---------------------------------|---|--------------------------------|
| Navios Serenity      | Handysize      | 2011  | 34,690 | 9,263                           | No  | 08/2019                        |
| Navios Vector        | Ultra Handymax | 2002  | 50,296 | 9,738                           | No  | 04/2019                        |
| Navios Mercator      | Ultra Handymax | 2002  | 53,553 | 5,700                           | No  | 05/2019                        |
| Navios Arc           | Ultra Handymax | 2003  | 53,514 | 10,450                          | No  | 06/2019                        |
| Navios Hios          | Ultra Handymax | 2003  | 55,180 | 10,450                          | No  | 04/2019                        |
| Navios Kypros        | Ultra Handymax | 2003  | 55,222 | 8,281                           | No  | 04/2019                        |
|                      |                |       |        |                                 | 100% of average Baltic Supramax 58 10 TC Index Routes | 09/2019                        |
| Navios Astra         | Ultra Handymax | 2006  | 53,468 | 10,213                          | No  | 09/2019                        |
| Navios Primavera     | Ultra Handymax | 2007  | 53,464 | 7,030                           | No  | 04/2019                        |
| Navios Ulysses       | Ultra Handymax | 2007  | 55,728 | 8,449                           | No  | 04/2019                        |
|                      |                |       |        |                                 | 100% of average Baltic Supramax 58 10 TC Index Routes | 08/2019                        |
| Navios Celestial     | Ultra Handymax | 2009  | 58,063 | 8,315                           | No  | 04/2019                        |
|                      |                |       |        |                                 | 100% of average Baltic Supramax 58 10 TC Index Routes | 08/2019                        |
| Navios Vega          | Ultra Handymax | 2009  | 58,792 | 10,688                          | No  | 04/2019                        |
| Navios Star          | Panamax        | 2002  | 76,662 | 9,529                           | No  | 06/2019                        |
|                      |                |       |        |                                 | 99% of average Baltic Panamax Index 4TC Routes        | 04/2020                        |
| Navios Northern Star | Panamax        | 2005  | 75,395 |                                 | 100% of average Baltic Panamax Index 4TC Routes       | 03/2021                        |

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|                  |         |      |        |        |   |         |
|------------------|---------|------|--------|--------|---|---------|
| Navios Amitie    | Panamax | 2005 | 75,395 | 8,951  | No  | 06/2019 |
|                  |         |      |        |        | 100% of average Baltic Panamax Index 4TC Routes | 12/2020 |
| Navios Taurus    | Panamax | 2005 | 76,596 | 9,384  | No  | 06/2019 |
|                  |         |      |        | 10,347 | No  | 09/2019 |
|                  |         |      |        | 11,309 | No  | 12/2019 |
|                  |         |      |        |        | 100% of average Baltic Panamax Index 4TC Routes | 07/2020 |
| Navios Asteriks  | Panamax | 2005 | 76,801 | 9,144  | No  | 06/2019 |
|                  |         |      |        | 10,010 | No  | 09/2019 |
|                  |         |      |        |        | 100% of average Baltic Panamax Index 4TC Routes | 12/2020 |
| N Amalthia       | Panamax | 2006 | 75,318 | 9,625  | No  | 06/2019 |
|                  |         |      |        | 10,636 | No  | 09/2019 |
|                  |         |      |        |        | 100% of average Baltic Panamax Index 4TC Routes | 01/2021 |
| Navios Galileo   | Panamax | 2006 | 76,596 | 8,951  | No  | 06/2019 |
|                  |         |      |        |        | 100% of average Baltic Panamax Index 4TC Routes | 01/2021 |
| N Bonanza        | Panamax | 2006 | 76,596 | 9,625  | No  | 06/2019 |
|                  |         |      |        | 10,684 | No  | 09/2019 |
|                  |         |      |        |        | 100% of average Baltic Panamax Index 4TC Routes | 12/2020 |
| Navios Avior     | Panamax | 2012 | 81,355 | 12,113 | No  | 06/2019 |
| Navios Centaurus | Panamax | 2012 | 81,472 | 9,928  | No  | 06/2019 |
|                  |         |      |        | 10,973 | No  | 09/2019 |
|                  |         |      |        |        | 111% of average Baltic Panamax Index 4TC Routes | 12/2019 |

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| <b>Vessels</b>         | <b>Type</b> | <b>Built</b> | <b>DWT</b> | <b>Charter-out Rate (1)</b> | <b>Profit Share</b>                                       | <b>Expiration Date (2)</b> |
|------------------------|-------------|--------------|------------|-----------------------------|---|----------------------------|
| Navios Equator Prosper | Capesize    | 2000         | 171,191    | 4,057                       | No  | 04/2019                    |
| Navios Stellar         | Capesize    | 2009         | 169,001    |                             | 102% Weighted Average Baltic Capesize 5TC Index Routes    | 01/2020                    |
| Navios Bonavis         | Capesize    | 2009         | 180,022    | 4,666                       | No  | 05/2019                    |
|                        |             |              |            |                             | 102% Weighted Average Baltic Capesize 5TC Index Routes    | 08/2019                    |
| Navios Happiness       | Capesize    | 2009         | 180,022    |                             | 102% Weighted Average Baltic Capesize 5TC Index Routes    | 05/2019                    |
|                        |             |              |            |                             | 100.5% Weighted Average Baltic Capesize 5TC Index Routes  | 03/2021                    |
| Navios Phoenix         | Capesize    | 2009         | 180,242    | 16,424                      | No  | 12/2019                    |
| Navios Lumen           | Capesize    | 2009         | 180,661    |                             | 100% Weighted Average Baltic Capesize 5TC Index Routes    | 06/2019                    |
|                        |             |              |            | 12,588                      |   | 09/2019                    |
|                        |             |              |            | 15,913                      | No  | 12/2019                    |
| Navios Antares         | Capesize    | 2010         | 169,059    |                             | No  | 01/2020                    |
|                        |             |              |            |                             | 102% Weighted Average Baltic Capesize 5TC Index Routes    |                            |
| Navios Etoile          | Capesize    | 2010         | 179,234    |                             | 100.25% Weighted Average Baltic Capesize 5TC Index Routes | 12/2019                    |
| Navios Bonheur         | Capesize    | 2010         | 179,259    | 4,598                       | No  | 05/2019                    |
|                        |             |              |            |                             | 101.5% Weighted Average Baltic Capesize 5TC Index Routes  | 08/2019                    |
| Navios Altamira        | Capesize    | 2011         | 179,165    | 14,825                      | No  | 12/2019                    |
| Navios Azimuth         | Capesize    | 2011         | 179,169    | 15,628                      | No  | 10/2019                    |

|            |          |      |         |        |    |         |
|------------|----------|------|---------|--------|----|---------|
| Navios Ray | Capesize | 2012 | 179,515 | 19,570 | No | 06/2019 |
| Navios Gem | Capesize | 2014 | 181,336 | 17,480 | No | 12/2019 |

**Long-term Chartered-in Vessels**

The average daily charter-in rate for the active long-term charter-in vessels (excluding vessels which are utilized to fulfill COAs) for 2019 is estimated at \$13,811/day. We estimate the days of the long-term charter-in vessels (excluding vessels which are utilized to fulfill COAs) for 2019 are 7,485 days.

| Vessels              | Type           | Built | DWT    | Purchase Option <sup>(3)</sup> | Charter-out Rate <sup>(1)</sup> | Expiration Date <sup>(2)</sup> |
|----------------------|----------------|-------|--------|--------------------------------|---------------------------------|--------------------------------|
| Navios Lyra          | Handysize      | 2012  | 34,718 | Yes <sup>(4)</sup>             | 8,788                           | 07/2019                        |
| Navios Mercury       | Ultra Handymax | 2013  | 61,393 | Yes                            | 9,275                           | 04/2019                        |
|                      |                |       |        |                                | <sup>(5)</sup>                  | 09/2019                        |
| Navios Venus         | Ultra Handymax | 2015  | 61,339 | Yes                            | 9,094                           | 05/2019                        |
|                      |                |       |        |                                | <sup>(6)</sup>                  | 09/2019                        |
| Navios Marco Polo    | Panamax        | 2011  | 80,647 | Yes                            | 9,013                           | 04/2019                        |
|                      |                |       |        |                                | <sup>(7)</sup>                  | 08/2020                        |
| Navios Southern Star | Panamax        | 2013  | 82,224 | Yes                            | 11,171                          | 04/2019                        |
|                      |                |       |        |                                | <sup>(8)</sup>                  | 02/2020                        |
| Sea Victory          | Panamax        | 2014  | 77,095 | Yes                            | 10,780                          | 05/2019                        |

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|                  |          |      |         |                    |          |         |
|------------------|----------|------|---------|--------------------|----------|---------|
| Elsa S           | Panamax  | 2015 | 80,954  | No                 | 9,048    | 06/2019 |
|                  |          |      |         |                    | (9)      | 01/2021 |
| Navios Amber     | Panamax  | 2015 | 80,994  | Yes                | 8,831    | 05/2019 |
|                  |          |      |         |                    | (9)      | 03/2021 |
| Navios Sky       | Panamax  | 2015 | 82,056  | Yes                | 8,447    | 04/2019 |
|                  |          |      |         |                    | (10)     | 03/2021 |
| Navios Coral     | Panamax  | 2016 | 84,904  | Yes                | 9,193    | 04/2019 |
|                  |          |      |         |                    | (11)     | 09/2020 |
| Navios Citrine   | Panamax  | 2017 | 81,626  | Yes                | 9,500    | 04/2019 |
|                  |          |      |         |                    |          | 04/2020 |
|                  |          |      |         |                    | (12)(11) | 12/2020 |
| Navios Dolphin   | Panamax  | 2017 | 81,630  | Yes                | 10,132   | 04/2019 |
|                  |          |      |         |                    |          | 05/2020 |
|                  |          |      |         |                    | (12)(11) | 11/2020 |
| Mont Blanc Hawk  | Panamax  | 2017 | 81,638  | No                 | 9,324    | 04/2019 |
|                  |          |      |         |                    | (9)      | 04/2021 |
| Cassiopeia Ocean | Panamax  | 2018 | 82,069  | No                 | 10,405   | 06/2019 |
|                  |          |      |         |                    | 11,069   | 09/2019 |
|                  |          |      |         |                    | (9)      | 07/2021 |
| Navios Gemini    | Panamax  | 2018 | 81,704  | No <sup>(17)</sup> | 14,393   | 09/2020 |
| Navios Horizon I | Panamax  | 2019 | 81,692  | No <sup>(17)</sup> | 8,550    | 06/2019 |
|                  |          |      |         |                    | 11,400   | 09/2019 |
|                  |          |      |         |                    | 12,198   | 12/2019 |
|                  |          |      |         |                    | (11)     | 09/2021 |
| King Ore         | Capesize | 2010 | 176,800 | Yes                |          |         |
| Navios Koyo      | Capesize | 2011 | 181,415 | Yes                | (13)     | 12/2019 |
| Navios Obeliks   | Capesize | 2012 | 181,415 | Yes                |          |         |
| Dream Canary     | Capesize | 2015 | 180,528 | Yes                | (14)     | 12/2020 |
| Dream Coral      | Capesize | 2015 | 181,249 | Yes                | 5,581    | 05/2019 |
|                  |          |      |         |                    |          | 06/2019 |
|                  |          |      |         |                    | 16,625   | 12/2019 |

|              |          |      |         |     |          |         |
|--------------|----------|------|---------|-----|----------|---------|
|              |          |      |         |     | (15)(15) | 10/2020 |
| Navios Felix | Capesize | 2016 | 181,221 | Yes | (16)     | 12/2019 |

**Long-term Bareboat Chartered-in Fleet to be delivered**

| <b>Vessels</b>     | <b>Type</b> | <b>Delivery Date</b> | <b>DWT</b> | <b>Purchase Option <sup>(3)</sup></b> | <b>Expiration Date</b> |
|--------------------|-------------|----------------------|------------|---------------------------------------|------------------------|
| Navios Herakles I  | Panamax     | Q3 2019              | 81,000     | Yes                                   | Q2 2029                |
| Navios Felicity I  | Panamax     | Q4 2019              | 81,000     | Yes                                   | Q4 2029                |
| Navios Uranus      | Panamax     | Q4 2019              | 81,600     | Yes                                   | Q4 2029                |
| Navios Galaxy II   | Panamax     | Q1 2020              | 81,600     | Yes                                   | Q4 2029                |
| Navios Magellan II | Panamax     | Q2 2020              | 81,000     | Yes                                   | Q1 2030                |

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- (1) Daily rate net of commissions.
- (2) Expected redelivery basis midpoint of full redelivery period.
- (3) Generally, Navios Holdings may exercise its purchase option after three to five years of service.
- (4) Navios Holdings holds the initial 50% purchase option on the vessel.
- (5) 110% to 112% of average Baltic Supramax 58 10TC Index Routes.
- (6) 110% of average Baltic Supramax 58 10TC Index Routes.
- (7) 112% of average Baltic Panamax 4TC Index Routes.
- (8) 133.75% of average Baltic Panamax 4TC Index Routes.
- (9) 115% of average Baltic Panamax 4TC Index Routes.
- (10) 113% of average Baltic Panamax 4TC Index Routes.
- (11) 120% of average Baltic Panamax 4TC Index Routes.
- (12) 134% of average Baltic Panamax 4TC Index Routes.
- (13) 110% of average Baltic Capesize 5TC Index Routes.
- (14) 120% of average Baltic Capesize 5TC Index Routes.
- (15) 122% of average Baltic Capesize 5TC Index Routes.
- (16) 118% of average Baltic Capesize 5TC Index Routes.
- (17) Navios Holdings has the right of first refusal and profit sharing on sale of vessel.

**Recent Developments***Navios Logistics Credit Facility*

On April 25, 2019, Navios Holdings entered into a secured credit facility of \$50.0 million with Navios Logistics to be used for general corporate purposes, including the repurchase of 2022 Notes. This credit facility is secured by (i) any 2022 Notes purchased by Navios Holdings with these funds and (ii) equity interests in five subsidiaries of the Company that have entered into certain bareboat contracts. Each such bareboat contract has a ten-year term for a newbuilding bulk carrier and an option to acquire the related vessel. The credit facility is available in multiple drawings, has an arrangement fee of \$0.5 million, a fixed interest rate of 12.75% for the first year and a fixed interest rate of 14.75% for the second year, payable annually. The secured credit facility includes negative covenants substantially similar to the 2022 Notes and customary events of default. The credit facility matures in April 2021. As of April 25, 2019, \$19.0 million was drawn under this facility of which \$18.7 million was used to acquire the 2022 Notes from Navios Logistics. During March 2019 and as of April 15, 2019, Navios Logistics purchased \$35.5 million of the 2022 Notes from unaffiliated third parties in open market transactions for \$17.6 million plus accrued interest.

*Fleet Update*

On April 23, 2019, Navios Containers took delivery of a 2011-built 10,000 TEU containership from an unrelated third party for a purchase price of \$52.5 million. The acquisition of the containership was financed with a: (i) loan of up to \$31.1 million from a commercial bank; (ii) \$15.0 million credit by the seller; and (iii) cash on balance sheet.

In March 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Meridian, a 2002-built Ultra Handymax vessel of 50,316 dwt, for a total net sale price of \$6.8 million, paid in cash. The loss due to sale amounted to \$5.5 million.

In February 2019, Navios Containers announced the exercise of an option to acquire a 2011-built 10,000 TEU containership from an unrelated third party for a purchase price of \$52.5 million. The acquisition of the containership will be financed with a: (i) loan of up to \$31.8 million from a commercial bank; (ii) \$5.0 million credit by the seller; and (iii) cash on balance sheet. The containership is expected to be delivered to Navios Containers' owned fleet in the third quarter of 2019.



*Series G and Series H Exchange Offer*

On December 21, 2018, Navios Holdings announced that it commenced an offer to exchange cash and/or newly issued 2024 Notes for approximately 66 2/3% of each of the outstanding Series G Depositary Shares and Series H Depositary Shares (the Exchange Offer). As of March 21, 2019, a total of 10,930 Series H were validly tendered in exchange for a total of approximately \$4.2 million cash consideration and a total of approximately \$4.7 million in aggregate principal amount of 2024 Notes. As of April 18, 2019, a total of 8,841 Series G were validly tendered in exchange for a total of approximately \$4.4 million cash consideration and a total of approximately \$3.9 million in aggregate principal amount of 2024 Notes.

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**Table of Contents***Navios Revolving Loans I*

In February 2019, Navios Holdings funded with \$4.0 million Navios Europe I under Navios Revolving Loans I.

*Reverse Stock Split*

On December 21, 2018, the Navios Holdings common stockholders approved a one-for-ten reverse stock split of the Company's outstanding shares of common stock (the Reverse Stock Split), in order to achieve compliance with the NYSE's continued listing standards. The Reverse Stock Split was effective since January 3, 2019 and the common stock commenced trading on that date on a split-adjusted basis. As a result of the Reverse Stock Split, every ten shares of issued and outstanding common stock were combined into one issued and outstanding share of common stock, without any change in authorized shares or the par value per share. All issued and outstanding shares of common stock, redemption and conversion terms of preferred stock, options to purchase common stock and per share amounts contained in the consolidated financial statements have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented.

*Navios Containers Repurchase Program*

In March 2019, the Board of Directors of Navios Containers authorized a unit repurchase program for up to \$10.0 million of Navios Containers common units over a one-year period. Common unit repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. The timing and amount of repurchases under the program will be determined by Navios Containers management based upon market conditions and other factors. Repurchases may be made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. The program does not require any minimum repurchase or any specific number of units of common equity and may be suspended or reinstated at any time in Navios Containers' discretion and without notice. The Board of Directors of Navios Containers will review the program periodically. As of the date of this report, Navios Containers has not yet purchased any units under this program.

**A. Operating Results****Factors Affecting Navios Holdings Results of Operations:**

Navios Holdings actively manages the risk in its operations by: (i) operating the vessels in its fleet in accordance with all applicable international standards of safety and technical ship management; (ii) enhancing vessel utilization and profitability through an appropriate mix of long-term charters complemented by spot charters (time charters for short-term employment) and COAs; (iii) monitoring the financial impact of corporate exposure from physical transactions; (iv) monitoring market and counterparty credit risk limits; (v) adhering to risk management and operation policies and procedures; and (vi) requiring counterparty credit approvals.

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

*Market Exposure:* Navios Holdings manages the size and composition of its fleet by seeking a mix between chartering and owning vessels in order to adjust to anticipated changes in market rates. Navios Holdings aims to achieve an appropriate balance between owned vessels and long and short-term chartered-in vessels

and controls approximately 6.4 million dwt in dry bulk tonnage. Navios Holdings' options to extend the charter duration of vessels it has under long-term time charter (durations of over 12 months) and its purchase options on chartered vessels permit Navios Holdings to adjust the cost and the fleet size to correspond to market conditions.

*Available days:* Available days are the total number of days a vessel is controlled by a company less the aggregate number of days that the vessel is off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and ballast days relating to voyages. 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 are the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including lack of demand or unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

*Fleet utilization:* Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

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*TCE rates:* TCE rates are defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period. The TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts, while charter hire rates for vessels on time charters generally are expressed in such amounts.

*Equivalent vessels:* Equivalent vessels are defined as the available days of the fleet divided by the number of the calendar days in the period.

### **Voyage and Time Charter**

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

the duration of the charters;

the level of spot market rates at the time of charters;

decisions relating to vessel acquisitions and disposals;

the amount of time spent positioning vessels;

the amount of time that vessels spend in drydock undergoing repairs and upgrades;

the age, condition and specifications of the vessels; and

the aggregate level of supply and demand in the dry bulk shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to a long-term period which may be many years. Under a time charter, owners assume no risk for finding business and obtaining and paying for fuel or other expenses related to the voyage, such as port entry fees. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue. Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. Vessel charter rates are affected by world economics, international events, weather conditions, labor strikes, governmental policies, supply and demand, and many other factors that might be beyond the control of management.

Consistent with industry practice, Navios Holdings uses TCE rates, 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 rate also serves as an industry standard for measuring revenue and comparing results between geographical regions and among competitors.

The cost to maintain and operate a vessel increases with the age of the vessel. Older vessels are less fuel efficient, cost more to insure and require upgrades from time to time to comply with new regulations. The average age of Navios Holdings' owned core fleet is 7.8 years, basis fully delivered fleet. However, as such fleet ages or if Navios Holdings expands its fleet by acquiring previously owned and older vessels, the cost per vessel would be expected to rise and, assuming all else, including rates, remains constant, vessel profitability would be expected to decrease.

**Table of Contents****Statement of Operations Breakdown by Segment**

Navios Holdings reports financial information and evaluates its operations by charter revenues and not by vessel type, length of ship employment, customers or type of charter. Navios Holdings does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for each type of charters, management does not identify expenses, profitability or other financial information on a charter-by-charter or type of charter basis. The reportable segments reflect the internal organization of the Company and are strategic businesses that offer different products and services. The Company currently has three reportable segments: the Dry Bulk Vessel Operations, the Logistics Business and the Containers Business. The Dry Bulk Vessel Operations segment consists of the transportation and handling of bulk cargoes through the ownership, operation, and trading of vessels and freight. The Logistics Business segment consists of port terminal business, barge business and cabotage business in the Hidrovia region of South America. Navios Holdings measures segment performance based on net income attributable to Navios Holdings' common stockholders. The Containers Business is a new reportable segment for the year ended December 31, 2018 as a result of the consolidation of Navios Containers since November 30, 2018 (date of obtaining control).

For further segment information, please see Note 19 to the Consolidated Financial Statements included elsewhere in this Annual Report.

**Period over Period Comparisons****For the year ended December 31, 2018 compared to the year ended December 31, 2017**

The following table presents consolidated revenue and expense information for each of the years ended December 31, 2018 and 2017, respectively. This information was derived from the audited consolidated revenue and expense accounts of Navios Holdings for each of the years ended December 31, 2018 and 2017.

| <b>(In thousands of U.S. dollars)</b>                                | <b>Year Ended<br/>December 31,<br/>2018</b> | <b>Year Ended<br/>December 31,<br/>2017</b> |
|--|---|---|
| Revenue  | \$ 517,739                                  | \$ 463,049                                  |
| Administrative fee revenue from affiliates                           | 28,393                                      | 23,667                                      |
| Time charter, voyage and logistics business expenses                 | (206,333)                                   | (213,929)                                   |
| Direct vessel expenses   | (101,543)                                   | (116,713)                                   |
| General and administrative expenses incurred on behalf of affiliates | (28,393)                                    | (23,667)                                    |
| General and administrative expenses                                  | (27,513)                                    | (27,521)                                    |
| Depreciation and amortization  | (102,839)                                   | (104,112)                                   |
| Provision for losses on accounts receivable                          | (575)                                       | (269)                                       |
| Interest income  | 8,748                                       | 6,831                                       |
| Interest expense and finance cost                                    | (139,120)                                   | (121,611)                                   |
| Impairment losses  | (200,657)                                   | (50,565)                                    |
| Bargain gain upon obtaining control                                  | 58,313                                      |   |
| Gain/(loss) on bond and debt extinguishment                          | 6,464                                       | (981)                                       |
| Gain on sale of assets   | 28  | 1,064                                       |

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|   |                     |                     |
|---|---------------------|---------------------|
| Other income  | 14,582              | 6,140               |
| Other expense   | (13,708)            | (13,761)            |
| <b>Loss before equity in net earnings of affiliated companies</b>   | <b>\$ (186,414)</b> | <b>\$ (172,378)</b> |
| Equity in net (losses)/earnings of affiliated companies             | (80,205)            | 4,399               |
| <b>Loss before taxes</b>  | <b>\$ (266,619)</b> | <b>\$ (167,979)</b> |
| Income tax benefit/(expense)  | 1,108               | 3,192               |
| <b>Net loss</b>   | <b>\$ (265,511)</b> | <b>\$ (164,787)</b> |
| Less: Net income attributable to the noncontrolling interest        | (3,207)             | (1,123)             |
| <b>Net loss attributable to Navios Holdings common stockholders</b> | <b>\$ (268,718)</b> | <b>\$ (165,910)</b> |

Set forth below are selected historical and statistical data for the dry bulk vessel operations segment for each of the years ended December 31, 2018 and 2017 that the Company believes may be useful in better understanding the Company's financial position and results of operations.

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|                              | <b>Year Ended<br/>December 31,</b> |             |
|------------------------------|------------------------------------|-------------|
|                              | <b>2018</b>                        | <b>2017</b> |
| <b>FLEET DATA</b>            |                                    |             |
| Available days               | 22,938                             | 23,433      |
| Operating days               | 22,855                             | 23,359      |
| Fleet utilization            | 99.6%                              | 99.7%       |
| Equivalent vessels           | 63                                 | 64          |
| <b>AVERAGE DAILY RESULTS</b> |                                    |             |
| TCE                          | \$ 12,534                          | \$ 9,705    |

During the year ended December 31, 2018, there were 495 less available days as compared to 2017, mainly due to (i) a decrease in available days for owned vessels by 864 days following the sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles, Navios Horizon and Navios Ionian; and (ii) a decrease in short-term charter-in fleet available days by 57 days. This overall decrease was partially mitigated by an increase in long-term charter-in fleet available days by 426 days.

The average TCE rate for the year ended December 31, 2018 was \$12,534 per day, \$2,829 per day higher than the rate achieved in 2017, mainly due to the improved freight and time charter market.

**Revenue:** Revenue from dry bulk vessel operations for the year ended December 31, 2018 was \$298.1 million as compared to \$250.4 million for the same period during 2017. The increase in dry bulk revenue was mainly attributable to the increase in TCE per day by 29.1% or \$2,829 to \$12,534 per day in the year ended December 31, 2018, as compared to \$9,705 per day in the same period in 2017.

Revenue from the Logistics Business was \$207.6 million for the year ended December 31, 2018 as compared to \$212.6 million for the year ended December 31, 2017. The decrease of \$5.0 million was mainly attributable to (i) a \$13.2 million decrease in the barge business, mainly due to lower liquid cargo transportation; (ii) a \$5.0 million decrease in the cabotage business mainly attributable to lower rates achieved; and (iii) a \$0.1 million decrease in sales of products mainly due to a decrease in volume of the products sold at the Paraguayan liquid port terminal. The overall decrease was partially mitigated by (i) a \$13.3 million increase in the port terminal business mainly attributable to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017; and (ii) a \$2.5 million increase in sales of products, mainly attributable to the commencement of operations at the new iron ore terminal.

Revenue from the Containers Business was \$12.1 million for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

**Administrative Fee Revenue from Affiliates:** Administrative fee revenue from affiliates increased by \$4.7 million, or 19.8%, to \$28.4 million for the year ended December 31, 2018, as compared to \$23.7 million for the year ended December 31, 2017. See general and administrative expenses incurred on behalf of affiliates and general and administrative expenses discussion below.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and Logistics Business expenses decreased by \$7.6 million or 3.6% to \$206.3 million for the year ended December 31, 2018, as compared to \$213.9 million for the year ended December 31, 2017.

Time charter and voyage expenses from dry bulk operations decreased by \$7.0 million, or 4.7%, to \$142.6 million for the year ended December 31, 2018, as compared to \$149.6 million for the year ended December 31, 2017. This was



primarily due to (i) a decrease in off hire and fuel expenses by \$7.7 million; (ii) a decrease in port expenses by \$3.1 million; and (iii) a decrease in other voyage expenses by \$1.6 million. The overall decrease was partially mitigated by an increase in charter-in expenses by \$5.4 million, mainly due to an increase in charter-in available days in 2018, as compared to the same period in 2017.

Of the total expenses for the years ended December 31, 2018 and 2017, \$63.2 million and \$64.3 million, respectively, related to Navios Logistics. The decrease of \$1.1 million in time charter, voyage and Logistics Business was mainly due to (i) a \$1.8 million decrease in barge business mainly attributable to the reduced number of voyages; and (ii) a \$0.3 million decrease in cabotage business mainly attributable to the decreased voyage expenses. The overall decrease was partially mitigated by (i) a \$0.4 million increase in the port terminal business mainly attributable to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017; and (ii) a \$0.6 million increase in cost of products sold mainly attributable to an increase in the price of the products sold at the Paraguayan liquid port terminal.

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Time charter and voyage expenses from Containers Business was \$0.5 million for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

**Direct Vessel Expenses:** Direct vessel expenses decreased by \$15.2 million, or 13.0%, to \$101.5 million for the year ended December 31, 2018, as compared to \$116.7 million for the year ended December 31, 2017. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs.

Direct vessel expenses from dry bulk operations decreased by \$6.1 million, or 13.2%, to \$40.1 million for the year ended December 31, 2018, as compared to \$46.2 million for the year ended December 31, 2017. This decrease was mainly attributable to (i) a decrease in operating days of the owned vessels mainly due to the sale of the Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles, Navios Horizon and Navios Ionian; (ii) a decrease in crew related costs; (iii) a decrease in sundry general expenses; and (iv) a decrease in insurance costs.

Of the total amounts of direct vessel expenses for the years ended December 31, 2018 and 2017, \$56.2 million and \$70.5 million, respectively, related to the Logistics Business. The decrease of \$14.3 million in direct vessel expenses was mainly due to (i) a \$8.9 million decrease in cabotage business mainly attributable to a decrease in the Argentinean crew costs; (ii) a \$4.7 million decrease in barge business mainly attributable to decreased crew costs; and (iii) a \$0.7 million decrease in amortization of deferred drydock and special survey costs of Navios Logistics fleet.

Direct vessel expenses from Containers Business was \$5.3 million for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

**General and Administrative Expenses Incurred on Behalf of Affiliates:** General and administrative expenses incurred on behalf of affiliates increased by \$4.7 million, or 19.8%, to \$28.4 million for the year ended December 31, 2018, as compared to \$23.7 million for the year ended December 31, 2017. See general and administrative expenses discussion below.

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

| <b>(in thousands of U.S. dollars)</b>                                | <b>Year Ended<br/>December 31,<br/>2018</b> | <b>Year Ended<br/>December 31,<br/>2017</b> |
|--|---|---|
| Administrative fee revenue from affiliates                           | \$ (28,393)                                 | \$ (23,667)                                 |
| General and administrative expenses incurred on behalf of affiliates | 28,393                                      | 23,667                                      |
| General and administrative expenses                                  | 27,513                                      | 27,521                                      |
|  | <b>Year Ended<br/>December 31,<br/>2018</b> | <b>Year Ended<br/>December 31,<br/>2017</b> |
| Dry bulk Vessel Operations   | \$ 11,576                                   | \$ 10,856                                   |
| Logistics Business   | 15,064                                      | 16,665                                      |
| Containers Business  | 873   |   |

|  |                  |                  |
|--|------------------|------------------|
| <b>General and administrative expenses</b> | <b>\$ 27,513</b> | <b>\$ 27,521</b> |
|--|------------------|------------------|

General and administrative expenses remained stable at \$27.5 million for the years ended December 31, 2018 and December 31, 2017.

**Depreciation and Amortization:** For the year ended December 31, 2018, depreciation and amortization decreased by \$1.3 million to \$102.8 million, as compared to \$104.1 million for the year ended December 31, 2017.

Depreciation expenses related to Dry Bulk Vessel Operations decreased by \$6.1 million, or 8.3 %, to \$67.7 million for the year ended December 31, 2018, as compared to \$73.8 million for the year ended December 31, 2017. This decrease was primarily due to (i) the sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles, Navios Horizon and Navios Ionian; and (ii) the impairment loss recognized in the fourth quarter of 2017 for one of the Company's vessels; partially mitigated by the acquisition of Navios Primavera and Navios Equator Prosper. Amortization expenses related to dry bulk operations decreased by \$0.6 million, or 17.6%, to \$2.8 million for the year ended December 31, 2018, as compared to \$3.4 million for the year ended December 31, 2017. This decrease was mainly due to early redelivery of one vessel in the third quarter of 2016, resulting in the subsequent write-off of the related purchase option and the favorable lease balance.

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Of the total amount of depreciation and amortization for the year ended December 31, 2018 and 2017, \$29.3 million and \$26.9 million, respectively, related to Navios Logistics. The increase in depreciation and amortization of the Logistics Business was mainly due to (i) a \$2.1 million increase in the depreciation of port terminal business mainly due to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017; (ii) a \$1.2 million increase in the depreciation of barge business mainly due to the commencement of operations of the three new pushboats; and (iii) a \$0.3 million increase in the amortization of intangibles assets in the port terminal business. The overall increase was partially mitigated by a \$1.1 million decrease in the amortization of intangibles assets in the barge business.

Depreciation and amortization expenses related to Containers Business was \$3.1 million for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

***Provision for Losses on Accounts Receivable:*** For the year ended December 31, 2018, provision for losses on accounts receivable increased by \$0.3 million to \$0.6 million, as compared to \$0.3 million for the year ended December 31, 2017. The increase was mainly attributable to \$0.8 million decrease in recovery of bad debt provisions in the Dry Bulk Vessel Operations. This overall increase was partially mitigated by a \$0.5 million decrease in the provision for losses in the Logistics Business.

***Interest Income:*** Interest income increased by \$1.9 million to \$8.7 million for the year ended December 31, 2018, as compared to \$6.8 million for the same period in 2017, mainly due to (i) a \$1.6 million increase in interest income of the Dry Bulk Vessel Operations, mainly due to higher interest income from loans provided to Navios Europe I and Navios Europe II and the amortization of the premium from the transfer of Navios Holdings' participation in the Navios Revolving Loans I (as defined herein) to Navios Partners in March 2017; and (ii) a \$0.3 million increase in interest income of Logistics Business mainly due to higher income from short-term deposits.

***Interest Expense and Finance Cost:*** Interest expense and finance cost for the year ended December 31, 2018 increased by \$17.5 million, or 14.4%, to \$139.1 million, as compared to \$121.6 million in the same period of 2017. This increase was due to (i) a \$11.4 million increase in interest expense and finance cost of the Logistics Business mainly attributable to the increased amount of debt drawn during the period and the reduced amount of capitalized interest, following the completion of the new iron ore terminal, during the year ended December 31, 2017 and the delivery of the three new pushboats in the first quarter of 2018; (ii) a \$4.9 million increase in interest expense and finance cost of the Dry Bulk Vessel Operations, mainly attributable to increase in interest expense and finance costs related to 2022 Senior Secured Notes entered into in November 2017, the full repayment of the Navios Acquisition Loan, 2019 Notes (as defined herein) and the repurchase of the 2022 Notes (as defined herein); and (iii) \$1.2 million interest expense and finance cost of Containers Business for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

***Impairment Losses:*** For the year ended December 31, 2018, impairment losses recognized increased by \$150.1 million to \$200.7 million, as compared to \$50.6 million for the year ended December 31, 2017. During the year ended December 31, 2018, the Company recognized (i) impairment losses of \$179.2 million for four of the Company's vessels; and (ii) impairment losses of \$21.5 million relating to the sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles and Navios Herakles. During the year ended December 31, 2017, the Company recognized (i) an impairment loss of \$32.9 million for one of the Company's vessels; (ii) impairment losses of \$14.2 million relating to the sale of Navios Ionian and Navios Horizon; and (iii) an impairment loss of \$3.4 million relating to a favorable lease term considered as impaired and written off.

***Gain on Bond and Debt Extinguishment:*** During year ended December 31, 2018, the Company repurchased \$35.7 million of its 2022 Notes (as defined herein) for a cash consideration of \$28.8 million resulting in a gain on

bond extinguishment of \$6.5 million, net of deferred fees written-off. During year ended December 31, 2017, the Company refinanced one of its secured credit facilities and a benefit to nominal value of \$1.7 million was achieved. During November 2017, the Company refinanced its 2019 Notes resulting in a loss on bond extinguishment of \$2.7 million.

***Gain on Sale of Assets:*** Gain on sale of assets amounted to \$1.1 million for the year ended December 31, 2017, mainly attributable to the sale of two self-propelled barges of the Logistics Business.

***Bargain Gain upon Obtaining Control:*** The excess of the fair value of Navios Containers identifiable net assets upon obtaining control of \$229.9 million over the total fair value of Navios Containers total shares outstanding as of November 30, 2018 (date of obtaining control) of \$171.7 million, resulted in a bargain gain upon obtaining control in the amount of \$58.1 million as of December 31, 2018. Please refer to Note 3 to the Consolidated Financial Statements included herein.

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**Other Income:** Other income increased by \$8.5 million to \$14.6 million for the year ended December 31, 2018, as compared to \$6.1 million for the year ended December 31, 2017. The increase was due to (i) a \$8.0 million increase in other income of the Logistics Business; (ii) a \$0.4 million increase in other income of Dry Bulk Vessels Operations; and (iii) \$0.1 million other income of Containers Business for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

The increase in other income of the Dry Bulk Vessels Operations is mainly due to a \$0.9 million gain from sale of our investment in Acropolis on December 6, 2018; partially mitigated by \$0.5 million decrease in miscellaneous other income.

The increase in other income of the Logistics Business was mainly due to (i) a \$9.2 million increase in other income mainly due to the insurance claim related to the fire incident at the iron ore port terminal; and (ii) a \$2.0 million decrease in taxes other than income taxes, partially mitigated by (i) a 2.1 million decrease in other income; and (ii) a \$1.1 million decrease due to the income recorded from an arbitration award in 2017.

**Other Expense:** Other expense decreased by \$0.1 million to \$13.7 million for the year ended December 31, 2018, as compared to \$13.8 million for the year ended December 31, 2017. This decrease was due to a \$0.7 million decrease in other expense of Dry Bulk Vessels Operations, partially mitigated by (i) \$0.4 million other expense of the Containers Business for the period from November 30, 2018 (date of obtaining control) to December 31, 2018; and (ii) a \$0.2 million increase in other expense of the Logistics Business.

The increase in other expense of Dry Bulk Vessels Operations is mainly due to (i) a \$2.5 million increase in other miscellaneous expenses; and (ii) a \$0.3 million increase in taxes other than income tax. This increase was partially mitigated by (i) a \$2.0 million decrease in loss from foreign exchange differences; and (ii) a \$1.5 million decrease in miscellaneous voyage expenses

The increase in other expense of the Logistics Business is mainly due to an increase in loss from foreign exchange differences.

**Equity in Net (Losses)/Earnings of Affiliated Companies:** Equity in net earnings of affiliated companies decreased by \$84.6 million to \$80.2 million loss for the year ended December 31, 2018, as compared to \$4.4 million income for the same period in 2017. This decrease was mainly due to (i) a \$55.5 million OTTI loss relating to the investment in Navios Partners recognized in the fourth quarter of 2018; and (ii) a \$29.1 million decrease in equity method income. The \$29.1 million decrease in equity method income was mainly due to (i) \$33.5 million decrease in equity method income from Navios Acquisition; (ii) a \$0.1 million decrease in equity method income from Acropolis; partially mitigated by (i) a \$3.7 million increase in equity method income from Navios Partners; (ii) a \$0.5 million increase in equity method income from Navios Europe I and Navios Europe II; and (iii) a \$0.3 million increase in equity method income from Navios Containers until November 30, 2018 (date of obtaining control).

**Income Tax Benefit:** Income tax benefit decreased by \$2.1 million to a \$1.1 million for the year ended December 31, 2018, as compared to a \$3.2 million for the year ended December 31, 2017. The change in income tax was mainly attributable to Navios Logistics due to a \$2.4 million decrease in tax benefit in barge business mainly due to a reduction of deferred tax liability due to the decrease in future Argentinean income tax rates from 2018 onwards, following the tax reforms voted by the Argentinean Parliament in December 31, 2017; partially mitigated by a \$0.3 million decrease in income tax expense in cabotage business.

**Net Income Attributable to the Noncontrolling Interest:** Net income attributable to the noncontrolling interest increased by \$2.1 million to \$3.2 million income for the year ended December 31, 2018, as compared to \$1.1 million

for the same period in 2017. This decrease was mainly attributable to Logistics Business net income for the year ended December 31, 2018 compared to the same period in 2017 and to Containers Business net income for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

**Table of Contents****For the year ended December 31, 2017 compared to the year ended December 31, 2016**

The following table presents consolidated revenue and expense information for each of the years ended December 31, 2017 and 2016, respectively. This information was derived from the audited consolidated revenue and expense accounts of Navios Holdings for each of the years ended December 31, 2017 and 2016.

| <b>(In thousands of U.S. dollars)</b>                                | <b>Year Ended<br/>December 31,<br/>2017</b> | <b>Year Ended<br/>December 31,<br/>2016</b> |
|--|---|---|
| Revenue  | \$ 463,049                                  | \$ 419,782                                  |
| Administrative fee revenue from affiliates                           | 23,667                                      | 21,799                                      |
| Time charter, voyage and logistics business expenses                 | (213,929)                                   | (175,072)                                   |
| Direct vessel expenses   | (116,713)                                   | (127,396)                                   |
| General and administrative expenses incurred on behalf of affiliates | (23,667)                                    | (21,799)                                    |
| General and administrative expenses                                  | (27,521)                                    | (25,295)                                    |
| Depreciation and amortization  | (104,112)                                   | (113,825)                                   |
| Provision for losses on accounts receivable                          | (269)                                       | (1,304)                                     |
| Interest income  | 6,831                                       | 4,947                                       |
| Interest expense and finance cost                                    | (121,611)                                   | (113,639)                                   |
| Impairment losses  | (50,565)                                    |   |
| (Loss)/gain on bond and debt extinguishment                          | (981)                                       | 29,187                                      |
| Gain on sale of assets   | 1,064                                       |   |
| Other income   | 6,140                                       | 18,175                                      |
| Other expense  | (13,761)                                    | (11,665)                                    |
| <b>Loss before equity in net earnings of affiliated companies</b>    | <b>\$ (172,378)</b>                         | <b>\$ (96,105)</b>                          |
| Equity/(loss) in net earnings of affiliated companies                | 4,399                                       | (202,779)                                   |
| <b>Loss before taxes</b>   | <b>\$ (167,979)</b>                         | <b>\$ (298,884)</b>                         |
| Income tax benefit/(expense)   | 3,192                                       | (1,265)                                     |
| <b>Net loss</b>  | <b>\$ (164,787)</b>                         | <b>\$ (300,149)</b>                         |
| Less: Net income attributable to the noncontrolling interest         | (1,123)                                     | (3,674)                                     |
| <b>Net loss attributable to Navios Holdings common stockholders</b>  | <b>\$ (165,910)</b>                         | <b>\$ (303,823)</b>                         |

Set forth below are selected historical and statistical data for the dry bulk vessel operations segment for each of the years ended December 31, 2017 and 2016 that the Company believes may be useful in better understanding the Company's financial position and results of operations.



|                              | <b>Year Ended<br/>December 31,</b> |             |
|------------------------------|------------------------------------|-------------|
|                              | <b>2017</b>                        | <b>2016</b> |
| <b>FLEET DATA</b>            |                                    |             |
| Available days               | 23,433                             | 21,908      |
| Operating days               | 23,359                             | 21,742      |
| Fleet utilization            | 99.7%                              | 99.2%       |
| Equivalent vessels           | 64                                 | 60          |
| <b>AVERAGE DAILY RESULTS</b> |                                    |             |
| TCE                          | \$ 9,705                           | \$ 8,220    |

During the year ended December 31, 2017, there were 1,525 more available days as compared to 2016, mainly due to an increase in long-term and short-term charter-in fleet available days by 2,003 days. This increase was partially mitigated by a decrease in available days for owned vessels by 478 days, mainly due to the sale of Navios Ionian and Navios Horizon. Navios Holdings can increase or decrease its fleet's size by chartering-in vessels for long or short-term periods (less than one year).

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The average TCE rate for the year ended December 31, 2017 was \$9,705 per day, \$1,485 per day higher than the rate achieved in 2016, mainly due to the improved freight market.

**Revenue:** Revenue from dry bulk vessel operations for the year ended December 31, 2017 was \$250.4 million as compared to \$199.5 million for the same period during 2016. The increase in dry bulk revenue was mainly attributable to (i) the increase in TCE per day; and (ii) an increase in available days of our fleet.

Revenue from the Logistics Business was \$212.6 million for the year ended December 31, 2017 as compared to \$220.3 million for the year ended December 31, 2016. The decrease of \$7.7 million was mainly attributable to (i) a \$22.9 million decrease in the barge business, mainly due to the expiration of certain iron ore transportation contracts in the second half of 2016; and (ii) a \$4.5 million decrease in the cabotage business mainly attributable to a decrease in the cabotage fleet's operating days. The overall decrease was partially mitigated by (i) a \$17.2 million increase in the port terminal business mainly attributable to the commencement of operations at the new iron ore terminal; and (ii) a \$2.5 million increase in sales of products, mainly attributable to an increase in volume and price of the products sold at the Paraguayan liquid port terminal.

**Administrative Fee Revenue from Affiliates:** Administrative fee revenue from affiliates increased by \$1.9 million, or 8.7%, to \$23.7 million for the year ended December 31, 2017, as compared to \$21.8 million for the year ended December 31, 2016. See general and administrative expenses incurred on behalf of affiliates and general and administrative expenses discussion below.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and Logistics Business expenses increased by \$38.8 million or 22.2% to \$213.9 million for the year ended December 31, 2017, as compared to \$175.1 million for the year ended December 31, 2016.

Time charter and voyage expenses from dry bulk operations increased by \$34.1 million, or 29.5%, to \$149.6 million for the year ended December 31, 2017, as compared to \$115.5 million for the year ended December 31, 2016. This was primarily due to (i) an increase in charter-in expenses by \$30.5 million, mainly due to an increase in charter-in available days in 2017, as compared to the same period in 2016; and (ii) an increase in port expenses by \$4.1 million. The overall increase was partially mitigated by a decrease in other voyage expenses by \$0.5 million.

Of the total expenses for the years ended December 31, 2017 and 2016, \$64.3 million and \$59.6 million, respectively, related to Navios Logistics. The increase of \$4.7 million in time charter, voyage and logistics business was mainly due to (i) a \$3.2 million increase in cost of products sold mainly attributable to the increase in the volume and price of the products sold at the Paraguayan liquid port terminal; and (ii) a \$2.1 million increase in the port terminal business mainly attributable to the commencement of operations in the second quarter of 2017 at the new iron ore terminal. The overall increase was partially mitigated by (i) a \$0.4 million decrease in barge business mainly attributable to the reduced number of voyages; and (ii) a \$0.2 million decrease in cabotage business mainly attributable to the decrease in the number of operating days of the fleet.

**Direct Vessel Expenses:** Direct vessel expenses decreased by \$10.7 million, or 8.4%, to \$116.7 million for the year ended December 31, 2017, as compared to \$127.4 million for the year ended December 31, 2016. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and costs for maintenance and repairs.

Direct vessel expenses from dry bulk operations decreased by \$5.2 million, or 10.1%, to \$46.2 million for the year ended December 31, 2017, as compared to \$51.4 million for the year ended December 31, 2016. This decrease was mainly attributable to (i) a decrease in operating days of the owned vessels mainly due to the sale of the Navios Ionian

and the Navios Horizon; (ii) a decrease in crew related costs; (iii) a decrease in insurance costs; and (iv) a decrease in spare expenses.

Of the total amounts of direct vessel expenses for the years ended December 31, 2017 and 2016, \$70.5 million and \$76.0 million, respectively, related to the Logistics Business. The decrease of \$5.5 million in direct vessel expenses was mainly due to (i) a \$4.9 million decrease in barge business mainly attributable to decreased repairs and maintenance and crew costs; and (ii) a \$1.6 million decrease in cabotage business mainly attributable to a decrease in the cabotage fleet's operating days. The overall decrease was partially mitigated by a \$1.0 million increase in amortization of deferred drydock and special survey costs of Navios Logistics' fleet.

***General and Administrative Expenses Incurred on Behalf of Affiliates:*** General and administrative expenses incurred on behalf of affiliates increased by \$1.9 million, or 8.7%, to \$23.7 million for the year ended December 31, 2017, as compared to \$21.8 million for the year ended December 31, 2016. See general and administrative expenses discussion below.

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

| <b>(in thousands of U.S. dollars)</b>                                | <b>Year Ended<br/>December 31,<br/>2017</b> | <b>Year Ended<br/>December 31,<br/>2016</b> |
|--|---|---|
| Administrative fee revenue from affiliates                           | \$ (23,667)                                 | \$ (21,799)                                 |
| General and administrative expenses incurred on behalf of affiliates | 23,667                                      | 21,799                                      |
| <b>General and administrative expenses</b>                           | <b>27,521</b>                               | <b>25,295</b>                               |

  

| <b>(in thousands of U.S. dollars)</b>      | <b>Year Ended<br/>December 31,<br/>2017</b> | <b>Year Ended<br/>December 31,<br/>2016</b> |
|--|---|---|
| Dry Bulk Vessel Operations                 | \$ 10,856                                   | \$ 11,001                                   |
| Logistics Business                         | 16,665                                      | 14,294                                      |
| <b>General and administrative expenses</b> | <b>\$ 27,521</b>                            | <b>\$ 25,295</b>                            |

The increase in general and administrative expenses by \$2.2 million, or 8.7%, to \$27.5 million for the year ended December 31, 2017, as compared to \$25.3 million for the year ended December 31, 2016, was mainly attributable to a \$2.4 million increase in general and administrative expenses of Logistics Business, partially mitigated by a \$0.2 million decrease in other administrative expenses.

**Depreciation and Amortization:** For the year ended December 31, 2017, depreciation and amortization decreased by \$9.7 million to \$104.1 million, as compared to \$113.8 million for the year ended December 31, 2016.

Depreciation expenses related to dry bulk operations decreased by \$0.8 million, or 1.1%, to \$73.8 million for the year ended December 31, 2017, as compared to \$74.6 million for the year ended December 31, 2016. This decrease was primarily due to the sale of the Navios Ionian and the Navios Horizon. Amortization expenses related to dry bulk operations decreased by \$9.2 million, or 72.2%, to \$3.4 million for the year ended December 31, 2017, as compared to \$12.6 million for the year ended December 31, 2016. This decrease was mainly due to early redelivery of one vessel in the third quarter of 2016, resulting in the subsequent write-off of the related purchase option and the favorable lease balance.

Of the total amount of depreciation and amortization for the year ended December 31, 2017 and 2016, \$26.9 million and \$26.7 million, respectively, related to Navios Logistics. The increase in depreciation and amortization of the Logistics Business was mainly due to (i) a \$1.7 million increase in the port terminal business mainly due to the commencement of operations at the new iron ore terminal; and (ii) a \$0.2 million increase in the cabotage business. The overall increase was partially mitigated by \$1.7 million decrease in the barge business mainly due to the accelerated depreciation of certain barges, recorded in 2016.

**Provision for Losses on Accounts Receivable:** For the year ended December 31, 2017, provision for losses on accounts receivable decreased by \$1.0 million to \$0.3 million, as compared to \$1.3 million for the year ended December 31, 2016. The decrease was mainly attributable to (i) \$0.7 million decrease in the provision for losses in the Logistics Business and (ii) \$0.3 million recovery of bad debt provisions in the dry bulk vessel operations.

**Interest Income:** Interest income increased by \$1.9 million to \$6.8 million for the year ended December 31, 2017, as compared to \$4.9 million for the same period in 2016, mainly due to a \$2.5 million increase in interest income of the dry bulk vessel operations, mainly due to higher interest income from loans provided to Navios Europe I and Navios Europe II and the amortization of the premium from the transfer of Navios Holdings' participation in the Navios Revolving Loans I (as defined herein) to Navios Partners in March 2017. The overall increase was partially mitigated by a \$0.6 million decrease in interest income of Logistics Business mainly due to lower income from short-term deposits.

**Interest Expense and Finance Cost:** Interest expense and finance cost for the year ended December 31, 2017 increased by \$8.0 million, or 7.0%, to \$121.6 million, as compared to \$113.6 million in the same period of 2016. This increase was due to (i) a \$3.9 million increase in interest expense and finance cost of the dry bulk vessel operations, mainly attributable to increase in interest expense and finance costs related to the Navios Acquisition Loan, and its full repayment in November 2017; and (ii) a \$4.1 million increase in interest expense and finance cost of the Logistics Business mainly attributable to the increased amount of debt, and the reduced amount of capitalized interest, following the completion of the new iron ore terminal, during the year ended December 31, 2017.

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**Impairment Losses:** During the year ended December 31, 2017, the Company recognized (i) an impairment loss of \$32.9 million for one of the Company's vessels; (ii) an impairment loss of \$9.1 million relating to the sale of Navios Ionian which was completed on June 16, 2017; (iii) an impairment loss of \$5.1 million relating to the sale of Navios Horizon which was completed on July 2017; and (iv) an impairment loss of \$3.4 million relating to a favorable lease term considered as impaired and written off.

**Gain on Bond and Debt Extinguishment:** During year ended December 31, 2017, the Company refinanced one of its secured credit facilities and a benefit to nominal value of \$1.7 million was achieved. During November 2017, the Company refinanced its 2019 Notes resulting in a loss on bond extinguishment of \$2.7 million.

**Gain on Sale of Assets:** Gain on sale of assets amounted to \$1.1 million for the year ended December 31, 2017, mainly attributable to the sale of two self-propelled barges of the Logistics Business.

**Other Income:** Other income decreased by \$12.1 million to \$6.1 million for the year ended December 31, 2017, as compared to \$18.2 million for the year ended December 31, 2016. The decrease was due to a \$14.2 million decrease in other income of dry bulk vessels operations and a \$2.1 million increase in other income of the Logistics Business.

The decrease in other income of the dry bulk vessels operations is mainly due to the early redelivery of a vessel from its charterer in the first quarter of 2016 in exchange for \$13.0 million in cash and settlement of outstanding claims payable to the charterer amounting to \$1.9 million, partially mitigated by \$0.7 million decrease in miscellaneous other income.

The increase in other income of the Logistics Business is mainly due to (i) a \$1.1 million increase in other income of barge business mainly due to the income recorded from an arbitration award; and (ii) a \$0.3 million increase in other income, partially mitigated by a \$0.7 million decrease in taxes other than income taxes.

**Other Expense:** Other expense increased by \$2.1 million to \$13.8 million for the year ended December 31, 2017, as compared to \$11.7 million for the year ended December 31, 2016. This increase was due to a \$1.2 million increase in other expense of the Logistics Business and a \$0.9 million increase in other expense of dry bulk vessels operations.

The increase in other expense of dry bulk vessels operations is mainly due to a \$2.1 million increase in losses from foreign exchange differences, partially mitigated by \$1.2 million decrease in other miscellaneous expenses.

The increase in other expense of the Logistics Business is mainly due to an increase in loss from foreign exchange differences.

**Equity/(loss) in Net Earnings of Affiliated Companies:** Equity in net earnings of affiliated companies increased by \$207.2 million to \$4.4 million income for the year ended December 31, 2017, as compared to \$202.8 million loss for the same period in 2016. This increase was mainly due to (i) a \$83.6 million OTTI loss relating to the investment in Navios Partners recognized in the fourth quarter of 2016; (ii) a \$144.4 million OTTI loss relating to the investment in Navios Acquisition recognized in the fourth quarter of 2016; and (iii) a \$20.9 million decrease in equity method income, partially mitigated by a \$0.1 million increase in amortization of deferred gain from the vessels of Navios Partners (as more fully described below). The \$20.9 million decrease in equity method income was mainly due to a \$39.7 million decrease in equity method income from Navios Acquisition, partially mitigated by (i) a \$18.5 million increase in equity method income from Navios Partners; (ii) a \$0.2 million increase in equity method income from Navios Containers; (iii) a \$0.2 million increase in equity method income from Acropolis; and (iv) a \$0.1 million increase in equity method income from Navios Europe I and Navios Europe II.

The Company recognizes the gain from the sale of vessels to Navios Partners immediately in earnings only to the extent of the interest in Navios Partners owned by third parties and defers recognition of the gain to the extent of its own ownership interest in Navios Partners (see also Item 7.B. Related Party Transactions ).

***Income Tax Benefit/ (Expense):*** Income tax benefit increased by \$4.5 million to a \$3.2 million benefit for the year ended December 31, 2017, as compared to a \$1.3 million loss for the year ended December 31, 2016. The change in income tax was mainly attributable to Navios Logistics due to (i) a \$4.2 million increase in tax benefit in barge business mainly due to a reduction of deferred tax liability due to the decrease in future Argentinean income tax rates from 2018 onwards; and (ii) a \$0.3 million decrease in income tax expense in cabotage business mainly due to lower pretax profit.

***Net Income Attributable to the Noncontrolling Interest:*** Net income attributable to the noncontrolling interest decreased by \$2.6 million to \$1.1 million income for the year ended December 31, 2017, as compared to \$3.7 million for the same period in 2016. This decrease was mainly attributable to Logistics Business net income for the year ended December 31, 2017 compared to the same period in 2016.

**Table of Contents****Non-Guarantor Subsidiaries**

Our non-guarantor subsidiaries accounted for \$219.7 million, or 42.4%, of our revenue, \$62.3 million net income of our total net loss, \$140.8 million of our Adjusted EBITDA, \$1,394.5 million, or 52.0%, of our total assets and \$799.4 million, or 37.0%, of our total liabilities, in each case, for the year ended and as of December 31, 2018. Our non-guarantor subsidiaries accounted for \$212.6 million, or 45.9%, of our revenue, \$1.7 million net income of our total net loss, \$61.1 million, or 88.8% of our Adjusted EBITDA, \$952.6 million, or 36.2%, of our total assets and \$588.5 million, or 29.2%, of our total liabilities, in each case, for the year ended and as of December 31, 2017. Our non-guarantor subsidiaries accounted for \$220.3 million, or 52.5%, of our revenue, \$5.4 million net income of our total net loss, \$63.3 million of Adjusted EBITDA, \$940.3 million, or 34.2%, of our total assets and \$509.0 million, or 26.1%, of our total liabilities for the year ended December 31, 2016.

**B. Liquidity and Capital Resources**

Navios Holdings has historically financed its capital requirements with cash flows from operations, equity contributions from stockholders, issuance of debt and borrowings under bank credit facilities. Main uses of funds have been capital expenditures for the acquisition of new vessels, new construction and upgrades at the port terminals, expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards, repayments of debt and payments of dividends. Navios Holdings may from time to time, subject to restrictions under its debt and equity instruments, including limitations on dividends and repurchases under its preferred stock, depending upon market conditions and financing needs, use funds to refinance or repurchase its debt in privately negotiated or open transactions, by tender offer or otherwise, in compliance with applicable laws, rules and regulations, at prices and on terms Navios Holdings deems appropriate and subject to Navios Holdings cash requirements for other purposes, compliance with the covenants under Navios Holdings debt agreements, and other factors management deems relevant. Generally, our sources of funds may be from cash from operations, long-term borrowings and other debt or equity financings, proceeds from asset sales and proceeds from sale of our stake in our investments. We cannot assure you that we will be able to secure adequate financing or obtain additional funds on favorable terms, to meet our liquidity needs.

See Item 4.B Business Overview Exercise of Vessel Purchase Options , Working Capital Position and Long-Term Debt Obligations and Credit Arrangements for further discussion of Navios Holdings working capital position.

The following table presents cash flow information for each of the years ended December 31, 2018, 2017 and 2016 and were adjusted to reflect the adoption of ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. See also Note 2 to the Consolidated Financial Statements included elsewhere in this Annual Report.

| <b>(in thousands of U.S. dollars)</b>                | <b>Year Ended<br/>December 31,<br/>2018</b> | <b>Year Ended<br/>December 31,<br/>2017</b> | <b>Year Ended<br/>December 31,<br/>2016</b> |
|--|---|---|---|
| Net cash provided by operating activities            | \$ 55,637                                   | \$ 48,117                                   | \$ 39,826                                   |
| Net cash provided by/(used in) investing activities  | 27,863                                      | (42,365)                                    | (150,565)                                   |
| Net cash (used in)/ provided by financing activities | (66,916)                                    | (12,940)                                    | 75,225                                      |
|  | <b>16,584</b>                               | <b>(7,188)</b>                              | <b>(35,514)</b>                             |



**Increase/ (decrease) in cash and cash equivalents and restricted cash**

|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Cash and cash equivalents and restricted cash, beginning of year  | 134,190           | 141,378           | 176,892           |
| <b>Cash and cash equivalents and restricted cash, end of year</b> | <b>\$ 150,774</b> | <b>\$ 134,190</b> | <b>\$ 141,378</b> |

**Table of Contents****Cash provided by operating activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Net cash provided by operating activities increased by \$7.5 million to \$55.6 million for the year ended December 31, 2018, as compared to \$48.1 million for the year ended December 31, 2017. In determining net cash provided by operating activities, net loss is adjusted for the effects of certain non-cash items, which may be analyzed in detail as follows:

| <b>(in thousands of U.S. dollars)</b>  | <b>Year Ended<br/>December 31,<br/>2018</b> | <b>Year Ended<br/>December 31,<br/>2017</b> |
|--|---|---|
| Net loss   | \$ (265,511)                                | \$ (164,787)                                |
| <b>Adjustments to reconcile net loss to net cash provided by operating activities:</b> |   |   |
| Depreciation and amortization  | 102,839                                     | 104,112                                     |
| Amortization and write-off of deferred financing costs                                 | 7,880                                       | 6,391                                       |
| Amortization of deferred drydock and special survey costs                              | 13,828                                      | 14,727                                      |
| Provision for losses on accounts receivable  | 575   | 269   |
| Share based compensation   | 4,556                                       | 4,296                                       |
| Gain on bond and debt extinguishment   | (6,464)                                     | (185)                                       |
| Bargain gain upon obtaining control  | (58,313)                                    |   |
| Income tax benefit   | (1,108)                                     | (3,192)                                     |
| Impairment losses  | 200,657                                     | 50,565                                      |
| Gain on sale of assets   | (894)                                       | (1,064)                                     |
| Loss/(equity) in affiliates, net of dividends received                                 | 84,317                                      | 4,610                                       |
| <b>Net income adjusted for non-cash items</b>  | <b>\$ 82,362</b>                            | <b>\$ 15,742</b>                            |

Accounts receivable, net, remained stable to \$60.3 million at December 31, 2018. The movement of the year was primarily due to (i) a \$2.5 million increase in accounts receivable of Navios Logistics; and (ii) \$2.6 million accounts receivable, net of Navios Containers. The overall increase was mitigated by (i) a \$3.7 million decrease in accounts receivable from charterers and other receivables in Dry Bulk Vessel Operations; and (ii) a \$1.4 million decrease in accrued voyage income in Dry Bulk Vessel Operations.

Amounts due from/(to) affiliate companies, including current and non-current portion, decreased by \$9.9 million from \$82.7 million payable for the year ended December 31, 2017 to \$74.5 million payable for the year ended December 31, 2018. This decrease was due to (i) a \$7.7 million increase in balances relating to Navios Europe I and Navios Europe II; and (ii) a \$1.7 million net decrease in payable of management and administrative fees, drydocking and other expenses prepaid by the affiliates according to our management agreements; partially mitigated by a \$1.2 million increase in balances following the transfer to Navios Partners, the Company's rights to the Navios Revolving Loans I and Navios Term Loans I (as defined herein).

Inventories decreased by \$2.5 million, from \$30.2 million at December 31, 2017 to \$27.7 million at December 31, 2018. The decrease was primarily due to a \$3.7 million decrease in inventories of Navios Logistics mainly attributable to a decrease in inventories in the liquid port in Paraguay; partially mitigated by (i) a \$0.6 million increase in inventories on board of our dry bulk vessels; and (ii) \$0.6 million inventories of Navios Containers.

Prepaid expenses and other current assets increased by \$12.9 million, from \$27.1 million at December 31, 2017 to \$40.0 million at December 31, 2018. The increase was primarily due to (i) a \$11.3 million increase in prepaid expenses and other current assets of Navios Logistics; (ii) a \$4.0 million increase in other assets; and (iii) \$3.0 million prepaid expenses and other current assets of Navios Containers. This increase was partially mitigated by (i) a \$3.7 million decrease in claims receivables; (ii) a \$1.5 million decrease in advances to agents and prepaid taxes; and (iii) a \$0.2 million decrease in prepaid voyage and operating costs.

Other long-term assets increased by \$18.8 million, from \$4.9 million at December 31, 2017 to \$23.7 million at December 31, 2018. The increase was primarily due to (i) a \$14.9 million increase in long-term assets from dry bulk operations mainly due to \$15.0 million deposits for options to acquire vessels under bareboat contracts; (ii) a \$2.8 million increase in other long-term assets of Navios Logistics; and (iii) \$1.1 million long-term assets of Navios Containers.

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Accounts payable decreased by \$0.7 million, from \$79.7 million at December 31, 2017 to \$78.9 million at December 31, 2018. The decrease was primarily due to (i) a \$5.2 million decrease in accounts payable of Navios Logistics; (ii) a \$4.1 million decrease in port agents payable; and (iii) a \$0.4 million decrease in accounts payable relating to utilities and other service providers, legal and audit services. The overall decrease was partially mitigated by (i) a \$4.2 million increase in accounts payable to bunkers, lubricants and other suppliers; (ii) \$3.6 million accounts payable of Navios Containers; (iii) a \$0.8 million increase in accounts payable relating to brokers and other accounts payable; and (iv) a \$0.4 million increase in accounts payable to headowners.

Accrued expenses and other liabilities increased by \$28.8 million to \$123.7 million at December 31, 2018 from \$94.9 million at December 31, 2017. The increase was primarily due to (i) a \$18.0 million increase in accrued direct vessel expenses and drydocking expenses; (ii) a \$7.5 million increase in accrued interest; (iii) a \$6.8 million increase in other accrued expenses and other liabilities; and (iv) \$2.3 million accrued expenses of Navios Containers. The overall increase was partially mitigated by (i) a \$1.8 million decrease in accrued payroll and related expenses; (ii) a \$1.6 million decrease in accrued voyage expenses; (iii) a \$1.4 million decrease in accrued expenses of Navios Logistics; and (iv) a \$1.0 million decrease in accrued estimated losses on uncompleted voyages.

Deferred income and cash received in advance increased by \$0.8 million to \$11.8 million at December 31, 2018 from \$11.0 million at December 31, 2017. Deferred income primarily reflects freight and charter-out amounts collected on voyages that have not been completed and the current portion of the deferred gain from the sale of various vessels to Navios Partners to be amortized over the next year. The increase was primarily due to (i) \$2.1 million deferred income and cash received in advance of Navios Containers; and (ii) a \$0.1 million increase in deferred freight. The overall increase was partially mitigated by (i) a \$0.9 million decrease in deferred income of Navios Logistics; and (ii) \$0.5 million decrease in the current portion of deferred gain from the sale of assets to Navios Partners.

Other long-term liabilities and deferred income decreased by \$24.3 million to \$19.1 million at December 31, 2018 from \$43.4 million at December 31, 2017. The decrease was primarily due to (i) \$20.0 million related to the Navios Partners Guarantee (as defined herein) which as of December 31, 2018, was included in Due to affiliate companies ; (ii) a \$2.4 million decrease in other long-term payables; (iii) a \$1.3 million decrease in the non-current portion of deferred gain from the sale of vessels to Navios Partners; and (iv) a \$0.6 million decrease in other long-term liabilities of Navios Logistics.

**Cash provided by/(used in) investing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Cash provided by investing activities was \$27.9 million for the year ended December 31, 2018, as compared to \$42.4 million used in for the same period of 2017.

Cash provided by investing activities for the year ended December 31, 2018 was the result of: (i) \$24.8 million payments made from Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018 for the purchase of Bahamas and Bermuda; (ii) \$21.6 million in payments for the purchase of Navios Primavera and Navios Equator Prosper; (iii) \$15.2 million payments as deposits for options to acquire vessels under bareboat contracts; (iv) a \$12.9 million loan to Navios Europe I and Navios Europe II; (v) \$12.4 million in payments for the construction of Navios Logistics river and estuary tanker; (vi) \$5.8 million in payments for the acquisition of common units and general partner units in Navios Partners; (vii) \$4.1 million in payments made by the Company for the purchase of other fixed assets; (viii) \$2.4 million in payments for the construction of Navios Logistics three new pushboats; (ix) \$1.9 million in payments for the purchase of Navios Logistics other fixed assets; (x) \$1.5 million in payments for the expansion of Navios Logistics dry port terminal; (xi) \$1.1 million in payments made by Navios Logistics for the acquisition of land; (xii) \$0.5 million payment for the investment in common shares

in Navios Containers; (xiii) \$0.5 million in payments made by Navios Logistics for the purchase of covers for dry barges; (xiv) \$101.7 million of proceeds from sale of Navios Magellan, Navios Mars, Navios Sphera, Navios Achilles, Navios Herakles; (xv) \$24.4 million cash acquired through obtaining control in Navios Containers; (xvi) \$5.8 million dividends received from Navios Acquisition; (xvii) \$0.5 million of proceeds from sale of the Company's investment in Acropolis; and (xviii) \$0.2 million in collections of Navios Logistics' Note receivable.

Cash used in investing activities for the year ended December 31, 2017 was the result of: (i) \$5.0 million payment for the investment in common shares in Navios Containers; (ii) a \$4.5 million loan to Navios Europe I and Navios Europe II; (iii) \$2.7 million payment as a deposit for option to acquire a vessel under a bareboat contract; (iv) \$2.6 million in payments for the acquisition of general partner units in Navios Partners; (v) \$0.4 million in payments in other fixed assets; (vi) \$19.0 million in payments for the expansion of Navios Logistics' dry port terminal; (vii) \$14.6 million in payments for the construction of Navios Logistics' three new pushboats delivered in February 2018, (viii) \$6.1 million in payments for the construction of a river and estuary tanker; (ix) \$5.5 million in payments for the improvement of barges, pushboats and vessels; (x) \$0.7 million in payments for the purchase of other fixed assets; (xi) \$0.6 million in payments for the purchase of covers for dry barges; (xii) \$11.8 million of proceeds from sale of Navios Ionian and Navios Horizon; (xiii) \$7.3 million dividends received from Navios Acquisition; and (xiv) \$0.2 million in collections of Navios Logistics' Note receivable.

**Table of Contents****Cash used in by financing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Cash used in financing activities was \$66.9 million for the year ended December 31, 2018, as compared to \$12.9 million used in financing activities for the same period of 2017.

Cash used in financing activities for the year ended December 31, 2018 was the result of (i) \$40.0 million related to scheduled repayment installments; (ii) \$31.8 million related to prepayment of indebtedness; (iii) ) \$28.8 million of payments for the repurchase of the 2022 Notes; (iv) \$22.5 million related to prepayment and refinance of indebtedness of Navios Containers for the period from November 30, 2018 (date of obtaining control) to December 31, 2018; (v) \$49.4 million proceeds from Navios Containers long term debt (net of deferred financing costs of \$0.6 million); and (vi) \$6.9 million of proceeds from Navios Logistics long term debt (net of deferred financing costs of \$0.2 million).

Cash used in financing activities for the year ended December 31, 2017 was the result of (i) a \$291.1 million repayment related to the refinancing of one of the Company's secured notes; (ii) \$55.1 million related to prepayment of Navios Acquisition loan ; (iii) \$25.7 million related to scheduled repayment installments; (iv) \$25.3 million payments related to the dividend paid to the noncontrolling shareholders; (v) \$15.6 million repayment related to the refinancing of one of the Company's secured credit facilities; (vi) \$12.4 million of payments for the termination of obligations under capital leases; (vii) \$7.3 million related to prepayment of indebtedness originally set to mature in the third quarter of 2018; and (viii) \$0.6 million of fees relating to redemption of preferred stock. This was partially offset by (i) \$291.2 million of loan proceeds (net of deferred financing cost and discount of \$13.8 million) related to the refinancing of 2019 Notes; (ii) \$95.5 million of proceeds from the Term Loan B Facility (net of deferred financing cost and discount of \$4.5 million); (iii) \$14.7 million of loan proceeds (net of \$0.5 million finance fees); (iv) \$13.9 million of proceeds from Navios Logistics long-term debt (net of deferred financing cost of \$0.1 million); (v) \$4.1 million proceeds from the transfer of the Company's participation in Navios Revolving Loans I, and Navios Term Loans I, to Navios Partners both relating to Navios Europe I; and (vi) \$0.7 million of drawdowns under Navios Logistics Notes Payable.

**Cash provided by operating activities for the year ended December 31, 2017 as compared to the year ended December 31, 2016:**

Net cash provided by operating activities increased by \$8.3 million to \$48.1 million for the year ended December 31, 2017, as compared to \$39.8 million for the year ended December 31, 2016. In determining net cash provided by operating activities, net loss is adjusted for the effects of certain non-cash items, which may be analyzed in detail as follows:

| <b>(in thousands of U.S. dollars)</b>  | <b>Year Ended<br/>December 31,<br/>2017</b> | <b>Year Ended<br/>December 31,<br/>2016</b> |
|--|---|---|
| Net loss   | \$ (164,787)                                | \$ (300,149)                                |
| <b>Adjustments to reconcile net loss to net cash provided by operating activities:</b> |   |   |
| Depreciation and amortization  | 104,112                                     | 113,825                                     |
| Amortization and write-off of deferred financing costs                                 | 6,391                                       | 5,653                                       |
|  | 14,727                                      | 13,768                                      |

|   |           |               |                         |
|---|-----------|---------------|-------------------------|
| Amortization of deferred drydock and special survey costs             |           |               |                         |
| Provision for losses on accounts receivable                           | 269       |               | 1,304                   |
| Share based compensation  | 4,296     |               | 3,446                   |
| Gain on bond and debt extinguishment                                  | (185)     |               | (29,187)                |
| Income tax (benefit)/expense  | (3,192)   |               | 1,265                   |
| Realized holding loss on investments in-available-for-sale-securities |           |               | 345                     |
| Impairment losses   | 50,565    |               |                         |
| Gain on sale of assets  | (1,064)   |               |                         |
| Loss/(equity) in affiliates, net of dividends received                | 4,610     |               | 219,417                 |
| <b>Net income adjusted for non-cash items</b>                         | <b>\$</b> | <b>15,742</b> | <b>\$</b> <b>29,687</b> |

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Accounts receivable, net, decreased by \$5.5 million, from \$65.8 million at December 31, 2016 to \$60.3 million at December 31, 2017. The decrease was primarily due to a \$7.2 million decrease in accounts receivable of Navios Logistics, which relates to the \$21.5 million cash received in March 2017 following the favorable resolution of the arbitration proceedings in New York (see also Item 5E. Off-Balance Sheet Arrangements ), partially mitigated by (i) a \$1.1 million increase in accounts receivable from charterers and other receivables in dry bulk operations business; and (ii) a \$0.6 million increase in accrued voyage income in dry bulk operations business.

Amounts due from/(to) affiliate companies, including current and non-current portion, increased by \$67.4 million from \$15.3 million payable for the year ended December 31, 2016 to \$82.7 million payable for the year ended December 31, 2017. This decrease was due to (a) a \$30.0 million net increase in payable of management and administrative fees, drydocking and other expenses prepaid by the affiliates according to our management agreements; (b) a \$3.2 million increase in balances relating to Navios Europe I and Navios Europe II; and (c) a \$34.2 million increase in balances following the transfer to Navios Partners, the Company's rights to the Navios Revolving Loans I and Navios Term Loans I (as defined herein).

Inventories increased by \$1.7 million, from \$28.5 million at December 31, 2016 to \$30.2 million at December 31, 2017. The increase was primarily due to (i) a \$1.2 million increase in inventories on board of our dry bulk vessels; and (ii) a \$0.5 million increase in inventories of Navios Logistics mainly attributable to an increase in inventories in the liquid port in Paraguay.

Prepaid expenses and other current assets decreased by \$1.8 million, from \$28.9 million at December 31, 2016 to \$27.1 million at December 31, 2017. The increase was primarily due to (i) a \$4.5 million decrease in advances for working capital under our pooling arrangements; and (ii) a \$3.6 million decrease in prepaid expenses and other current assets of Navios Logistics. This increase was partially mitigated by (i) a \$3.2 million increase in claims receivables; (ii) a \$1.5 million increase in prepaid voyage and operating costs; (iii) a \$1.2 million increase in advances to agents and prepaid taxes; and (iv) a \$0.4 million increase in other assets.

Other long-term assets increased by \$2.3 million, from \$2.6 million at December 31, 2016 to \$4.9 million at December 31, 2017. The increase was primarily due to (i) a \$2.7 million increase in long-term assets from dry bulk operations mainly due to \$2.7 million deposit for option to acquire a vessel under a bareboat contract; and (ii) a \$0.2 million increase in available-for-sale investments, partially mitigated by \$0.6 million decrease in other long-term assets of Navios Logistics.

Accounts payable decreased by \$5.8 million, from \$85.5 million at December 31, 2016 to \$79.7 million at December 31, 2017. The decrease was primarily due to (i) a \$7.6 million decrease in accounts payable of Navios Logistics; (ii) a \$0.8 million decrease in accounts payable relating to brokers and other accounts payable; (iii) a \$0.7 million decrease in accounts payable relating to utilities and other service providers, legal and audit services. The overall decrease was partially mitigated by (i) a \$1.4 million increase in port agents payable; (ii) a \$1.3 million increase in accounts payable to bunkers, lubricants and other suppliers; and (iv) a \$0.6 million increase in accounts payable to headowners.

Accrued expenses and other liabilities increased by \$3.2 million to \$94.9 million at December 31, 2017 from \$91.7 million at December 31, 2016. The increase was primarily due to (i) a \$3.7 million increase in accrued payroll and related expenses; (ii) a \$2.6 million increase in accrued voyage expenses; (iii) a \$2.4 million increase in accrued direct vessel expenses; and (iii) a \$2.5 million increase in accrued expenses of Navios Logistics. The overall increase was partially mitigated by (i) a \$4.8 million decrease in accrued interest; (ii) a \$2.7 million decrease in other accrued expenses and other liabilities; and (iii) a \$0.5 million decrease in accrued estimated losses on uncompleted voyages.



Deferred income and cash received in advance increased by \$1.8 million to \$11.0 million at December 31, 2017 from \$9.2 million at December 31, 2016. Deferred income primarily reflects freight and charter-out amounts collected on voyages that have not been completed and the current portion of the deferred gain from the sale of various vessels to Navios Partners to be amortized over the next year. The increase was primarily due to (i) a \$1.2 million increase in deferred income of Navios Logistics; and (ii) a \$0.7 million increase in deferred freight, partially mitigated by a \$0.1 million decrease in the current portion of deferred gain from the sale of assets to Navios Partners.

Other long-term liabilities and deferred income remained stable to \$43.4 million at December 31, 2017. The movement of the year was primarily due to (i) a \$1.5 million increase in other long-term payables; (ii) a \$0.2 million related to the Navios Partners Guarantee (as defined below); and (iii) a \$0.1 million increase in other long-term liabilities of Navios Logistics. The overall increase was mitigated by a \$1.8 million decrease in the non-current portion of deferred gain from the sale of vessels to Navios Partners.

**Table of Contents****Cash used in investing activities for the year ended December 31, 2017 as compared to the year ended December 31, 2016:**

Cash used in investing activities was \$42.4 million for the year ended December 31, 2017, as compared to \$150.6 million for the same period of 2016.

Cash used in investing activities for the year ended December 31, 2017 was the result of: (i) \$5.0 million payment for the investment in common shares in Navios Containers; (ii) a \$4.5 million loan to Navios Europe I and Navios Europe II; (iii) \$2.7 million payment as a deposit for option to acquire a vessel under a bareboat contract; (iv) \$2.6 million in payments for the acquisition of general partner units in Navios Partners; (v) \$0.4 million in payments in other fixed assets; (vi) \$19.0 million in payments for the expansion of Navios Logistics dry port terminal; (vii) \$14.6 million in payments for the construction of Navios Logistics three new pushboats delivered in February 2018, (viii) \$6.1 million in payments for the construction of a river and estuary tanker; (ix) \$5.5 million in payments for the improvement of barges, pushboats and vessels; (x) \$0.7 million in payments for the purchase of other fixed assets; (xi) \$0.6 million in payments for the purchase of covers for dry barges; (xii) \$11.8 million of proceeds from sale of Navios Ionian and Navios Horizon; (xiii) \$7.3 million dividends received from Navios Acquisition; and (xiv) \$0.2 million in collections of Navios Logistics Note receivable.

Cash used in investing activities for the year ended December 31, 2016 was the result of: (i) \$60.1 million in payments relating to the acquisition of two bulk carrier vessels delivered in January 2016; (ii) a \$4.3 million loan to Navios Europe II; (iii) \$0.3 million in payments in other fixed assets; (iv) \$5.3 million proceeds from the sale of available-for-sale securities; and (v) \$91.2 million in payments made by Navios Logistics described as follows: (a) \$85.6 million in payments for the expansion of the dry port terminal; (b) \$1.3 million in payments for the construction of three new pushboats; and (c) \$4.3 million in payments for improvements and purchase of other fixed assets.

**Cash (used in)/provided by financing activities for the year ended December 31, 2017 as compared to the year ended December 31, 2016:**

Cash used in financing activities was \$12.9 million for the year ended December 31, 2017, as compared to \$75.2 million provided by financing activities for the same period of 2016.

Cash used in financing activities for the year ended December 31, 2017 was the result of (i) a \$291.1 million repayment related to the refinancing of one of the Company's secured notes; (ii) \$55.1 million related to prepayment of Navios Acquisition loan ; (iii) \$25.7 million related to scheduled repayment installments; (iv) \$25.3 million payments related to the dividend paid to the noncontrolling shareholders; (v) \$15.6 million repayment related to the refinancing of one of the Company's secured credit facilities; (vi) \$12.4 million of payments for the termination of obligations under capital leases; (vii) \$7.3 million related to prepayment of indebtedness originally set to mature in the third quarter of 2018; and (viii) \$0.6 million of fees relating to redemption of preferred stock. This was partially offset by (i) \$291.2 million of loan proceeds (net of deferred financing cost and discount of \$13.8 million) related to the refinancing of 2019 Notes; (ii) \$95.5 million of proceeds from the Term Loan B Facility (net of deferred financing cost and discount of \$4.5 million); (iii) \$14.7 million of loan proceeds (net of \$0.5 million finance fees); (iv) \$13.9 million of proceeds from Navios Logistics long-term debt (net of deferred financing cost of \$0.1 million); (v) \$4.1 million proceeds from the transfer of the Company's participation in Navios Revolving Loans I, and Navios Term Loans I, to Navios Partners both relating to Navios Europe I; and (vi) \$0.7 million of drawdowns under Navios Logistics Notes Payable.

Cash provided by financing activities for the year ended December 31, 2016 was the result of (i) \$54.7 million of loan proceeds (net of \$1.3 million finance fees) to finance the acquisition of two bulk carrier vessels and to refinance

another one; (ii) \$48.4 million of proceeds from the Navios Acquisition Loan; and (iii) \$60.3 million loan proceeds from Navios Logistics. Cash provided by financing activities was partially mitigated by (i) \$30.7 million of payments for the repurchase of 2019 Notes; (ii) \$9.3 million payment related to the Tender Offer for the redemption of preferred stock; (iii) \$40.7 million of payments performed in connection with the Company's outstanding indebtedness, of which \$21.6 million related to scheduled repayment installments for the year 2016, \$13.8 million related to the refinancing of one of our secured credit facilities and \$5.3 million related to the balloon payments originally due in 2019 and 2020; (iv) \$3.7 million of dividends paid to the Company's stockholders; (v) \$0.8 million in payments for the acquisition of treasury stock; and (vi) \$3.0 million relating to payments for capital lease obligations.

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**Adjusted EBITDA:** EBITDA represents net (loss)/income attributable to Navios Holdings' common stockholders before interest and finance costs, before depreciation and amortization and before income taxes. Adjusted EBITDA represents EBITDA before stock based compensation. We use Adjusted EBITDA as liquidity measure and reconcile Adjusted EBITDA to net cash provided by operating activities, the most comparable U.S. GAAP liquidity measure. Adjusted EBITDA is calculated as follows: net cash provided by operating activities adding back, when applicable and as the case may be, the effect of (i) net increase/(decrease) in operating assets, (ii) net (increase)/decrease in operating liabilities, (iii) net interest cost, (iv) deferred finance charges and gains/(losses) on bond and debt extinguishment, (v) (provision)/recovery for losses on accounts receivable, (vi) equity in affiliates, net of dividends received, (vii) payments for drydock and special survey costs, (viii) noncontrolling interest, (ix) gain/ (loss) on sale of assets/ subsidiaries, (x) unrealized (loss)/gain on derivatives, and (xi) loss on sale and reclassification to earnings of available-for-sale securities and impairment charges. Navios Holdings believes that Adjusted EBITDA is a basis upon which liquidity can be assessed and represents useful information to investors regarding Navios Holdings' ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. Navios Holdings also believes that Adjusted EBITDA is used (i) by prospective and current lessors as well as potential lenders to evaluate potential transactions; (ii) to evaluate and price potential acquisition candidates; and (iii) by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

Adjusted EBITDA has limitations as an analytical tool, and therefore, should not be considered in isolation or as a substitute for the analysis of Navios Holdings' results as reported under U.S. GAAP. Some of these limitations are: (i) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; (ii) Adjusted EBITDA does not reflect the amounts necessary to service interest or principal payments on our debt and other financing arrangements; and (iii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future. Adjusted EBITDA does not reflect any cash requirements for such capital expenditures. Because of these limitations, among others, Adjusted EBITDA should not be considered as a principal indicator of Navios Holdings' performance. Furthermore, our calculation of Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

For a reconciliation of cash flows from operating activities to Adjusted EBITDA refer to Item 3. Key Information- A. Selected Financial Data.

Adjusted EBITDA for the years ended December 31, 2018 and 2017 was \$(18.2) million and \$68.8 million, respectively. The \$87.0 million decrease in Adjusted EBITDA was primarily due to (i) a \$150.1 million increase in impairment losses; (ii) a \$84.6 million decrease in equity in net earnings from affiliated companies; (iii) a \$2.1 million increase in net income attributable to the noncontrolling interest; (iv) a \$1.1 million decrease in gain on sale of assets; and (v) a \$0.3 million increase in provision for losses on accounts receivable. This overall decrease of \$238.2 million was partially mitigated by (i) \$58.3 million bargain gain upon obtaining control in Navios Containers; (ii) a \$54.7 million increase in revenue; (iii) a \$14.2 million decrease in direct vessel expenses (excluding the amortization of deferred drydock and special survey costs); (iv) a \$8.5 million increase in other income; (v) a \$7.6 million decrease in time charter, voyage and logistics business expenses; (vi) a \$7.5 million increase in gain on bond/debt extinguishment; (vii) a \$0.3 million increase in general and administrative expenses (excluding share-based compensation expenses); and (viii) a \$0.1 million increase in other expenses.

Adjusted EBITDA for the years ended December 31, 2017 and 2016 was \$68.8 million and \$(62.8) million, respectively. The \$131.6 million increase in Adjusted EBITDA was primarily due to (i) a \$207.2 million movement in equity in net earnings from affiliated companies following the OTTI loss recognized during 2016; (ii) a \$43.2 million increase in revenue; (iii) a \$11.6 million decrease in direct vessel expenses (excluding the amortization of deferred drydock and special survey costs); (iv) a \$2.6 million decrease in net income attributable to the noncontrolling interest; (v) a \$1.1 million gain on sale of assets; and (vi) a \$1.0 million decrease in provision for losses on accounts

receivable. This overall increase of \$266.7 million was partially mitigated by (i) a \$50.6 million impairment losses (ii) a \$38.8 million increase in time charter, voyage and logistics business expenses; (iii) a \$30.2 million decrease in gain on bond/debt extinguishment; (iv) a \$12.1 million decrease in other income; (v) a \$2.1 million increase in other expenses; and (vi) a \$1.3 million increase in general and administrative expenses (excluding share-based compensation expenses).

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

*Navios Holdings loans*

**Senior Secured Notes**

On November 21, 2017, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. (together with the Company, the Co-Issuers ) issued \$305.0 million of 2022 Senior Secured Notes, at a price of 97%.

The 2022 Senior Secured Notes are secured by a first priority lien on the capital stock owned by certain of the subsidiary guarantors of Navios Holdings in each of Navios Maritime Partners L.P., Navios GP L.L.C., Navios Maritime Acquisition Corporation, Navios South American Logistics Inc. and Navios Maritime Containers Inc. The 2022 Senior Secured Notes are unregistered and guaranteed by all of the Company's direct and indirect subsidiaries, except for certain subsidiaries designated as unrestricted subsidiaries, including Navios South American Logistics Inc. The subsidiary guarantees are full and unconditional , except that the indenture provides for an individual subsidiary guarantee to be automatically released in certain customary circumstances, such as when a subsidiary is sold or all of the assets of the subsidiary are sold, the capital stock is sold, when the subsidiary is designated as an unrestricted subsidiary for purposes of the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Senior Secured Notes. The net proceeds of the offering were used to complete a cash tender offer for its outstanding 8.125% Senior Notes due 2019 described below (the 2019 Notes ) and to redeem notes not purchased in the tender offer, including the payment of related fees and expenses and any redemption premium,. The effect of this transaction was the recognition of a \$2.7 million extinguishment loss in the consolidated statements of comprehensive (loss)/income under Gain/(loss) on bond and debt extinguishment .

The Co-Issuers have the option to redeem the 2022 Senior Secured Notes in whole or in part, at any time on or after November 21, 2017 at a fixed price of 108.438%, which price declines ratably until it reaches par in November 2019.

The 2022 Senior Secured Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering in transactions with affiliates, merging or consolidating or selling all or substantially all of the Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The Co-Issuers were in compliance with the covenants as of December 31, 2018.

**Senior Notes**

On January 28, 2011, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. completed the sale of \$350.0 million of 2019 Notes. During July, August and October 2016, the Company repurchased \$58.9 million of its 2019 Notes for a cash consideration of \$30.7 million resulting in a gain on bond extinguishment of \$27.7 million, net of deferred fees written-off. On November 21, 2017, Co-Issuers completed the sale of 2022 Senior Secured Notes. The net proceeds of the offering of the 2022 Senior Secured Notes have been used: (i) to repay, in full, the outstanding amount of the 2019 Notes; and (ii) for general corporate purposes.

**Ship Mortgage Notes**

On November 29, 2013, the Co-Issuers completed the sale of \$650.0 million of its 2022 Notes. During September 2018, the Company repurchased \$35.7 million of its 2022 Notes for a cash consideration of \$28.8 million resulting in a gain on bond extinguishment of \$6.5 million net of deferred fees written-off.

The 2022 Notes are senior obligations of Navios Holdings and Navios Maritime Finance II (US) Inc. (the 2022 Co-Issuers ) and were originally secured by first priority ship mortgages on 23 dry bulk vessels owned by certain subsidiary guarantors and certain other associated property and contract rights. In June 2017, Navios Ionian and Navios Horizon were released from the 2022 Notes and replaced by the Navios Galileo. In March 2018, Navios Herakles was released from the 2022 Notes and replaced by the Navios Equator Prosper. In July 2018, Navios Achilles was released from the 2022 Notes and replaced by the Navios Primavera. In December 2018, Navios Magellan was released from the 2022 Notes and the proceeds of \$7,000 was restricted in an escrow account and considered as a cash collateral. The 2022 Notes are unregistered and fully and unconditionally guaranteed, jointly and severally by all of the Company's direct and indirect subsidiaries that guarantee the 2019 Notes and Navios Maritime Finance II (US) Inc. The guarantees of the Company's subsidiaries that own mortgaged vessels are senior secured guarantees and the guarantees of the Company's subsidiaries that do not own mortgaged vessels are senior unsecured guarantees. In addition, the 2022 Co-Issuers have the option to redeem the 2022 Notes in whole or in part, at any time on or after January 15, 2017, at a fixed price of 105.531%, which price declines ratably until it reaches par in January 2020.

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Upon occurrence of certain change of control events, the holders of the 2022 Notes may require the 2022 Co-Issuers to repurchase some or all of the 2022 Notes at 101% of their face amount. The 2022 Notes contain covenants, which among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of the 2022 Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The indenture governing the 2022 Notes includes customary events of default. The 2022 Co-Issuers were in compliance with the covenants as of December 31, 2018.

**Secured Credit Facilities**

*Credit Agricole (formerly Emporiki) Facilities:* In December 2012, the Emporiki Bank of Greece's facilities were transferred to Credit Agricole Corporate and Investment Bank.

In September 2010, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$40.0 million in order to partially finance the construction of one newbuilding Capesize vessel. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the facility was refinanced and repaid in full and there was no outstanding amount.

In August 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23.0 million in order to partially finance the construction of one Panamax vessel. As of December 31, 2018, the facility is repayable in one quarterly installment of \$0.7 million, followed by six semi-annual equal installments of \$0.7 million, with a final balloon payment of \$7.3 million on the last payment date. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the outstanding amount under this facility was \$12.0 million.

In December 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23.0 million in order to partially finance the construction of one newbuilding bulk carrier. As of December 31, 2018, the outstanding amount under the loan facility was repayable in one quarterly installment of \$0.7 million after the drawdown date, followed by six semi-annual equal installments of \$0.7 million, with a final balloon payment of \$7.5 million on the last payment date. The loan bears interest at a rate of LIBOR plus 325 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the outstanding amount under this facility was \$12.4 million.

On December 20, 2013, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$22.5 million in two equal tranches, in order to finance the acquisition of two Panamax vessels. The two tranches bear interest at a rate of LIBOR plus 300 basis points. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the facility was refinanced and repaid in full and there was no outstanding amount.

On February 14, 2018, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$28.7 million in three advances to be drawn simultaneously for the purpose of a) to repay all amounts outstanding under the facility agreement dated September 2010 and b) to repay all amounts outstanding under the facility agreement dated December 20, 2013. The loan bears interest at a rate of LIBOR plus 280 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the first tranche drawn amount is \$15.2 million and is repayable in six semi-annual installments of \$1.2 million with a final balloon payment of \$6.8 million on the last payment date, the second tranche drawn amount is \$6.8 million and is repayable in six



semi-annual installments of \$0.6 million with a final balloon payment of \$2.8 million on the last payment date and the third tranche drawn amount is \$6.8 million and is repayable in six semi-annual installments of \$0.6 million with a final balloon payment of \$2.8 million on the last payment date. As of December 31, 2018, the total outstanding amount under this facility was \$26.4 million. The loan bears interest at a rate of LIBOR plus 280 basis points. The loan facility requires compliance with certain financial covenants.

*Commerzbank Facility:* In June 2009, Navios Holdings entered into a facility agreement for an amount of up to \$240.0 million (divided into four tranches of \$60.0 million) with Commerzbank AG in order to partially finance the acquisition of a Capesize vessel and the construction of three Capesize vessels. Following the delivery of two Capesize vessels, Navios Holdings cancelled two of the four tranches and in October 2010 fully repaid their outstanding loan balances of \$53.6 million and \$54.5 million, respectively. During October 2016, the Company fully prepaid the third tranche of the facility, which had an outstanding balance of \$15.3 million, using \$13.8 million of cash, thus achieving a \$1.5 million benefit to nominal value. During May 2017, the Company fully repaid the fourth tranche of the facility, which had an outstanding loan balance of \$17.3 million, using \$15.6 million of cash, thus achieving a \$1.7 million benefit to nominal value.

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*HSH Nordbank Facility:* On May 23, 2017, Navios Holdings entered into a facility agreement with HSH Nordbank AG for an amount of up to \$15.3 million in order to partially refinance the fourth tranche of the Commerzbank facility. As of December 31, 2018, the facility is repayable in 11 quarterly equal installments of \$0.4 million, with a final balloon payment of \$8.8 million on the last payment date. The loan bears interest at a rate of LIBOR plus 300 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the outstanding amount under this facility was \$13.0 million.

*DVB Bank SE Facilities:* On March 23, 2012, Navios Holdings entered into a facility agreement with a syndicate of banks led by DVB Bank SE for an amount of up to \$42.0 million in two tranches: (i) the first tranche is for an amount of up to \$26.0 million in order to finance the acquisition of a Handysize vessel; and (ii) the second tranche is for an amount of up to \$16.0 million to refinance the outstanding debt of an Ultra-Handymax vessel. The two tranches bear interest at a rate of LIBOR plus 285 and 360 basis points, respectively. On June 27, 2014, Navios Holdings refinanced the existing facility, adding a new tranche for an amount of \$30.0 million in order to finance the acquisition of a Capesize vessel, which was delivered in June 2014. The new tranche bears interest at a rate of LIBOR plus 275 basis points. As of December 31, 2018, the first tranche is repayable in five quarterly installments of \$0.4 million, with a final balloon payment of \$14.4 million on the last repayment date, the second tranche is repayable in six quarterly installments of \$0.3 million, with a final balloon payment of \$6.3 million on the last repayment date and the third tranche is repayable in six quarterly installments of \$0.5 million, with a final balloon payment of \$18.8 million on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the total outstanding amount was \$45.7 million.

In September 2013, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$40.0 million in order to finance the acquisition of four Panamax vessels, delivered in August and September 2013. The facility bore interest at a rate of LIBOR plus 325 basis points. During 2017, Navios Holdings prepaid the indebtedness originally maturing in the third quarter of 2018 and released from collateral one Panamax vessel. In December 2017, Navios Holdings entered into a facility agreement with DVB Bank SE in order to extend the maturity of the outstanding balance originally due by September 2018 for three years, to September 2021. As of December 31, 2018, the facility is repayable in 11 quarterly installments of \$0.7 million, with a final balloon payment of \$7.3 million payable on the last repayment date. The loan facility requires compliance with certain financial covenants. In December 2015, one newbuilding Panamax vessel and one newbuilding Capesize vessel were added as collateral to this facility. As of December 31, 2018, the outstanding amount was \$15.3 million.

In January 2016, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$41.0 million, to be drawn in two tranches, to finance the acquisition of one newbuilding Panamax vessel and one newbuilding Capesize vessel. The facility bears interest at a rate of LIBOR plus 255 basis points. The total amount drawn under the facility was \$39.9 million. During August 2018, the Company completed the sale of the two vessels and fully prepaid the two tranches of the facility, which had a total outstanding balance of \$31.8 million.

*Alpha Bank A.E.:* On November 6, 2014, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$31.0 million in order to finance part of the acquisition of a Capesize vessel. The loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2018, the facility is repayable in 16 quarterly installments of \$0.5 million, with a final balloon payment of \$16.6 million on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the outstanding amount was \$23.8 million.

On November 3, 2016, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$16.1 million in order to refinance one Capesize vessel. The facility bears interest at a rate of LIBOR plus 300 basis points. The facility is repayable in 16 quarterly installments of \$0.3 million each, with a final balloon payment of

\$10.7 million payable on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the outstanding amount was \$15.1 million.

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

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

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The majority of the Company's senior secured credit facilities require compliance with maintenance covenants, including (i) value-to-loan ratio covenants, based on charter-free valuations, ranging from over 120% to 135%, (ii) minimum liquidity up to a maximum of \$30.0 million, and (iii) net total debt divided by total assets, as defined in each senior secured credit facility, ranging from a maximum of 75% to 80%. Certain covenants in our senior secured credit facilities have been amended for a specific period to increase the covenant levels for the applicable net total debt divided by total assets, as defined in each senior secured credit facility, to a maximum of 90%.

As of December 31, 2018, the Company was in compliance with all of the covenants under each of its credit facilities.

**Navios Acquisition Loan**

On November 3, 2017, the Company prepaid in full the outstanding amount of \$55.1 million under its secured loan facility of up to \$70.0 million with Navios Acquisition entered into in September 2016. The prepayment amount consisted of the \$50.0 million drawn under the facility and \$5.1 million of accrued interest. See also Item 7.B Related party transactions .

***Navios Logistics loans******2022 Logistics Senior Notes***

On April 22, 2014, Navios Logistics and its wholly-owned subsidiary Navios Logistics Finance (US) Inc. ( Logistics Finance ) and, together with Navios Logistics (the Logistics Co-Issuers ) issued \$375.0 million in aggregate principal amount of its 2022 Logistics Senior Notes due on May 1, 2022, at a fixed rate of 7.25%. The 2022 Logistics Senior Notes are unregistered are fully and unconditionally guaranteed, jointly and severally, by all of Navios Logistics' direct and indirect subsidiaries except for Horamar do Brasil Navegação Ltda ( Horamar do Brasil ), Naviera Alto Parana S.A. ( Naviera Alto Parana ), and Terra Norte Group S.A. ( Terra Norte ), which are deemed to be immaterial, and Logistics Finance, which is the co-issuer of the 2022 Logistics Senior Notes. The subsidiary guarantees are full and unconditional , except that the indenture provides for an individual subsidiary's guarantee to be automatically released in certain customary circumstances, such as in connection with a sale or other disposition of all or substantially all of the assets of the subsidiary, in connection with the sale of a majority of the capital stock of the subsidiary, if the subsidiary is designated as an unrestricted subsidiary in accordance with the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Logistics Senior Notes.

The Logistics Co-Issuers have the option to redeem the 2022 Logistics Senior Notes in whole or in part, at their option, at any time on or after May 1, 2017, at a fixed price of 105.438%, which price declines ratably until it reaches par in 2020. In addition, upon the occurrence of certain change of control events, the holders of the 2022 Logistics Senior Notes will have the right to require the Logistics Co-Issuers to repurchase some or all of the 2022 Logistics Senior Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

The indenture governing the 2022 Logistics Senior Notes contains covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into transactions with affiliates, merging or consolidating or selling all or substantially all of Navios Logistics' properties and assets and creation or designation of restricted subsidiaries.

The indenture governing the 2022 Logistics Senior Notes include customary events of default.

In addition, there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 2022 Logistics Senior Notes to obtain funds by dividend or loan from any of their subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

The Logistics Co-Issuers were in compliance with the covenants as of December 31, 2018.

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In connection with the purchase of mechanical equipment for the expansion of its dry port terminal, Corporacion Navios S.A. ( CNSA ) entered into an unsecured export financing line of credit for a total amount of \$42.0 million, including all related fixed financing costs of \$5.9 million, available in multiple drawings upon the completion of certain milestones ( Drawdown Events ). CNSA incurs the obligation for the respective amount drawn by signing promissory notes ( Navios Logistics Notes Payable ). Each drawdown is repayable in 16 consecutive semi-annual installments, starting six months after the completion of each Drawdown Event. Together with each Note Payable, CNSA shall pay interest equal to six-month LIBOR. The unsecured export financing line is fully and unconditionally guaranteed by Ponte Rio S.A. As of December 31, 2018, Navios Logistics had drawn the total available amount and the outstanding balance of Notes Payable was \$26.9 million.

*Navios Logistics BBVA Loan Facility*

On December 15, 2016, Navios Logistics entered into a \$25.0 million facility with Banco Bilbao Vizcaya Argentaria Uruguay S.A. ( BBVA ), for general corporate purposes. The loan bears interest at a rate of LIBOR (180 days) plus 325 basis points. The loan is repayable in 20 quarterly installments, the first payment of which was due on June 19, 2017, and secured by assignments of certain receivables. As of December 31, 2018, the outstanding amount of the loan was \$19.3 million.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics BBVA Loan Facility as of December 31, 2018.

*Navios Logistics Alpha Bank Loan*

On May 18, 2017, Navios Logistics entered into a \$14.0 million term loan facility in order to finance the acquisition of two product tankers ( Navios Logistics Alpha Bank Loan ). The Navios Logistics Alpha Bank Loan bears interest at a rate of LIBOR (90 days) plus 315 basis points and is repayable in 20 quarterly installments with a final balloon payment of \$7.0 million on the last repayment date. As of December 31, 2018, the outstanding amount of the loan was \$11.9 million.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics Alpha Bank Loan as of December 31, 2018.

*Navios Logistics Credit Agreement*

On August 17, 2018, Navios Logistics entered into a \$7.1 million ( 6.2 million) credit agreement in order to finance the 50% of the purchase price of a river and estuary tanker. The credit agreement bears interest at a fixed rate of 675 basis points and is repayable in 24 monthly installments with the final repayment in August 17, 2020. As of December 31, 2018, the outstanding amount of the credit agreement was \$5.9 million.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics Credit Agreement as of December 31, 2018.

*Navios Logistics Term Loan B Facility*

On November 3, 2017, Navios Logistics and Navios Logistics Finance (US) Inc., as co-borrowers, completed the issuance of a new \$100.0 million Term Loan B Facility. The Term Loan B Facility bears an interest rate of LIBOR

plus 475 basis points and has a four year term with 1.0% amortization per annum. The Term Loan B Facility is fully and unconditionally guaranteed jointly and severally, by all of Navios Logistics' direct and indirect subsidiaries except for Horamar do Brasil, Naviera Alto Parana and Terra Norte, which are deemed to be immaterial, and Logistics Finance, which is the co-borrower of the Term Loan B Facility. The subsidiary guarantees are full and unconditional, except that the credit agreement governing the Term Loan B Facility provides for an individual subsidiary's guarantee to be automatically released in certain circumstances. The Term Loan B Facility is secured by first priority mortgages on five tanker vessels servicing our cabotage business as well as by assignments of the revenues arising from certain time charter contracts, and an iron ore port contract.

The Term Loan B Facility contains restrictive covenants including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, including change of control.

As of December 31, 2018, a balance of \$99.0 million was outstanding under the Term Loan B Facility.

Navios Logistics was in compliance with the covenants set forth in the Term Loan B Facility as of December 31, 2018.

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**Table of Contents***Navios Logistics Other indebtedness*

In connection with the acquisition of Hidronave S.A. on October 29, 2009, Navios Logistics assumed a \$0.8 million loan facility that was entered into by Hidronave S.A. in 2001, in order to finance the construction of the pushboat Nazira. As of December 31, 2018, the outstanding loan balance was \$0.2 million. The loan facility bears interest at a fixed rate of 600 basis points. The loan is repayable in monthly installments and the final repayment must occur prior to August 10, 2021.

*Navios Containers loans**ABN AMRO Bank N.V.*

On July 27, 2017, Navios Containers entered into a facility agreement with ABN AMRO for an amount of up to \$21.0 million to finance part of the purchase price of seven containerships. This loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers has drawn the entire amount. On December 1, 2017, Navios Containers extended the facility dated July 27, 2017, for an additional amount of \$50.0 million to finance part of the purchase price of four containerships. Pursuant to the supplemental agreement dated June 29, 2018, the additional loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers had drawn the entire amount under the additional loan. On December 6, 2018, Navios Containers fully prepaid the July 27, 2017 credit facility. As of December 31, 2018, there was no outstanding amount under this facility.

On December 3, 2018, Navios Containers entered into a facility agreement with ABN AMRO BANK N.V. for an amount of up to \$50.0 million divided in two tranches: (i) the first tranche is for an amount of up to \$41.2 million in order to refinance the outstanding debt of four containerships and to partially finance the acquisition of one containership and (ii) the second tranche is for an amount of \$8.8 million in order to partially finance the acquisition of one containership. This loan bears interest at a rate of LIBOR plus 350 basis points. Navios Containers drew the entire amount under this facility, net of the loan's discount of \$0.5 million, in the fourth quarter of 2018. The facility is repayable in 16 consecutive quarterly installments, the first four in the amount of \$4.0 million, the fifth in the amount of \$3.4 million and the subsequent 11 installments each in the amount of \$1.7 million along with a final balloon payment of \$12.5 million payable together with the last installment falling due in December 2022. The outstanding loan amount under this facility as of December 31, 2018 was \$50.0 million.

*BNP Paribas*

On May 25, 2018, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$25.0 million, to finance part of the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2018, the Company had drawn \$25.0 million under this facility. As of December 31, 2018, the outstanding loan amount under this facility was \$23.6 million and is repayable in 18 equal consecutive quarterly installments, each in the amount of \$0.7 million along with a final balloon payment of \$11.1 million payable together with the last installment, falling due in May 2023.

On December 20, 2017, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$24.0 million (divided in four tranches of up to \$6.0 million each) to finance part of the purchase price of four containerships. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount under this facility. As of December 31, 2018, the outstanding loan amount of the three tranches under this facility was \$15.4 million and is repayable in 16 equal consecutive quarterly installments, each in the amount of \$0.6 million along with a final balloon payment of \$5.1 million payable together with the last installment, falling due on December 22, 2022. The outstanding loan amount of the fourth tranche is \$5.4 million and is repayable in 17 equal



consecutive quarterly installments each in the amount of \$0.2 million along with a final balloon payment of \$1.7 million payable together with the last installment due on February 28, 2023.

In September 2018, Navios Containers entered into a facility agreement with BNP Paribas to extend the facility dated December 20, 2017, for an additional amount of \$9.0 million to partially finance the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount. As of December 31, 2018, the outstanding loan amount of the additional tranche is \$8.7 million and is repayable in 19 quarterly consecutive installments of \$0.3 million each plus a balloon installment of \$2.6 million payable together with the last installment. The additional tranche matures in September 2023.

**Table of Contents***HSH*

On June 28, 2018, Navios Containers entered into a facility agreement with HSH Nordbank AG and Alpha Bank A.E. for an amount of up to \$36.0 million (divided in two tranches of \$18.0 million each) to finance part of the purchase price of two containerships. Navios Containers drew the entire amount. The facility bears interest at a rate of LIBOR plus 325 basis points per annum. The facility is repayable in 14 consecutive quarterly installments each in an amount of \$1.2 million plus a final balloon payment of \$15.2 million payable together with the last installment. The facility matures on June 30, 2022. As of December 31, 2018, the outstanding loan amount under the facility was \$32.0 million.

On November 9, 2018, Navios Containers entered into a facility agreement with HSH Nordbank AG divided into four tranches of up to \$31.8 million each to finance part of the purchase price of up to four 10,000 TEU containerships. This loan bears interest at a rate of LIBOR plus 325 basis points and commitment fee of 0.75% per annum on the undrawn loan amount. Each tranche of the facility is repayable in 19 consecutive quarterly installments each in an amount of \$0.7 million together with a final balloon payment of \$18.9 million payable together with the last installment falling due in July 2023. No amount had been drawn under this facility as of December 31, 2018.

*Navios Containers Financial liability*

On May 25, 2018, Navios Containers entered into a \$119.0 million sale and leaseback transaction with Minsheng Financial Leasing Co. Ltd in order to refinance the outstanding balance of the existing facilities of 18 containerships. Navios Containers has a purchase obligation to acquire the vessels at the end of the lease term and under ASC 842-40, the transfer of the vessels was determined to be a failed sale. In accordance with ASC 842-40, Navios Containers did not derecognize the respective vessels from its balance sheet and accounted for the amounts received under the sale and leaseback transaction as a financial liability. From June 29, 2018 until November 9, 2018, Navios Containers completed the sale and leaseback of 14 vessels for \$90.2 million. Navios Containers does not intend to proceed with the sale and leaseback transaction of the four remaining vessels. Navios Containers is obligated to make 60 monthly payments in respect of all 14 vessels of approximately \$1.1 million each. Navios Containers also has an obligation to purchase the vessels at the end of the fifth year for \$45.1 million. As of December 31, 2018, the outstanding balance under the sale and leaseback transaction was \$87.5 million.

As of December 31, 2018, Navios Containers was in compliance with all of the covenants under all of its credit facilities and financial liability.

During the year ended December 31, 2018, the Company paid \$94.3 million, of which \$40.0 million related to scheduled repayment installments for the year 2018, \$54.3 million related to prepayments of indebtedness originally maturing the first quarter of 2022 and the fourth quarter of 2019.

The annual weighted average interest rates of the Company's total borrowings were 7.78%, 7.11% and 6.87% for the year ended December 31, 2018, 2017 and 2016, respectively.

The maturity table below reflects the principal payments for the next five years and thereafter of all borrowings of Navios Holdings (including Navios Logistics and Navios Containers) outstanding as of December 31, 2018, based on the repayment schedules of the respective loan facilities and the outstanding amount due under the debt securities.

**Year**

|                     | <b>Amount in<br/>millions of<br/>U.S. dollars</b> |
|---------------------|---|
| 2019                | \$ 71.4   |
| 2020                | 100.7   |
| 2021                | 180.5   |
| 2022                | 1,413.9   |
| 2023                | 74.8  |
| 2024 and thereafter | 2.6   |
| <b>Total</b>        | <b>\$ 1,843.9</b>                                 |

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**Working Capital Position:** On December 31, 2018, Navios Holdings' current assets totaled \$298.7 million, while current liabilities totaled \$320.5 million, resulting in a negative working capital position of \$21.8 million. Negative working capital position was due to the consolidation of Navios Containers from November 30, 2018 (date of obtaining control). Navios Holdings' positive working capital, excluding Navios Containers, amounts to \$1.2 million as of December 31, 2018. Navios Holdings' cash forecast indicates that it will generate sufficient cash during the next 12 months from April 26, 2019 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 working capital position through April 26, 2020. Navios Containers' cash forecast indicates that it will generate sufficient cash to make the required principal and interest payments on its indebtedness and provide for the normal working capital requirements of the business through April 26, 2020. Navios Containers expects to be in a position to meet its loan obligations through its contracted revenue of \$112.7 million as of December 31, 2018.

While projections indicate that existing cash balances and operating cash flows will be sufficient to service the existing indebtedness, Navios Holdings continues to review its cash flows with a view toward increasing working capital.

**Capital Expenditures:** On January 26, 2014, Navios Holdings entered into agreements to purchase two bulk carrier vessels, one 84,872 dwt Panamax vessel and one 181,259 dwt Capesize vessel, to be built in Japan. The vessels' acquisition prices were \$31.8 million and \$52.0 million, respectively, and were delivered in January 2016. As of December 31, 2015 and 2014, Navios Holdings had paid deposits for both vessels totaling \$29.7 million and \$22.1 million, respectively. The remaining purchase price of \$58.7 million was financed with a \$39.9 million loan and the balance with available cash.

In December 2017, the Company agreed to charter-in, under a ten year bareboat contract, from an unrelated third party the Navios Galaxy II, a newbuilding bulk carrier vessel of about 81,600 dwt, expected to be delivered in the first quarter of 2020. The Company has agreed to pay in total \$5.4 million representing a deposit for the option to acquire the vessel, of which \$2.7 million was paid during the year ended December 31, 2017 and the remaining \$2.7 million was paid during April 2019. As of December 31, 2018, the total amount of \$3.0 million, including expenses and interest, is presented under the caption Other long-term assets .

In January 2018, Navios Holdings agreed to charter-in, under two ten-year bareboat contracts, from an unrelated third party the Navios Herakles I and the Navios Uranus, two newbuilding bulk carriers of about 81,000 dwt and 81,600 dwt, respectively, expected to be delivered in the third and fourth quarter of 2019, respectively. Navios Holdings has agreed to pay in total \$11.1 million, representing a deposit for the option to acquire these vessels, of which \$8.3 million was paid during the period ended December 31, 2018 and the remaining \$2.8 million was paid during January 2019. As of December 31, 2018, the total amount of \$9.0 million, including expenses and interest, is presented under the caption Other long-term assets .

In April 2018, Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Felicity I, a newbuilding bulk carrier of about 81,000 dwt, expected to be delivered in the fourth quarter of 2019. Navios Holdings has agreed to pay in total \$5.6 million, representing a deposit for the option to acquire this vessel, of which \$2.8 million was paid during the period ended December 31, 2018 and the remaining \$2.8 million was paid during February 2019. As of December 31, 2018, the total amount of \$3.0 million, including expenses and interest, is presented under the caption Other long-term assets .

Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Magellan II, a newbuilding bulk carrier of about 81,000 dwt, expected to be delivered in the second quarter of 2020. Navios Holdings has agreed to pay in total \$5.8 million, representing a deposit for the option to acquire this vessel, of

which \$2.9 million was paid upon signing of the contract in October 2018. As of December 31, 2018, the total amount of \$3.0 million, including expenses and interest, is presented under the caption *Other long-term assets* .

*Navios Logistics*

On September 4, 2017, Navios Logistics has signed an agreement for the construction of covers for dry barges for a total consideration of \$1.1 million. As of December 31, 2018, Navios Logistics had paid the whole amount.

During the second quarter of 2017, Navios Logistics substantially completed the expansion of its dry port in Uruguay. As of December 31, 2018, Navios Logistics had paid \$159.7 million related to the iron ore terminal expansion.

During the first quarter of 2018, three new pushboats were delivered to Navios Logistics. As of December 31, 2018, Navios Logistics had paid \$33.0 million for the construction of the three new pushboats.

During the third quarter of 2018, a new river and estuary tanker was delivered to Navios Logistics. As of December 31, 2018, Navios Logistics had paid \$18.5 million for the construction of the river and estuary tanker.

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### *Navios Containers*

During the period from November 30, 2018 (date of obtaining control) to December 31, 2018, expansion capital expenditures of \$24.8 million related to the acquisition of two containerships which Navios Containers took delivery of during the above mentioned period.

Refer also to Item 5F. Contractual Obligations as at December 31, 2018 .

### ***Dividend Policy***

In November 2015, due to the prolonged weakness in the dry bulk industry, Navios Holdings announced that the Board of Directors decided to suspend the quarterly dividend to its common stockholders in order to conserve cash and improve its liquidity. In February 2016, in furtherance of its efforts to reduce its cash requirements, Navios Holdings announced the suspension of payment of quarterly dividends on its preferred stock, including the Series G and Series H, until market conditions improve. The Board of Directors and Navios Holdings management believe such a decision is in the best long-term interests of the Company and its stakeholders. The Board of Directors will reassess the Company's distribution policy as the environment changes. The reinstatement, declaration and payment of any further dividend remains subject to the discretion of the Board of Directors and will depend on, among other things, market conditions, Navios Holdings cash requirements after taking into account market opportunities, restrictions under its equity instruments, credit agreements, indentures and other debt obligations and such other factors as the Board of Directors may deem advisable.

### **Concentration of Credit Risk:**

#### *Accounts receivable*

Concentrations of credit risk with respect to accounts receivables are limited due to Navios Holdings large number of customers, who are internationally dispersed and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in Navios Holdings trade receivables. For the year ended December 31, 2018, two customers accounted for 12.8% and 11.4%, respectively and are the same customers who accounted for 14.7% and 13.1%, respectively, of the Company's revenue in the year ended December 31, 2016. For the year ended December 31, 2017, no customers accounted for more than 10% of the Company's revenue. For the year ended December 31, 2016, two customers accounted for 14.7% and 13.1%, respectively, of the Company's revenue.

#### *Cash deposits with financial institutions*

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

### **Effects of Inflation:**

Navios Holdings 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.

### ***C. Research and development, patents and licenses, etc.***

Not applicable.

***D. Trend information***

Our results of operations depend primarily on the charter hire rates that we are able to realize for our vessels, which depend on the demand and supply dynamics characterizing the dry bulk market at any given time. For other trends affecting our business, please see other discussions in Item 5. Operating and Financial Review and Prospects .

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**Table of Contents*****E. Off-Balance Sheet Arrangements***

Charter hire payments to third parties for chartered-in vessels are treated as operating leases for accounting purposes.

Navios Holdings is also committed to making rental payments under operating leases for its office premises. Future minimum rental payments under Navios Holdings' non-cancelable operating leases are included in the contractual obligations schedule below. As of December 31, 2018, Navios Holdings was contingently liable for letters of guarantee and letters of credit amounting to \$1.6 million issued by various banks in favor of various organizations and the total amount was collateralized by cash deposits, which were included as a component of restricted cash.

In November 2012 (as amended in March 2014), the Company entered into an agreement with Navios Partners (the Navios Partners Guarantee) to provide Navios Partners with guarantees against counterparty default on certain existing charters, which had previously been covered by the charter insurance for the same vessels, same periods and same amounts. The Navios Partners Guarantee provides for a maximum possible payout of \$20.0 million by the Company to Navios Partners. Premiums that are calculated on the same basis as the restructured charter insurance are included in the management fee that is paid by Navios Partners to Navios Holdings pursuant to the management agreement. As of December 31, 2018, Navios Partners has submitted one claim under this agreement to the Company. As at December 31, 2018 and December 31, 2017, the fair value of the claim was estimated at \$18.0 million and \$20.0 million and included in Other long-term liabilities and deferred income in the consolidated balance sheet. As of December 31, 2018 the amount of \$2.0 million was included in Other income within the consolidated statements of comprehensive (loss)/income. The final settlement of the amount due will take place at anytime but in no case later than December 31, 2019, in accordance with a letter of agreement effective as of December 29, 2017. During the year ended December 31, 2015, the Company initially recognized this claim as Other expense in the consolidated statement of comprehensive (loss)/income.

The Company is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions have been recognized in the financial statements for all such proceedings where the Company believes that a liability may be probable, and for which the amounts can be reasonably estimated, based upon facts known on the date the financial statements were prepared. Although the Company cannot predict with certainty the ultimate resolutions of these matters, in the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.



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Navios Logistics had a dispute with Vale regarding the termination date of a COA contract, which was under arbitration proceedings in New York. On February 10, 2017, the arbitration tribunal ruled in favor of Navios Logistics. Vale has been ordered to pay Navios Logistics \$21.5 million, including all unpaid invoices, compensation for late payment of invoices, and reimbursement of legal fees incurred. The full amount had been received in March 2017.

On August 16, 2018, there was a fire incident at the iron ore port terminal in Nueva Palmira, Uruguay, for which Navios Logistics maintains property and loss of earnings insurance coverage for such types of events (subject to applicable deductibles and other customary limitations). As of December 31, 2018, an insurance claim receivable of \$11.6 million was recorded in the Navios Logistics prepaid expenses and other current assets, of which \$9.2 million was recorded in the consolidated statements of comprehensive (loss)/income under Other income .

Navios Logistics currently has no chartered-in barges or pushboats.

Navios Logistics has issued a guarantee and indemnity letter that guarantees the performance by Petrolera San Antonio S.A. (a consolidated subsidiary) of all its obligations to Vitol S.A. up to \$12.0 million. This guarantee expires on March 1, 2020.

Refer also to Item 5F. Contractual Obligation as at December 31, 2018 below.

**F. Contractual Obligations as at December 31, 2018:****Payment due by period (\$ in millions) (unaudited)**

| <b>Contractual Obligations</b>  | <b>Total</b>      | <b>Less than</b> |                  |                   | <b>More than</b> |
|---|-------------------|------------------|------------------|-------------------|------------------|
|   |                   | <b>1 year</b>    | <b>1-3 years</b> | <b>3-5 years</b>  | <b>5 years</b>   |
| Long-term debt <sup>(1)</sup>   | \$ 1,843.9        | \$ 71.4          | \$ 281.2         | \$ 1,488.7        | \$ 2.6           |
| Operating Lease Obligations (Time Charters) for vessels in operation <sup>(2)</sup> | 417.7             | 114.7            | 173.6            | 86.7              | 42.7             |
| Operating Lease Obligations (Time Charters) for vessels to be delivered             | 122.6             | 5.2              | 29.7             | 29.4              | 58.3             |
| Deposit for option to acquire vessels <sup>(3)</sup>                                | 11.2              | 11.2             |                  |                   |                  |
| Rent Obligations <sup>(4)</sup>   | 17.0              | 2.7              | 3.6              | 3.4               | 7.3              |
| <b>Total</b>  | <b>\$ 2,412.4</b> | <b>\$ 205.2</b>  | <b>\$ 488.1</b>  | <b>\$ 1,608.2</b> | <b>\$ 110.9</b>  |

(1) The amount identified does not include interest costs associated with the outstanding credit facilities, which are based on LIBOR rates, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 2.75% to 3.60% per annum. The amount does not include interest costs for the 2022 Senior Secured Notes, the 2022 Notes, the 2022 Logistics Senior Notes, the Term Loan B Facility, the Navios Logistics Credit Agreement and the Navios Logistics Notes Payable. The expected interest payments are: \$134.2 million (less than 1 year), \$252.6 million (1-3 years), \$43.4 million (3-5 years) and \$0.1 million (more than 5 years). Expected interest payments are based on outstanding principal amounts, currently applicable effective interest rates and margins as of December 31, 2018, timing of scheduled payments and the term of the debt obligations.

- (2) Approximately 43% of the time charter payments included above is estimated to relate to operational costs for these vessels.
- (3) The table above incorporates the deposits the Company agreed to pay regarding the option to acquire a vessel.
- (4) The table above incorporates the lease obligations of the offices of Navios Holdings, of Navios Logistics and of Navios Containers. See also Item 4.B. Business Overview Facilities.

Refer to Item 7.B. Related Party Transactions for Navios Partners Guarantee (as defined herein), not reflected in the table above.

Navios Holdings, Navios Acquisition and Navios Partners will make available to Navios Europe I revolving loans of up to \$24.1 million to fund working capital requirements (collectively, the Navios Revolving Loans I ). In December 2018, the amount of the Navios Revolving Loans I increased by \$30.0 million. As of December 31, 2018, the amount undrawn under the Revolving Loans I was \$12.0 million, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$12.0 million.

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Navios Holdings, Navios Acquisition and Navios Partners will make available to Navios Europe II revolving loans of up to \$43.5 million to fund working capital requirements (collectively, the Navios Revolving Loans II ). In March 2017, the amount undrawn from the Navios Revolving Loans II increased by \$14.0 million. As of December 31, 2018, the amount undrawn from the Navios Revolving Loans II was \$4.5 million, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$4.5 million.

Refer also to Item 5. Operating and Financial Review and Prospects in Recent Developments for the acquisition of a 2011-built 10,000 TEU containership and the exercise of an option to acquire a 2011-built 10,000 TEU containership, not reflected in the table above.

## **Critical Accounting Policies**

Navios Holdings consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Navios Holdings to make estimates in the application of its accounting policies based on the best assumptions, judgments and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application 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 Holdings 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 Holdings significant accounting policies, see Note 2 to the Consolidated Financial Statements, included herein.

**Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the assessment of other-than-temporary impairment related to the carrying value of investments in affiliates, the selection of useful lives for tangible and intangible assets, expected future cash flows from long-lived assets to support impairment tests, impairment test for goodwill, provisions necessary for accounts receivables and demurrages, provisions for legal disputes, pension benefits, contingencies, and guarantees. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

**Stock-based Compensation:** In December 2018, the Company authorized the grant of restricted common stock. In December 2017, the Company authorized the grant of restricted common stock and restricted common units. In December 2016, the Company authorized the grant of restricted share units and share appreciation rights. In December 2015 and 2014, the Company authorized the issuance of shares of restricted common stock, restricted stock units and stock options in accordance with the Company's stock option plan for its employees, officers and directors. These awards of restricted share units, share appreciation rights, restricted common stock, restricted stock units and stock options are based on service conditions only and vest over three and four years.

The fair value of share appreciation rights and stock option grants is determined with reference to option pricing model and principally adjusted Black-Scholes models. The fair value of restricted share units, restricted stock and restricted stock units is determined by reference to the quoted stock price on the date of grant. Compensation expense, net of estimated forfeitures, is recognized based on a graded expense model over the vesting period. Compensation expense for the awards that vest upon achievement of the performance criteria is recognized when it is probable that the performance criteria will be met and are being accounted for as equity.

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***Impairment of Long Lived Assets:*** Vessels, other fixed assets and other long-lived assets held and used by Navios Holdings are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. Navios Holdings' management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. Measurement of the impairment loss is based on the fair value of the asset. Navios Holdings determines the fair value of its assets on the basis of management estimates and assumptions by making use of available market data and taking into consideration third party valuations performed on an individual vessel basis. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment are reviewed, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

Undiscounted projected net operating cash flows are determined for each asset group and compared to the carrying value of the vessel, the unamortized portion of deferred drydock and special survey costs related to the vessel and the related carrying value of the intangible assets with respect to the time charter agreement attached to that vessel or the carrying value of deposits for newbuildings. Within the shipping industry, vessels are customarily bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then-current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel asset group.

During the fourth quarter of fiscal year 2018, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Holdings' long-lived assets might exist. These indicators included continued volatility in the spot market, and the related impact of the current dry bulk sector has on management's expectation for future revenues. As a result, an impairment assessment of long-lived assets (step one) was performed.

The Company determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to the vessel and the carrying value of the related intangible assets, if applicable. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of one-year average historical time charter rates and 10-year average historical one-year time charter rates, adjusted for outliers) over the remaining economic life of each vessel, net of brokerage and address commissions excluding days of scheduled off-hires, running cost based on current year actuals, assuming an annual increase of 0.68% after 2019 and a utilization rate of 99.5% based on the fleet's historical performance.

In connection with its impairment testing on its vessels as of December 31, 2018, the Company performs a sensitivity analysis on the most sensitive and/or subjective assumptions that have the potential to affect the outcome of the test, principally the projected charter rate used to forecast future cash flows for unfixed days. In that regard, there would continue to be no impairment required to be recognized on any of the Company's vessels when assuming a decline in the 10-year average (of the one-year charter rate for similar vessels), which is the rate that the Company uses to forecast future cash flows for unfixed days, ranging from 3.6% to 75.5% (depending on the vessel).

As of December 31, 2018, our assessment concluded that step two of the impairment analysis was required for four of our dry bulk vessels held and used, as the undiscounted projected net operating cash flows did not exceed the carrying value. As a result, the Company recorded an impairment loss of \$179.2 million for these vessels, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to these vessels, presented within the caption "Impairment losses" in the consolidated statements of

comprehensive (loss)/income.

As of December 31, 2017, our assessment concluded that step two of the impairment analysis was required for one of our dry bulk vessels held and used, as the undiscounted projected net operating cash flows did not exceed the carrying value. As a result, the Company recorded an impairment loss of \$32.9 million for this vessel, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to this vessel, presented within the caption "Impairment losses" in the consolidated statements of comprehensive (loss)/income. The assessment performed for 2016 and 2015 did not indicate a step two was necessary for the Company's other vessels held and used.

As of December 31, 2018, the 10-year historical average rates for the Company's vessels (which naturally varies by type of vessel) used in determining future cash flows for purposes of its impairment analysis were 8.5% higher than the daily time charter equivalent rate of the owned fleet achieved in the fiscal year 2018 of \$12,534 per day.

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In addition, the Company compared the 10-year historical average (of the one-year charter rate for similar vessels) with the five-year, three-year and one-year historical averages (of the one-year charter rate for similar vessels). A comparison of the 10-year historical average (of the one-year charter rate) and the five-year, three-year and one-year historical averages (of the one-year charter rate for similar vessels) is as follows (as of December 31, 2018):

| <b>Historical Average of One-year Charter Rates<br/>(over Various Periods) vs. the 10-year Historical Average<br/>(of the One-Year Charter Rate)</b> |                                      |                       |                       |
|--|--------------------------------------|-----------------------|-----------------------|
|  | <b>5-Year Average</b>                | <b>3-Year Average</b> | <b>1-Year Average</b> |
|  | <b>(% below the 10-year average)</b> |                       |                       |
| Handysize  | (12.1%)                              | (11.5%)               | (13.5%)               |
| Ultra-Handymax   | (16.0%)                              | (16.7%)               | (10.1%)               |
| Panamax  | (16.4%)                              | (14.3%)               | (13.4%)               |
| Capesize   | (17.0%)                              | (22.7%)               | (4.7%)                |

If testing for impairment using the five-year, three-year and one-year historical averages (of the one-year charter rate for similar vessels) in lieu of the 10-year historical average (of the one-year charter rate for similar vessels), the Company estimates that 4, 4 and 0 of its vessels, respectively, and 5, 5 and 0 of its bareboat charter-in vessels to be delivered, respectively would have carrying values in excess of their projected undiscounted future cash flows.

As of December 31, 2018 and 2017, the Company owns and operates a fleet of 35 and 38, respectively, with an aggregate carrying value of \$946 million as of December 31, 2018, including the carrying value of existing time charters on its fleet of vessels. On a vessel-by-vessel basis, as of December 31, 2018 and 2017, the carrying value of 29 and 37 of the Company's vessels, respectively, (including the carrying value of the time charter, if any, on the specified vessel) exceeds the estimated fair value of those same vessels (including the estimated fair value of the time charter, if any, on the specified vessel) by approximately \$317.9 million and \$591.1 million, respectively, in the aggregate (the unrealized loss).

A vessel-by-vessel summary as of December 31, 2018 and 2017 follows (with an \* indicating those individual vessels whose carrying value exceeds its estimated fair value, including the related time charter):

| <b>Vessel</b>    | <b>Year<br/>Built</b> | <b>Purchase Price<br/>(in millions)<br/>(1)</b> | <b>Carrying Value<br/>(in millions)<sup>(1)</sup><br/>(as of December 31, 2018)</b> | <b>Carrying Value<br/>(in millions)<sup>(1)</sup><br/>(as of December 31, 2017)</b> |
|------------------|-----------------------|---|---|---|
| Navios Serenity  | 2011                  | \$ 26.8   | \$ 20.0*  | \$ 21.1*  |
| Navios Celestial | 2009                  | 34.7  | 22.8*   | 24.1*   |
| Navios Vector    | 2002                  | 32.1  | 17.7*   | 18.6*   |
| Navios Herakles  | 2001                  |   |   | 14.8*   |
| Navios Achilles  | 2001                  |   |   | 15.5*   |
| Navios Meridian  | 2002                  | 26.8  | 12.6*   | 13.9*   |
| Navios Mercator  | 2002                  | 26.1  | 12.2*   | 13.5*   |
| Navios Arc       | 2003                  | 26.6  | 13.0*   | 13.2*   |
| Navios Hios      | 2003                  | 35.8  | 16.6*   | 17.4*   |
| Navios Kypros    | 2003                  | 35.7  | 16.5*   | 17.4*   |
| Navios Ulysses   | 2007                  | 16.5  | 15.4*   | 16.5  |

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|                  |      |       |       |       |
|------------------|------|-------|-------|-------|
| Navios Vega      | 2009 | 15.3  | 14.8  | 47.7* |
| Navios Astra     | 2006 | 23.9  | 15.7* | 16.9* |
| Navios Magellan  | 2000 |       |       | 13.4* |
| Navios Star      | 2002 | 29.4  | 14.1* | 15.5* |
| Navios Asteriks  | 2005 | 54.0  | 28.3* | 30.7* |
| Navios Centaurus | 2012 | 37.8  | 28.7* | 30.2* |
| Navios Avior     | 2012 | 39.9  | 30.4* | 32.0* |
| Navios Bonavis   | 2009 | 29.1  | 28.5  | 82.7* |
| Navios Happiness | 2009 | 29.1  | 28.5  | 83.3* |
| Navios Lumen     | 2009 | 113.5 | 74.8* | 79.2* |
| Navios Stellar   | 2009 | 96.0  | 64.1* | 67.6* |
| Navios Phoenix   | 2009 | 106.8 | 70.6* | 74.7* |
| Navios Antares   | 2010 | 29.1  | 28.5  | 82.0* |
| Navios Etoile    | 2010 | 66.9  | 47.8* | 50.3* |
| Navios Bonheur   | 2010 | 69.6  | 49.7* | 52.3* |



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|                        |      |                   |                 |                   |
|------------------------|------|-------------------|-----------------|-------------------|
| Navios Altamira        | 2011 | 56.2              | 40.9*           | 42.9*             |
| Navios Azimuth         | 2011 | 56.6              | 41.2*           | 43.2*             |
| Navios Galileo         | 2006 | 18.7              | 13.6*           | 14.7*             |
| Navios Northern Star   | 2005 | 17.7              | 12.8*           | 13.8*             |
| Navios Amitie          | 2005 | 17.7              | 12.9*           | 13.9*             |
| Navios Taurus          | 2005 | 17.8              | 12.6*           | 13.7*             |
| N Amalthia             | 2006 | 19.1              | 14.6*           | 15.6*             |
| N Bonanza              | 2006 | 18.8              | 14.0*           | 15.0*             |
| Navios Gem             | 2014 | 54.4              | 46.0*           | 47.8*             |
| Navios Ray             | 2012 | 52.2              | 44.2*           | 46.2*             |
| Navios Sphera          | 2016 |                   |                 | 32.0*             |
| Navios Mars            | 2016 |                   |                 | 51.8*             |
| Navios Primavera       | 2007 | 12.1              | 12.0            |                   |
| Navios Equator Prosper | 2000 | 10.3              | 9.9             |                   |
|                        |      | <b>\$ 1,353.1</b> | <b>\$ 946.0</b> | <b>\$ 1,295.1</b> |

(1) All amounts include related time charter, if any.

Although the aforementioned excess of carrying value over fair value represents an estimate of the loss that the Company would sustain on a hypothetical disposition of those vessels as of December 31, 2018 and 2017, the recognition of the unrealized loss absent a disposition (i.e. as an impairment) would require, among other things, that a triggering event had occurred and that the undiscounted cash flows attributable to the vessel are also less than the carrying value of the vessel (including the carrying value of the time charter, if any, on the specified vessel).

**Vessels, Port Terminals, Tanker Vessels, Barges, Pushboats and Other Fixed Assets, net:** Vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets acquired as parts of business combinations are recorded at fair value on the date of acquisition, and if acquired as an asset acquisition, are recorded at cost (including transaction costs). Vessels constructed by the company would be stated at historical cost, which consists of the contract price, capitalized interest and any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for major improvements and upgrades are capitalized, provided they appreciably extend the life, increase the earnings capability or improve the efficiency or safety of the vessels. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of comprehensive (loss)/income.

Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight line method over the useful life of the vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets, after considering the estimated residual value.

Annual depreciation rates used, which approximate the useful life of the assets are:

|                                      |                |
|--------------------------------------|----------------|
| Dry Bulk Vessels                     | 25 years       |
| Container Vessels                    | 30 years       |
| Port terminals                       | 5 to 49 years  |
| Tanker vessels, barges and pushboats | 15 to 45 years |
| Furniture, fixtures and equipment    | 3 to 10 years  |

|                                 |                                  |
|---------------------------------|----------------------------------|
| Computer equipment and software | 5 years                          |
| Leasehold improvements          | shorter of lease term or 6 years |

Management estimates the residual values of the Company's dry bulk vessels based on a scrap value cost of steel times the weight of the ship noted in lightweight tons ( LWT ). Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of residual values affect the depreciable amount of the vessels and the depreciation expense in the period of the revision and future periods. Management estimates the residual values of the Company's vessels based on a scrap rate of \$340 per LWT after considering current market trends for scrap rates and ten-year average historical scrap rates of the residual values of the Company's vessels.

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Management estimates the useful life of its dry bulk vessels and container vessels to be 25 years and 30 years, respectively from the vessel's original construction. However, when regulations place limitations on the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective. 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 and Special Survey Costs:*** The Company's vessels, barges and pushboats are subject to regularly scheduled drydocking and special surveys which are carried out every 30 and 60 months, respectively, for ocean-going vessels, and up to every 96 months for pushboats and barges, to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of drydocking and special surveys are deferred and amortized over the above periods or to the next drydocking or special survey date if such date has been determined. Unamortized drydocking or special survey costs of vessels, barges and pushboats sold are written-off to income in the year the vessel, barge or pushboat is sold.

Costs capitalized as part of the drydocking or special survey consist principally of the actual costs incurred at the yard, and expenses relating to spare parts, paints, lubricants and services incurred solely during the drydocking or special survey period.

***Goodwill and Other Intangibles:***

***(i) Goodwill:*** Goodwill is tested for impairment at the reporting unit level at least annually.

The Company evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill (step one). The Company determines the fair value of the reporting unit based on a combination of the income approach (i.e. discounted cash flows) and market approach (i.e. comparative market multiples) and believes that the combination of these two approaches is the best indicator of fair value for its individual reporting units. If the fair value of a reporting unit exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company must perform the second step (step two) to determine the implied fair value of the reporting unit's goodwill and compare it with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that reporting unit, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to its implied fair value.

As of December 31, 2018, the Company performed its impairments test for its reporting units within: the Dry Bulk Vessel Operations and the Logistics Business. The Company additionally considered that its market capitalization continued to remain at a level well below the carrying value of its total net assets.

As of December 31, 2018, the Company performed step one of the impairment test for the Dry Bulk Vessel Operations reporting unit, which is allocated goodwill of \$56.2 million. Step one impairment test revealed that the fair value of the Dry Bulk Vessel Operations reporting unit substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required.

The fair value of the Dry Bulk Vessel Operations reporting unit was estimated using a combination of income and market approaches. For the income approach, the expected present value of future cash flows used judgments and assumptions that management believes were appropriate in the circumstances. The significant factors and assumptions

the Company used in its discounted cash flow analysis included: EBITDA, the discount rate used to calculate the present value of future cash flows and future capital expenditures. EBITDA assumptions included revenue assumptions, general and administrative expense growth assumptions, and direct vessel expense growth assumptions. The future cash flows were determined by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the non-fixed days (based on a combination of one-year average historical time charter rates and the 10-year average historical one-year time charter rates adjusted for outliers), which the Company believes is an objective approach for forecasting charter rates over an extended time period for long-lived assets and consistent with the cyclicality of the industry. In addition, a weighted average cost of capital ( WACC ) was used to discount future estimated cash flows to their present values. The WACC was based on externally observable data considering market participants and the Company's cost of equity and debt, optimal capital structure and risk factors specific to the Company. The market approach estimated the fair value of the Company's business based on comparable publicly-traded companies in its industry. In assessing the fair value, the Company utilized the results of the valuations and considered the range of fair values determined under all methods, which indicated that the fair value exceeded the carrying value of net assets.

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As of December 31, 2018, the Company performed step one of the impairment test for the Logistics Business, which is allocated goodwill of \$104.1 million. Step one of the impairment test used the income method and revealed that the fair value substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required. The future cash flows from the Logistics Business were determined principally by combining revenues from existing contracts and estimated revenues based on the historical performance of the segment, including utilization rates and actual storage capacity. The Logistics Business reporting unit has not been affected by the same volatile industry and market conditions as experienced in the Dry Bulk Vessel Operations reporting unit. In addition, the cash flows of the long-lived assets in the Logistics Business have not experienced a significant decline.

No impairment loss was recognized for any of the periods presented.

*(ii) Intangibles Other Than Goodwill:* Navios Holdings' intangible assets and liabilities consist of favorable lease terms, unfavorable lease terms, customer relationships, trade name and port terminal operating rights. The fair value of the trade name was determined based on the relief from royalty method, which values the trade name based on the estimated amount that a company would have to pay in an arm's length transaction to use that trade name. The asset is being amortized under the straight line method over 32 years. Navios Logistics' trade name is being amortized under the straight line method over 10 years, and was fully amortized as of December 31, 2018.

The fair value of customer relationships of Navios Logistics was determined based on the excess earnings method, which relies upon the future cash flow generating ability of the asset. The asset is amortized under the straight line method.

Other intangibles that are being amortized, such as customer relationships and port terminal operating rights, would be considered impaired if their carrying value could not be recovered from the future undiscounted cash flows associated with the asset.

When intangible assets or liabilities associated with the acquisition of a vessel are identified, they are recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where charter rates are less than market charter rates, a liability is recorded, being the difference between the assumed charter rate and the market charter rate for an equivalent vessel. The determination of the fair value of acquired assets and assumed liabilities requires the Company to make significant assumptions and estimates of many variables including market charter rates, expected future charter rates, the level of utilization of the Company's vessels and the Company's weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on the Company's financial position and results of operations.

The amortizable value of favorable and unfavorable leases is amortized over the remaining life of the lease term and the amortization expense is included in the consolidated statements of comprehensive (loss)/income in the Depreciation and Amortization line item.

The amortizable value of favorable leases would be considered impaired if its carrying value could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options that have not been exercised, which are included in favorable lease terms, would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair value of the vessel.

Vessel purchase options that are included in favorable leases are not amortized and when the purchase option is exercised, the asset is capitalized as part of the cost of the vessel and depreciated over the remaining useful life of the

vessel and if not exercised, the intangible asset is written off. Vessel purchase options that are included in unfavorable lease terms are not amortized and when the purchase option is exercised by the charterer and the underlying vessel is sold, it will be recorded as part of gain/loss on sale of the assets. If the option is not exercised at the expiration date, it is written-off in the consolidated statements of comprehensive (loss)/income.

During the fourth quarter of fiscal year 2018, management concluded that there were no circumstances which indicated that potential impairment of Navios Holdings' intangible assets other than goodwill might exist. As of December 31, 2018, there were no impairment losses recognized for the Company's intangible assets. As of December 31, 2017, the Company performed an assessment which indicated that the amortizable value of one of its favorable leases would not be recoverable from the future undiscounted cash flows associated with the asset. As a result, the Company recognized an impairment loss of \$3,397 in the caption Impairment losses in the consolidated statements of comprehensive (loss)/income. There were no other impairment losses recognized for the Company's intangible assets other than goodwill for the year ended December 31, 2016.

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The weighted average amortization periods for intangibles are:

| <b>Intangible Assets/Liabilities</b> | <b>Years</b> |
|--------------------------------------|--------------|
| Trade name                           | 32.0         |
| Favorable lease terms                | 1.0          |
| Port terminal operating rights       | 47.0         |
| Customer relationships               | 20.0         |

**Investments in Equity Securities:** Navios Holdings evaluates its investments in Navios Acquisition, Navios Partners, Navios Europe I and Navios Europe II for OTTI on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than the carrying value, (ii) the financial condition and near-term prospects of Navios Partners, Navios Acquisition, Navios Europe I and Navios Europe II, and (iii) the intent and ability of the Company to retain its investment in Navios Acquisition, Navios Partners, Navios Europe I and Navios Europe II, for a period of time sufficient to allow for any anticipated recovery in fair value.

Navios Holdings considers whether the fair values of its equity method investments have declined below their carrying values whenever adverse events or changes in circumstances indicate that the carrying value may not be recoverable. If we consider any such decline to be other-than-temporary (based on various factors, including historical financial results, economic and industry events resulting in changes in the affiliate's trading performance and the overall health of the affiliate's industry), then we would write down the carrying amount of the investment to its estimated fair value.

As of December 31, 2018, the Company considered the decline in fair value of its investment in Navios Partners as other-than-temporary and therefore recognized a loss of \$55.5 million in the accompanying consolidated statement of comprehensive (loss)/income.

As of December 31, 2018 and 2017, management considers the decline in the market value of its investment in Navios Acquisition to be temporary. However, there is the potential for future impairment changes relative to this security if its respective fair value does not recover and an OTTI analysis indicates such write down is necessary, which may have a material adverse impact on our results of operations in the period recognized. During the year ended December 31, 2017, we did not recognize any impairment loss in earnings.

As of December 31, 2016, the Company considered the decline in fair value of its investment in Navios Partners and Navios Acquisition as other-than-temporary and therefore recognized a loss of \$228.0 million in the accompanying consolidated statement of comprehensive (loss)/income.

During each of the years ended December 31, 2016 and 2015, the Company considered the decline in fair value of the KLC shares as other-than-temporary and therefore, recognized a loss out of accumulated other comprehensive income/(loss) of \$0.3 million and \$1.8 million, respectively. The respective loss was included within the caption Other expense in the accompanying consolidated statement of comprehensive (loss)/income.

**Recent Accounting Pronouncements**

For a description of Navios Holdings' recent accounting pronouncements, see Note 2 to the Consolidated Financial Statements, included herein.

**G. Safe Harbor**

Applicable to the extent the disclosures in Item 5.E and 5.F above are eligible for the statutory safe harbor protections provided to forward-looking statements.



**Table of Contents****Item 6. Directors, Senior Management and Employees****A. Directors and Senior Management**

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

| <b>Name</b>            | <b>Age</b> | <b>Position</b>  |
|------------------------|------------|--|
| Angeliki Frangou       | 54         | Chairman of the Board and Chief Executive Officer                          |
| Georgios Akhniotis     | 54         | Chief Financial Officer  |
| Ted C. Petrone*        | 64         | Vice Chairman of Navios Corporation  |
| Vasiliki Papaefthymiou | 50         | Executive Vice President Legal and Director                                |
| Anna Kalathakis        | 49         | Chief Legal Risk Officer   |
| Shunji Sasada*         | 61         | President of Navios Corporation and Director                               |
| Leonidas Korres        | 43         | Senior Vice President Business Development                                 |
| Efstratios Desypris    | 46         | Chief Financial Controller   |
| Ioannis Karyotis       | 43         | Senior Vice President Strategic Planning                                   |
| Erifili Tsironi        | 45         | Senior Vice President Credit Management                                    |
| Chris Christopoulos*   | 41         | Senior Vice President of Navios Corporation Financial Business Development |
| Spyridon Magoulas      | 65         | Director   |
| John Stratakis         | 53         | Director   |
| Efstathios Loizos      | 57         | Director   |
| George Malanga         | 61         | Director   |

\* Significant employee

**Angeliki Frangou** has been our Chairman and CEO since August 25, 2005. In addition, Ms. Frangou has been the Chairman and Chief Executive Officer of Navios Maritime Partners L.P. (NYSE: NMM), an affiliated limited partnership, since August 2007, the Chairman and Chief Executive Officer of Navios Maritime Acquisition Corporation (NYSE: NNA), an affiliated corporation, since March, 2008 and the Chairman and Chief Executive Officer of Navios Maritime Containers L.P. (Nasdaq: NMCI), an affiliated limited partnership since April, 2017. Ms. Frangou has been the Chairman of the Board of Directors of Navios Logistics since its inception in December 2007. Ms. Frangou is the Chairman of IRF European Finance Investments Ltd., listed on the SFM of the London Stock Exchange, and is also a Member of the Board of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. Since 2015, she has also been a Board Member of the Union of Greek Shipowners, as well as on the Board of Trustees of Fairleigh Dickinson University. Since 2013, Ms. Frangou has been a Member of the Board of Visitors of the Columbia University School of Engineering and Applied Science. Ms. Frangou also acts as Vice Chairman of the China Classification Society Mediterranean Committee, and is a member of the International General Committee and of the Hellenic and Black Sea Committee of Bureau Veritas, and is also a member of the Greek Committee of Nippon Kaiji Kyokai. Ms. Frangou received a bachelor's degree in Mechanical Engineering, summa cum laude, from Fairleigh Dickinson University and a master's degree in Mechanical Engineering from Columbia University.

**Georgios Akhniotis** has been Navios Holdings' Chief Financial Officer since April 12, 2007. Prior to being appointed Chief Financial Officer of Navios Holdings, Mr. Akhniotis served as Senior Vice President-Business Development of Navios Holdings from August 2006 to April 2007. Before joining Navios Holdings, Mr. Akhniotis was a partner at PricewaterhouseCoopers ( PwC ) in Greece, heading the Piraeus office and the firm's shipping practice. He became a

partner at PwC in 1999 when he set up and headed the firm's internal audit services department from which all SOX implementation and consultation projects were performed. Mr. Achnotis is currently a Director and Executive Vice President-Business Development of Navios Partners; a New York Stock Exchange traded limited partnership, which is an affiliate of Navios Holdings. He has more than 19 years' experience in the accounting profession with work experience in England, Cyprus and Greece. Mr. Achnotis qualified as a Chartered Accountant in England and Wales in 1991, and holds a Bachelor's degree in Civil Engineering from the University of Manchester.

**Ted C. Petrone** became Vice Chairman of Navios Corporation in January 2015 having previously served as a director of Navios Holdings from May 2007 to January 2015 and President of Navios Corporation from September 2006 to January 2015. Mr. Petrone has served in the maritime industry for 41 years, 38 of which he has spent with Navios Holdings. After joining Navios Holdings as an assistant vessel operator, Mr. Petrone worked in various operational and commercial positions. Mr. Petrone was previously responsible for all aspects of the daily commercial activity, encompassing the trading of tonnage, derivative hedge positions and cargoes. Mr. Petrone is currently also a director of Navios Acquisition, a New York Stock Exchange listed company, and an affiliate of the Company; and has served in such capacity since June 2008. Mr. Petrone graduated from New York Maritime College at Fort Schuyler with a Bachelor of Science degree in maritime transportation. He has served aboard U.S. Navy (Military Sealift Command) tankers.

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**Vasiliki Papaefthymiou** has been Executive Vice President – Legal and a member of Navios Holdings’ board of directors since its inception, and prior to that was a member of the board of directors of ISE. Ms. Papaefthymiou has served as general counsel for Maritime Enterprises Management S.A. since October 2001, where she has advised the 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 her undergraduate degree from the Law School of the University of Athens and a master degree in Maritime Law from Southampton University in the United Kingdom. Ms. Papaefthymiou is admitted to practice law before the Bar in Piraeus, Greece.

**Anna Kalathakis** has been Chief Legal Risk Officer since November 2012, and Senior Vice President – Legal Risk Management of Navios Maritime Holdings Inc. from December 2005 until October 2012. Before joining Navios Holdings, Ms. Kalathakis was the General Manager of the Greek office of A. Bilbrough & Co. Ltd. and an Associate Director of the Company (Managers of the London Steam-Ship Owners’ Mutual Insurance Association Limited). She has previously worked for a U.S. maritime law firm in New Orleans, was admitted to practice law in the state of Louisiana in 1995, and has also worked in a similar capacity at a London maritime law firm. She qualified as a solicitor in England and Wales in 1999 and was admitted to practice law before the Bar in Piraeus, Greece in 2003. She has studied International Relations at Georgetown University, Washington D.C. (1991). She holds an MBA from European University at Brussels (1992) and a J.D. from Tulane Law School (1995).

**Shunji Sasada** became a director of Navios Holdings and President of Navios Corporation in January 2015. Mr. Sasada has also served as a director in Navios Maritime Partners L.P. since August 2007. Previously, as Chief Operating Officer of Navios Corporation and Senior Vice President of Fleet Development, he headed Navios Holdings’ program for the growth and development of the Company’s long-term chartered-in and owned tonnage. Mr. Sasada started his shipping career in 1981 in Japan with Mitsui’s O.S.K. Lines, Ltd. ( MOSK ). Mr. Sasada’s first position with MOSK was in steel products in the Tokyo branch as a salesman for exporting steel products to worldwide destinations. Two years later, Mr. Sasada moved to the tramp section in Mitsui’s bulk carrier division and was in charge of operations and then of chartering 20-40 smaller Handysize vessels between 21,000 dwt and 35,000 dwt. In 1991, Mr. Sasada moved to Norway to join Trinity Bulk Carriers as its chartering manager as well as subsidiary board member, representing MOSK as one of the shareholders. After an assignment in Norway, Mr. Sasada moved to London and started MOSK’s own Ultra Handymax operation as its General Manager. Mr. Sasada joined Navios Holdings in May 1997. Mr. Sasada is the member of the North American Committee of Nippon Kaiji Kyokai (Class NK). He is a graduate of Keio University, Tokyo, with a B.A. degree in Business and he is a member of the Board of Trustees of Keio Academy of New York.

**Leonidas Korres** serves as Senior Vice President for Business Development of Navios Holdings from January 2010 and Head of Research of Navios Group since January 2018. Mr Korres is also Chief Financial Officer of Navios Maritime Acquisition since April 2010 and Co-Chief Financial Officer following the completion of the merger between Navios Maritime Acquisition Corporation and Navios Maritime Midstream Partners L.P. Mr. Korres served as the Special Secretary for Public Private Partnerships in the Ministry of Economy and Finance of the Hellenic Republic from October 2005 until November 2009. Prior to that, from April 2004 to October 2005, Mr. Korres served as Special Financial Advisor to the Minister of Economy and Finance of the Hellenic Republic and as liquidator of the Organizational Committee for the Olympic Games Athens 2004 S.A. From 2001 to 2004, Mr. Korres worked as a senior financial advisor for KPMG Corporate Finance. From October 2007 until January 2010, Mr. Korres was a member of the board of directors of Navios Partners. From May 2003 to December 2006, Mr. Korres was Chairman of the Center for Employment and Entrepreneurship, a non-profit company. From June 2008 until February 2009, Mr. Korres served as a board member and audit committee member of Hellenic Telecommunications Organization S.A. (trading on the Athens and New York Stock Exchanges). From June 2004 until November 2009, Mr. Korres served on the board of Hellenic Olympic Properties S.A., which was responsible for operating the Olympic venues. Mr. Korres earned his bachelor’s degree in Economics from the Athens University of Economics and Business and his

master's degree in Finance from the University of London.

**Efstratios Desypris** has been our Chief Financial Controller since February 2011. Mr. Desypris has previously served as Financial Controller since May 2006. Mr. Desypris is also the Chief Financial Officer of Navios Maritime Partners since January 2010. In addition, Mr. Desypris is a director of Navios Maritime Containers L.P. since 2017. He also serves as Senior Vice President – Strategic Planning and Director of Navios Logistics, and as director in Navios Europe Inc. Before joining Navios Group, Mr. Desypris worked for 9 years in the accounting profession, most recently as manager of the audit department at Ernst & Young in Greece. Mr. Desypris started his career as an auditor with Arthur Andersen & Co. in 1997. He holds a Bachelor of Science degree in Economics from the University of Piraeus.

**Ioannis Karyotis** has been our Senior Vice President – Strategic Planning since February 2011. Mr. Karyotis is also Chief Financial Officer of Navios Logistics since March 2011. Prior to joining the Company, from 2006 until 2011, Mr. Karyotis was Consultant and later Project Leader at The Boston Consulting Group (BCG), an international management consulting firm. From 2003 until 2005, Mr. Karyotis was Senior Equity Analyst at Eurocorp Securities, a Greek brokerage house, and in 2003, he was Senior Analyst in the Corporate Finance Department at HSBC Pantelakis Securities, a subsidiary of HSBC Bank. Mr. Karyotis began his career in 2002 with Marfin Hellenic Securities as Equity Analyst. He received his bachelor's degree in Economics from the Athens University of Economics and Business (1998). He holds a master's of Science in Finance and Economics from the London School of Economics (1999) and an MBA from INSEAD (2006).

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**Erifili Tsironi** has been our Senior Vice President – Credit Management since October 2014. Ms. Tsironi is also Co-Chief Financial Officer of Navios Maritime Acquisition Corporation. Furthermore, she served as Chief Financial Officer of Navios Maritime Midstream Partners L.P since its inception in 2014 until completion of the merger with Navios Maritime Acquisition Corporation. Ms. Tsironi has over 17 years experience in banking focusing on ship finance. Before joining us, she was Global Dry Bulk Sector Coordinator and Senior Vice President at DVB Bank SE. Ms. Tsironi joined the Bank in 2000 serving as Assistant Local Manager and Senior Relationship Manager. Previously, she served as account manager in ANZ Investment Bank / ANZ Grindlays Bank Ltd from May 1997 until December 1999. Ms. Tsironi holds a BSc. in Economics, awarded with Honours, from the London School of Economics and Political Science and a MSc in Shipping, Trade and Finance, awarded with Distinction, from Cass Business School of City University in London.

**Chris Christopoulos** has been the Senior Vice President – Financial Business Development of Navios Corporation since joining the Company in April 2017. Mr. Christopoulos is also Chief Financial Officer of Navios Maritime Containers, Inc. Mr. Christopoulos has over 15 years of experience in financial markets and shipping. Before joining us, he was a Director in the investment banking division of Bank of America Merrill Lynch where he led the origination, structuring and execution of advisory and capital markets transactions for companies in the transportation sector. Previously he was part of the transportation investment banking team at Merrill Lynch, and the industrials investment banking team at CIBC World Markets. Mr. Christopoulos received a Bachelor of Arts degree in Economics from Yale University.

**Spyridon Magoulas** has been a member of Navios Holdings – Board of Directors since its inception, and prior to that was a member of the board of directors of ISE. Mr. Magoulas is the co-founder and director of Doric Shipbrokers S.A., a chartering firm based in Athens, Greece, and has served as the managing director of Doric Shipbrokers S.A. since its formation in 1994. From 1982 to 1993, Mr. Magoulas was 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 at Orion and Global Chartering Inc. in New York. Mr. Magoulas received a bachelor’s degree in Economics (honors) from the City University of New York, New York, a master’s degree in Transportation Management from the Maritime College in New York and a master degree in Political Economy from the New School for Social Research in New York. In addition to his role on the Board of Directors, Mr. Magoulas also serves as a member of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Mr. Magoulas is an independent director.

**John Stratakis** has been a member of Navios Holdings – Board of Directors since its inception, and prior to that was a member of the board of directors of ISE. Since 1994, Mr. Stratakis has been a partner with the law firm of Poles, Tublin, Stratakis & Gonzalez, LLP, in New York, New York, where he specializes in all aspects of marine finance law and general corporate law. Mr. Stratakis also has been a director and the President of the Hellenic-American Chamber of Commerce in New York. He serves on the board of New York Maritime Inc., an association that promotes the New York region as a maritime business center. Mr. Stratakis received a Bachelor of Arts (cum laude) from Trinity College and a Juris Doctor degree from Washington College of Law at 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. In addition to his role on the Board of Directors, Mr. Stratakis also serves as chairman of the Nominating and Governance Committee and a member of the Compensation Committee. Mr. Stratakis is an independent director.

**Efstathios Loizos** was appointed to our Board of Directors in July 2010. Mr. Loizos was also director of Navios Partners from October 2007 until June 2010. In October 2008, Mr. Loizos joined the Managing Team of ION S.A., a leading Greek chocolate and cocoa group of companies, with the responsibility of supervising MABEL S.A., one of the affiliated companies of the group. In June 2010, Mr. Loizos was appointed to the Board of Directors of ION S.A. and assumed enlarged executive responsibilities within the group. Since March 2014, Mr. Loizos serves as the CEO of

the affiliated company INTERION S.A., which operates in Bulgaria and since 2018 as the Vice President of the ION group of companies. In May 2010, Mr. Loizos was elected as a member of the Board of Directors of IOBE (Foundation of Economic and Industrial Research). Between 2001 and 2008, Mr. Loizos served as the General Manager and a member of the Board of Directors of ELSA S.A., a Greek steel packaging company, and also as the Vice Chairman of the Board of Directors of its affiliated company ATLAS S.A. From 2005 to 2007, Mr. Loizos served as the President of the International Packaging Association and as the Vice President of the Greek Association of Steel Packaging Manufacturers. Mr. Loizos received a Maitrise en Sciences Economiques from the University of Strasbourg and an M.B.A. in Finance from Stern Business School New York University. Mr. Loizos also serves as Chairman of the Audit Committee and chairman of the Compensation Committee. Mr. Loizos is an independent director.

**George Malanga** has been a member of our Board of Directors since April 2010. He is currently serving as the Chief Credit Officer of BNY Mellon. Mr. Malanga has held a variety of positions during his 32 year tenure with the bank. He began his banking career in various relationship management roles before moving to risk management in 2000. Mr. Malanga has served in roles with increased responsibility in credit risk management over the past 19 years. His credit risk experience includes head of asset recovery, head of domestic corporate credit and currently as Chief Credit Officer of BNY Mellon. Mr. Malanga holds a Bachelor's Degree in Business Administration from Rutgers College and an M.B.A. in Finance from New York University. Mr. Malanga also serves as a member of the Audit Committee and the Nominating and Governance Committee. Mr. Malanga is an independent director.

There are no family relationships between any of our directors, executive officers or significant employees.

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The aggregate annual compensation (salaries and bonus) paid to our current executive officers was approximately \$2.3 million for the year ended December 31, 2018. Navios Holdings provides administrative services to Navios Partners, Navios Acquisition, Navios Logistics, Navios Containers, Navios Europe I and Navios Europe II. Navios Holdings is reimbursed for reasonable costs and expenses, incurred in connection with the provision of these services. In February 2015, the Board of Directors approved the adoption of the Navios Holdings 2015 Equity Incentive Plan, as amended in December 2018 (the 2015 Equity Incentive Plan). The amendment was adopted by the Company's Board of Directors in November 2018 and extends the duration of the plan to December 2020. The 2015 Equity Incentive Plan authorizes the issuance of stock grants to our officers, employees, directors and consultants in such amounts and pursuant to such terms as may be determined by the Board of Directors at the time of the grant.

On December 11, 2016, December 13, 2017 and December 10, 2018 the Company authorized the granting of restricted share units and share appreciation rights and the issuance of shares of restricted common stock, restricted stock units and stock options in accordance with the Company's stock option plan for its employees, officers and directors. These awards of restricted share units, share appreciation rights, restricted common stock units, restricted common stock and stock options to its employees, officers and directors, vest over three and four years.

*Details of options granted (adjusted to reflect the Reverse Stock Split)*

As of the filing of this Annual Report on Form 20-F, 770,600 stock options to purchase the Company's common stock and 250,000 share appreciation rights have been granted of which 578,644 have vested, 299,908 have expired, 83,333 remain unvested and 58,715 have been exercised in total, of which 41,144 at an exercise price of \$31.8 per share, 3,060 at an exercise price of \$58.7 per share, 6,317 at an exercise price of \$51.5 per share, 5,955 at an exercise price of \$38.1 per share, and 2,240 at an exercise price of \$34.40 per share.

Out of the 770,600 stock options granted and 250,000 share appreciation rights granted, 28,800 options were granted at an exercise price of \$167.5 per share; 57,127 options were granted at an exercise price of \$31.8 per share; 40,537 options were granted at an exercise price of \$58.7 per share; 95,484 options were granted at an exercise price of \$51.5 per share; 134,435 options were granted at an exercise price of \$38.1 per share; 134,436 options were granted at an exercise price of \$34.4 per share; 67,481 options were granted at an exercise price of \$86.3 per share; 112,300 options were granted at an exercise price of \$36.4 per share; and 100,000 options were granted at an exercise price of \$12.0 per share. Total 250,000 share appreciation rights were granted at an exercise price of \$12.0 per share.

*Details of restricted stock and restricted stock units issued (adjusted to reflect the Reverse Stock Split)*

As of the filing of this Annual Report on Form 20-F, 1,488,931 restricted share units, shares of restricted stock and restricted stock units have been granted and 254,000 share appreciation rights have been granted, of which 1,024,482 have vested and in the aggregate 8,738 were forfeited during the years from 2007 until 2018. See Note 13 to the Consolidated Financial Statements, included herein.

Non-employee directors receive annual fees, effective January 1, 2014, in the amount of \$80,000 each plus reimbursement of their out-of-pocket expenses. In addition, the non-executive serving as chairman of the Audit Committee receives an annual fee of \$20,000, the chairman of the Nominating and Governance Committee receives an annual fee of \$17,000, and the chairman of the Compensation Committee receives an annual fee of \$20,000, plus reimbursement of their out-of-pocket expenses.

***C. Board Practices***

The board of directors of Navios Holdings is divided into three classes with only one class of directors being elected in each year and each class serving a three-year term. In January 2015, Navios Holdings, following the resignation of Ted Petrone, appointed Shunji Sasada to its Board of Directors. The term of office of the first class of directors, consisting of Efstathios Loizos, George Malanga and John Stratakis will expire in 2021. The term of office of the second class of directors, consisting of Shunji Sasada and Spyridon Magoulas will expire in 2019. The term of office of the third class of directors, consisting of Angeliki Frangou and Vasiliki Papaefthymiou, will expire in 2020. No directors are entitled to any benefits upon termination of their term.

The board of directors has established an audit committee of three independent directors. The audit committee is governed by a written charter, which was approved by the board of directors. One of the members of the audit committee is an audit committee financial expert for purposes of SEC rules and regulations. The audit committee, among other things, reviews our external financial reporting, engages our external auditors, approves all fees paid to auditors and oversees our internal audit activities and procedures and the adequacy of our internal accounting controls. Our audit committee is comprised of Messrs. George Malanga, Efstathios Loizos and Spyridon Magoulas, and our audit committee financial expert is Mr. Efstathios Loizos.



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The board of directors has established a nominating and governance committee of three independent directors, Messrs. John Stratakis, who serves as a Chairman, Spyridon Magoulas and George Malanga. This committee is governed by a written charter, which was approved by the board of directors. The nominating and governance committee is responsible for providing assistance to the board of directors in fulfilling its responsibility to the Company's stockholders relating to the Company's nominating procedures and practices for appointing officers and directors as well as the Company's oversight, analysis and recommendations with respect to corporate governance and best practices, and the Company's process for monitoring compliance with laws and regulations.

The board of directors has established a compensation committee of three independent directors, Messrs. Efstathios Loizos, who serves as a Chairman, Spyridon Magoulas and John Stratakis. The compensation committee is governed by a written charter, which was approved by the board of directors. The compensation committee is responsible for reviewing and approving the compensation of the Company's executive officers, for establishing, reviewing and evaluating, in consultation with senior management, the long-term strategy of employee compensation and approving any material change to existing compensation plans.

The board of directors, from time to time, establishes special conflicts committees to review specific matters that the board believes may involve potential conflicts of interest. The conflicts committees determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committees may not be our officers or employees or directors, officers or employees of our affiliates, and must meet the independence standards established by the New York Stock Exchange to serve on an audit committee of a board of directors and certain other requirements.

**D. Employees**

See "Crewing and Shore Employees" under Item 4. B. Business overview.

**E. Share Ownership (adjusted to reflect the Reverse Stock Split)**

The following table sets forth information regarding the beneficial ownership of the common stock of Navios Holdings as of April 22, 2019, based on 12,993,806 shares of common stock outstanding as of such day, by each of Navios Holdings' executive officers and directors.

Unless otherwise indicated based upon Schedules 13D filed with the SEC and the Company's knowledge, Navios Holdings 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<br>of Beneficial<br>Ownership | Percentage of<br>Outstanding<br>Common Stock |
|---|---|--|
| Angeliki Frangou <sup>(2)(3)</sup>      | 3,978,720                                       | 29.4 %                                       |
| George Achniotis                        | *   | *  |
| Ted C. Petrone                          | *   | *  |
| Vasiliki Papaefthymiou                  | *   | *  |
| Anna Kalathakis                         | *   | *  |
| Shunji Sasada                           | *   | *  |
| Leonidas Korres                         | *   | *  |

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|                     |   |   |
|---------------------|---|---|
| Efstratios Desypris | * | * |
| Ioannis Karyotis    | * | * |
| Erifili Tsironi     | * | * |
| Chris Christopoulos | * | * |
| Spyridon Magoulas   | * | * |
| John Stratakis      | * | * |
| Efstathios Loizos   | * | * |
| George Malanga      | * | * |

\* Less than one percent

- (1) The business address of each of the individuals is c/o Navios Maritime Holdings Inc., 7 Avenue de Grande Bretagne, Office 11B2, Monte Carlo, MC 98000 Monaco.
- (2) Angeliki Frangou has filed a Schedule 13D amendment indicating that she intends, subject to market conditions, to purchase up to \$20.0 million of common stock and as of April 22, 2019, she had purchased approximately \$10.0 million in value of common stock.
- (3) The amount and nature of beneficial ownership and the percentage of outstanding common stock includes 523,384 options, each for one share, vested but not yet exercised.

**Table of Contents****Item 7. Major Shareholders and Related Party Transactions****A. Major Shareholders (adjusted to reflect the Reverse Stock Split)**

The following table sets forth information regarding the beneficial ownership of the common stock of Navios Holdings as of April 22, 2019 based on shares of common stock outstanding as of such date of each person known by Navios Holdings to be the beneficial owner of more than 5% of its outstanding shares of common stock based upon the amounts and percentages as are contained in the public filings of such persons. All such stockholders have the same voting rights with respect to their shares of common stock.

Unless otherwise indicated, based upon Schedules 13D filed with the SEC and the Company's knowledge, Navios Holdings 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                               | Amount and<br>Nature of<br>Beneficial<br>Ownership | Percentage of<br>Outstanding<br>Common Stock |
|------------------------------------|--|--|
| Angeliki Frangou <sup>(1)(2)</sup> | 3,978,720  | 29.4%  |

- (1) The amount and nature of beneficial ownership and the percentage of outstanding common stock includes 523,384 options, each for one share, vested but not yet exercised.
- (2) As disclosed in a 13D Amendment dated March 29, 2018, Ms. Frangou has disclosed that she and her affiliates have pledged 14,511,171 (before the Reverse Stock Split) of the shares of common stock disclosed in the table above.

**B. Related Party Transactions**

**Office Rent:** The Company has entered into lease agreements with Goldland Ktimatiki-Ikodomiki-Touristiki Xenodohiaki Anonimos Eteria and Emerald Ktimatiki-Ikodomiki Touristiki Xenodohiaki Anonimos Eteria, both of which are Greek corporations that are currently majority-owned by Angeliki Frangou, Navios Holdings' Chairman and Chief Executive Officer. The lease agreements provide for the leasing of facilities located in Piraeus, Greece to house the operations of most of the Company's subsidiaries. The total annual lease payments are in aggregate 0.9 million (approximately \$1.1 million) pursuant to one lease agreement that continues to be effective until either party terminates the agreement and other lease agreements that expire through 2030. These payments are subject to annual adjustments, which are based on the inflation rate prevailing in Greece as reported by the Greek State at the end of each year.

**Purchase of Services:** The Company utilized its former affiliate company, Acropolis, as a broker until the sale of its investment on December 6, 2018. Navios Holdings had a 50% interest in Acropolis. Although Navios Holdings owned 50% of Acropolis' stock, Navios Holdings agreed with the other shareholder that the earnings and amounts declared by way of dividends would be allocated 35% to the Company with the balance to the other shareholder. As of December 31, 2018 and 2017, the carrying amount of the investment was \$0 million and \$0.2 million, respectively. Dividends received for the years ended December 31, 2018, 2017 and 2016 were \$0.1 million for all periods. Commissions charged from Acropolis for the years ended December 31, 2018, 2017 and 2016, were \$0 million for all periods. Included in the trade accounts payable at both December 31, 2018 and 2017 was an amount due to Acropolis

of \$0.1 million.

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**Vessels Charter Hire:** From 2012, Navios Holdings has entered into charter-in contracts for certain of Navios Partners' vessels, all of which have been redelivered by April 2016.

In 2015, the Company entered into various charters with Navios Partners for the Navios Gemini, Navios Hyperion, Navios Soleil, Navios Harmony, Navios Orbiter, Navios Fantastiks, Navios Alegria, Navios Pollux and Navios Sun. The terms of these charters were approximately nine to twelve months, at a net daily rate of \$7,600, \$12,000, \$12,000, \$12,000, \$12,000, \$12,500, \$12,000, \$11,400 and \$12,000, respectively plus 50/50 profit sharing based on actual earnings at the end of the period.

In November 2016, the Company entered into a charter with Navios Partners for the Navios Fulvia, a 2010-built Capesize vessel. The term of this charter was approximately three months from November 2016, at a net daily rate of \$11,500.

Total charter hire expense for all vessels for the years ended December 31, 2018, 2017 and 2016 was \$0 million, \$0.7 million and \$1.7 million, respectively, and was included in the consolidated statements of comprehensive (loss)/income under Time charter, voyage and logistics business expenses.

**Management Fees:** Navios Holdings provides commercial and technical management services to Navios Partners' vessels for a daily fixed fee. This daily fee covers all of the vessels' operating expenses, including the cost of drydock and special surveys. In February 2016, the Company amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4,100 daily rate per Ultra-Handymax vessel; (ii) \$4,200 daily rate per Panamax vessel; (iii) \$5,250 daily rate per Capesize vessel; (iv) \$6,700 daily rate per container vessel of TEU 6,800; (v) \$7,400 daily rate per container vessel of more than TEU 8,000; and (vi) \$8,750 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2017. In November 2017, the Company further amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4,225 daily rate per Ultra-Handymax vessel; (ii) \$4,325 daily rate per Panamax vessel; (iii) \$5,250 daily rate per Capesize vessel; (iv) \$6,700 daily rate per container vessel of TEU 6,800; (v) \$7,400 daily rate per container vessel of more than TEU 8,000; and (vi) \$8,750 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2019. Drydocking expenses will be reimbursed by Navios Partners at cost at occurrence.

Total management fees for the years ended December 31, 2018, 2017 and 2016, amounted to \$68.9 million, \$62.2 million and \$59.2 million, respectively, and are presented net under the caption Direct vessel expenses.

Navios Holdings provides commercial and technical management services to Navios Acquisition's vessels for a daily fee that was fixed. This daily fee covers all of the vessels' operating expenses, other than certain fees and costs. Actual operating costs and expenses would be determined in a manner consistent with how the initial fixed fees were determined. In May 2014, Navios Holdings extended the duration of its existing management agreement with Navios Acquisition until May 2020 and fixed the fees for ship management services of Navios Acquisition owned fleet for two additional years through May 2016 at \$6,000 per owned MR2 product tanker and chemical tanker vessel, \$7,000 per owned LR1 product tanker vessel and reduced the daily rate to \$9,500 per VLCC vessel. In May 2016, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6,350 per MR2 product tanker and chemical tanker vessel; (ii) \$7,130 per LR1 product tanker vessel; and (iii) \$9,500 per VLCC through May 2018. In May 2018, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6,500 per MR2 product tanker and chemical tanker vessel; (ii) \$7,150 per LR1 product tanker vessel; and (iii) \$9,500 per VLCC through May 2020. Drydocking expenses under this agreement will be reimbursed at cost at occurrence for all vessels.

Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the management agreement also covers vessels acquired.

Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$93.0 million, \$95.0 million and \$97.9 million, respectively, and are presented net under the caption Direct vessel expenses .

Pursuant to a management agreement dated December 13, 2013, Navios Holdings provides commercial and technical management services to Navios Europe I's tanker and container vessels. The term of this agreement is for a period of six years. Management fees under this agreement will be reimbursed at cost at occurrence. Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$22.4 million, \$21.5 million and \$20.9 million, respectively, and are presented net under the caption Direct vessel expenses .

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Pursuant to a management agreement dated November 18, 2014, as further amended in October 2016, Navios Holdings provides commercial and technical management services to Navios Midstream's vessels for a daily fixed fee of \$9,500 per owned VLCC vessel, effective through December 31, 2018. Drydocking expenses under this agreement will be reimbursed at cost at occurrence for all vessels. Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$20.7 million, \$20.8 million and \$20.9 million, respectively, and are presented net under the caption Direct vessel expenses .

Pursuant to a management agreement dated June 5, 2015, Navios Holdings provides commercial and technical management services to Navios Europe II's dry bulk and container vessels. The term of this agreement is for a period of six years. Management fees under this agreement will be reimbursed at cost at occurrence. Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$22.2 million, \$22.1 million and \$23.5 million, respectively, and are presented net under the caption Direct vessel expenses .

Pursuant to a management agreement dated June 7, 2017, as amended in November 2017, in April 2018 and in June 2018, Navios Holdings, provides commercial and technical management services to Navios Containers' vessels. The term of this agreement is for an initial period of five years with an automatic extension period of five years thereafter unless a notice for termination is received by either party. The fee for the ship management services provided by Navios Holdings is a daily fee of \$6,100 per day for up to 5,500 TEU container vessels, \$6,700 per day for above 5,500 TEU and up to 8,000 TEU container vessels and \$7,400 per day for above 8,000 TEU and up to 10,000 TEU container vessels. Drydocking expenses under this agreement are reimbursed by Navios Containers at cost. Total management fees for the period ended November 30, 2018 (date of obtaining control) and December 31, 2017 amounted to \$48.5 million and \$16.7 million, respectively and are presented net under the caption Direct vessel expenses . From November 30, 2018 (date of obtaining control) until December 31, 2018, Navios Containers management fees amounted to \$5.3 million and have been eliminated upon consolidation.

**Navios Partners Guarantee:** In November 2012 (as amended in March 2014), the Company entered into an agreement with Navios Partners (the Navios Partners Guarantee ) to provide Navios Partners with guarantees against counterparty default on certain existing charters, which had previously been covered by the charter insurance for the same vessels, same periods and same amounts. The Navios Partners Guarantee provides for a maximum possible payout of \$20.0 million by the Company to Navios Partners. Premiums that are calculated on the same basis as the restructured charter insurance are included in the management fee that is paid by Navios Partners to Navios Holdings pursuant to the management agreement. As of December 31, 2018, Navios Partners has submitted one claim under this agreement to the Company. As at December 31, 2018 and December 31, 2017, the fair value of the claim was estimated at \$18.0 million and \$20.0 million, respectively and was included in Due to affiliate companies and Other long-term liabilities and deferred income , respectively in the consolidated balance sheet. As of December 31, 2018, the amount of \$2.0 million was included in Other income within the consolidated statements of comprehensive (loss)/income. The final settlement of the amount due will take place at anytime but in no case later than December 31, 2019, in accordance with a letter of agreement effective as of December 29, 2017.

**General and Administrative Expenses incurred on behalf of affiliates/Administrative fee revenue from affiliates:** Navios Holdings provides administrative services to Navios Partners. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Navios Holdings extended the duration of its existing administrative services agreement with Navios Partners until December 31, 2022, pursuant to its existing terms. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$9.3 million, \$8.4 million and \$7.8 million, respectively.

Navios Holdings provides administrative services to Navios Acquisition. Navios Holdings extended the duration of its existing administrative services agreement with Navios Acquisition until May 2020, pursuant to its existing terms.

Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$8.8 million, \$9.0 million and \$9.4 million, respectively.

Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the administrative services agreement also covers vessels acquired.

Navios Holdings provides administrative services to Navios Logistics. In April 2016, Navios Holdings extended the duration of its existing administrative services agreement with Navios Logistics until December 2021, pursuant to its existing terms. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$1.0 million for all periods. The general and administrative fees have been eliminated upon consolidation.



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Pursuant to an administrative services agreement dated December 13, 2013, Navios Holdings provides administrative services to Navios Europe I's tanker and container vessels. The term of this agreement is for a period of six years. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$1.3 million, \$1.2 million and \$1.3 million, respectively.

Pursuant to an administrative services agreement dated November 18, 2014, Navios Holdings provides administrative services to Navios Midstream. The term of this agreement is for a period of five years. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$1.5 million for all periods.

Pursuant to an administrative services agreement dated June 5, 2015, Navios Holdings provides administrative services to Navios Europe II's dry bulk and container vessels. The term of this agreement is for a period of six years. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees charged for the year ended December 31, 2018, 2017 and 2016 amounted to \$2.0, \$1.8 and \$1.8 million, respectively.

Pursuant to the administrative services agreement dated June 7, 2017, Navios Holdings provides administrative services to Navios Containers. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. The term of this agreement is for an initial period of five years with an automatic extension for a period of five years thereafter unless a notice of termination is received by either party. Total general and administrative fees attributable to this agreement for the period ended November 30, 2018 (date of obtaining control) and December 31, 2017, amounted to \$5.4 and \$1.9 million, respectively.

**Balance due from/to affiliates (excluding Navios Europe I and Navios Europe II):** Balance due to Navios Partners as of December 31, 2018 amounted to \$34.8 million (December 31, 2017: \$8.3 million), and the Long-term payable to Navios Partners amounted to \$17.9 million (December 31, 2017: \$14.9 million). Balance due from Navios Acquisition as of December 31, 2018 amounted to \$11.9 million (December 31, 2017: \$2.8 million due to Navios Acquisition), and the Long-term payable to Navios Acquisition amounted to \$11.3 million (December 31, 2017: \$15.2 million). Balance due to Navios Midstream as of December 31, 2018 amounted to \$1.8 million (December 31, 2017: \$1.0 million), and the Long-term payable to Navios Midstream amounted to \$2.6 million (December 31, 2017: \$4.6 million). Balance due to Navios Containers as of December 31, 2017 amounted to \$3.3 million and the Long-term payable to Navios Containers amounted to \$8.0 million. The balances mainly consisted of management fees, administrative fees, drydocking, ballast water treatment system and other expenses prepaid by the affiliates according to our management agreements and other amounts payable to affiliates.

**Omnibus Agreements:** Navios Holdings has entered into an omnibus agreement with Navios Partners (the Partners Omnibus Agreement) in connection with the closing of Navios Partners' IPO governing, among other things, when Navios Holdings and Navios Partners may compete against each other as well as rights of first offer on certain dry bulk carriers. Pursuant to the Partners Omnibus Agreement, Navios Partners generally agreed not to acquire or own Panamax or Capesize dry bulk carriers under time charters of three or more years without the consent of an independent committee of Navios Partners. In addition, Navios Holdings has agreed to offer to Navios Partners the opportunity to purchase vessels from Navios Holdings when such vessels are fixed under time charters of three or more years.

Navios Holdings entered into an omnibus agreement with Navios Acquisition and Navios Partners (the Acquisition Omnibus Agreement) in connection with the closing of Navios Acquisition's initial vessel acquisition, pursuant to which, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid

shipment vessels, except for container vessels and vessels that are primarily employed in operations in South America, without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter dry bulk carriers subject to specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries granted to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its dry bulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels it might own. These rights of first offer will not apply to a (i) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty, or (ii) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

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Navios Holdings entered into an omnibus agreement with Navios Midstream, Navios Acquisition and Navios Partners in connection with the Navios Midstream IPO, pursuant to which Navios Acquisition, Navios Holdings, Navios Partners and their controlled affiliates generally have agreed not to acquire or own any VLCCs, crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers under time charters of five or more years without the consent of Navios Midstream. The omnibus agreement contains significant exceptions that will allow Navios Acquisition, Navios Holdings, Navios Partners or any of their controlled affiliates to compete with Navios Midstream under specified circumstances.

Navios Holdings entered into an omnibus agreement with Navios Containers, Navios Acquisition, Navios Midstream and Navios Partners, pursuant to which Navios Acquisition, Navios Holdings and Navios Partners and their controlled affiliates generally have granted a right of first refusal to Navios Containers over any container vessels to be sold or acquired in the future, subject to significant exceptions that would allow Navios Acquisition, Navios Holdings and Navios Partners or any of their controlled affiliates to compete with Navios Containers under specified circumstances.

**Midstream General Partner Option Agreement:** Navios Holdings entered into an option agreement, with Navios Acquisition under which Navios Acquisition, which owns and controls Navios Maritime Midstream Partners GP LLC ( Midstream General Partner ), granted Navios Holdings the option to acquire a minimum of 25% of the outstanding membership interests in Midstream General Partner and the incentive distribution rights in Navios Midstream representing the right to receive an increasing percentage of the quarterly distributions when certain conditions are met. The option shall expire on November 18, 2024. The purchase price for the acquisition for all or part of the option interest shall be an amount equal to its fair market value. As of December 31, 2018, Navios Holdings had not exercised any part of that option.

**Sale of Vessels and Sale of Rights to Navios Partners:** Upon the sale of vessels to Navios Partners, Navios Holdings recognizes the gain immediately in earnings only to the extent of the interest in Navios Partners owned by third parties and defers recognition of the gain to the extent of its own ownership interest in Navios Partners (the deferred gain ). Subsequently, the deferred gain is amortized to income over the remaining useful life of the vessel. The recognition of the deferred gain is accelerated in the event that (i) the vessel is subsequently sold or otherwise disposed of by Navios Partners or (ii) the Company s ownership interest in Navios Partners is reduced. In connection with the public offerings of common units by Navios Partners, a pro rata portion of the deferred gain is released to income upon dilution of the Company s ownership interest in Navios Partners. As of December 31, 2018 and 2017, the unamortized deferred gain for all vessels and rights sold totaled \$8.1 million and \$10.0 million, respectively. For the years ended December 31, 2018, 2017 and 2016, Navios Holdings recognized \$1.8 million, \$1.9 million and \$1.8 million of the deferred gain, respectively, in Equity in net (losses)/earnings of affiliated companies .

**Participation in Offerings of Affiliates:** Refer to Item 4. Information on the Company and Item 5. Operating and Financial Review and Prospects for Navios Holdings participation in Navios Acquisition s and Navios Partners offerings. On February 4, 2015, Navios Holdings entered into a share purchase agreement with Navios Partners pursuant to which Navios Holdings made an investment in Navios Partners by purchasing common units, and general partnership interests, in order to maintain its 20.0% partnership interest in Navios Partners following its equity offering in February 2015. In connection with this agreement, Navios Holdings entered into a registration rights agreement with Navios Partners pursuant to which Navios Partners provided Navios Holdings with certain rights relating to the registration of the common units. Navios Holdings has entered into additional share purchase agreements on December 30, 2016, March 3, 2017, March 23, 2017, March 31, 2017, January 11, 2018, February 21, 2018 and December 20, 2018 for the purchase up to a total of 1,747,206 general partnership interests.

**The Navios Acquisition Credit Facilities:** On September 19, 2016, Navios Holdings entered into a secured credit facility of up to \$70.0 million with Navios Acquisition. This credit facility is secured by all of the Company s interest

in Navios Acquisition and 78.5% of the Company's interest in Navios Logistics, representing a majority of the shares outstanding of Navios Logistics. This facility was provided for an arrangement fee of \$0.7 million. On November 3, 2017, Navios Holdings prepaid in full the outstanding amount under this credit facility with Navios Acquisition and all collateral was released.

**The Navios Partners Credit Facility:** In May 2015, Navios Partners entered into a credit facility with Navios Holdings of up to \$60.0 million. The Navios Partners Credit Facility bears an interest of LIBOR plus 300 bps. The final maturity date was January 2, 2017. As of December 31, 2018 and 2017, there was no outstanding amount under this facility. In April 2016, Navios Partners has drawn \$21.0 million from the Navios Partners Credit Facility, which was fully repaid during April 2016.

**Balance due from Navios Europe I:** Balance due from Navios Europe as of December 31, 2018 amounted to \$12.0 million (December 31, 2017: \$7.2 million), which included the net current amount receivable of \$7.8 million (December 31, 2017: \$4.0 million) mainly consisting of management fees, drydocking, ballast water treatment system and other expenses, accrued interest income earned under the Navios Revolving Loans I and other expenses and the non-current amount of \$4.2 million (December 31, 2017: \$3.2 million) related to the accrued interest income earned under the Navios Term Loans I.

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The Navios Revolving Loans I and the Navios Term Loans I earn interest and an annual preferred return, respectively, at 1,270 basis points per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There are no covenant requirements or stated maturity dates.

As of December 31, 2018 and 2017, the outstanding amount relating to Navios Holdings' portion under the Navios Revolving Loans I was \$19.1 million and \$11.1 million respectively, under the caption "Loan receivable from affiliate companies". During 2018, Navios Holdings funded with \$8.0 million Navios Europe I under the Navios Revolving Loans I. As of December 31, 2018, the amount undrawn under the Revolving Loans I was \$12.0 million, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$12.0 million.

On March 17, 2017, Navios Holdings transferred to Navios Partners its rights to the Navios Revolving Loans I and the Navios Term Loans I (including the respective accrued receivable interest), with a total carrying value of \$21.4 million for a total consideration of \$33.5 million, comprised of \$4.1 million in cash and 13,076,923 newly issued common units of Navios Partners with a fair value of \$29.4 million (based on Navios Partners' trading price as of the closing of the transaction). The Company evaluated this transaction in accordance with ASC 860, classifying it as a secured borrowing arrangement. At the date of this transaction, the Company recognized a long-term liability of \$33.5 million, including a premium of \$12.1 million which will be amortized through "Interest income" over the term of the loans, until 2023, and is included within "Long-term payable to affiliate companies". Navios Holdings may be required from Navios Partners, under certain conditions, to repurchase the loans after the third anniversary of the date of the transaction based on the then-outstanding balance of the loans. As of December 31, 2018 and 2017, the balance payable to Navios Partners amounted to \$35.4 million and \$34.2 million, respectively, including the unamortized premium of \$8.4 million and \$10.4 million, respectively.

**Balance due from Navios Europe II:** Balance due from Navios Europe II as of December 31, 2018, amounted to \$5.3 million (December 31, 2017: \$2.4 million), which included the net current payable amount of \$0.5 million (December 31, 2017: \$1.3 million), mainly consisting of management fees, drydocking, ballast water treatment system and other expenses and accrued interest income earned under the Navios Revolving Loans II and other expenses and the non-current receivable amount of \$5.8 million (December 31, 2017: \$3.8 million) related to the accrued interest income earned under the Navios Term Loans II.

The Navios Revolving Loans II and the Navios Term Loans II earn interest and an annual preferred return, respectively, at 1,800 basis points per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There are no covenant requirements or stated maturity dates.

As of December 31, 2018, the outstanding amount relating to Navios Holdings' portion under the Navios Revolving Loans II was \$16.9 million (December 31, 2017: \$12.1 million), under the caption "Loan receivable from affiliate companies". During 2018, Navios Holdings funded with \$4.9 million Navios Europe II under the Navios Revolving Loans II. As of December 31, 2018, the amount undrawn from the Navios Revolving Loans II was \$4.5 million, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$4.5 million.

**C. Interests of experts and counsel.**

Not applicable.

**Item 8. Financial Information**

**A. Consolidated Statements and Other Financial Information**

*Consolidated Financial Statements:* See Item 18.

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

From time to time, Navios Holdings may be subject to legal proceedings and claims in the ordinary course of business. It is expected that these claims would be covered by insurance if they 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.

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Refer also to Note 14 to the Consolidated Financial Statements, included herein.

**Dividend Policy:** Navios Holdings has announced the suspension of dividends to its common stock shareholders in November 2015 and its preferred shareholders, including holders of the Series G and Series H in February 2016. Navios Holdings intends to retain most of its available earnings generated by operations to conserve cash and improve liquidity. The reinstatement, declaration and payment of any dividend remains subject to the discretion of the Board of Directors, and will depend on, among other things, Navios Holdings' cash requirements after taking into account market opportunities, debt obligations, market conditions, and restrictions contained in its equity and debt instruments, including limitations on dividends under its preferred stock. In addition, the terms and provisions of our current secured credit facilities and indentures limit our ability to declare and pay dividends in excess of certain amounts or if certain covenants are not met. (See also Item 5.B. Long-term Debt Obligations and Credit Arrangements ).

## **B. Significant Changes**

Not applicable.

## **Item 9. Listing Details**

As of February 22, 2007, the Company's common stock and warrants were no longer trading as a unit, and as of such date, the principal trading market for our securities has been NYSE under the symbols NM for our common stock and NMWS for our warrants. On December 9, 2008, our publicly traded warrants expired and ceased to be publicly traded. For the period from November 3, 2005 to February 22, 2007 our common stock, warrants and units were trading on the Nasdaq National Market ( NASDAQ ) 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 ( OTCBB ). Our Series G and Series H issued in January and July 2014, respectively, are trading on the NYSE under the symbols NMPrg. and NMPrH.

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Not applicable.

***B. Memorandum of articles of association***

Please refer to Exhibit 3.1 of Form F-1, filed with the Securities and Exchange Commission ( SEC ) on November 2, 2005 with file number 333-129382; Exhibit 99.1 of Form 6-K, filed on January 17, 2007 with file number 000-51047, which the Company hereby incorporates by reference and the following filings on Form 6-K or Form 8-A, as applicable, (file number 001-33311) filed with the SEC : Exhibit 99.2 of Form 6-K filed on October 6, 2008; Exhibit 3.1 of Form 6-K filed on July 7, 2009; Exhibit 3.1 of Form 6-K filed on September 22, 2009; Exhibit 3.1 of Form 6-K filed on September 24, 2009; Exhibit 3.1 of Form 6-K filed on February 4, 2010; Exhibit 1.1 of Form 6-K filed on November 15, 2010; Exhibit 1.1 of Form 6-K filed on December 22, 2010; Exhibit 3.3 of Form 8-A filed on January 24, 2014 and Exhibit 3.3 of Form 8-A filed on July 7, 2014, each of which the Company hereby incorporates by reference.

***C. Material Contracts***

Refer to Item 4. Information on the Company for a discussion of various agreements relating to our business and certain vessel transactions, including Item 4.B. for a discussion of our option agreements to purchase 20 chartered-in vessels, and to Item 5. Operating and Financial Review and Prospects for a discussion of our long-term debt, including Item 5.F for a discussion of the long-term debt, the operating lease obligations and the rent obligations. Other than these agreements, there are no material contracts, other than the contracts entered into in the ordinary course of business, to which the Company or any of its subsidiaries is a party.

***D. Exchange controls***

Under the laws of the Marshall Islands, Uruguay, Liberia, Panama, Belgium, Luxembourg, Malta, Brazil, Paraguay, Cayman Islands, Hong Kong and the British Virgin Islands, the countries of incorporation of the Company and its subsidiaries, there are currently no restrictions on the export or import of capital, including foreign exchange controls, or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common stock.

In the case of Argentina, however, it should be noted that in the year 2001, local authorities have established certain foreign exchange restrictions that affect the export or import of capital. Such restrictions have been progressively eased since 2003 while the current Argentinian government implemented certain reforms that provided greater flexibility and easier access to the foreign exchange market. As of the date of this report, almost all of these restrictions have been lifted. However, there can be no assurance that local authorities in Argentina will not modify such regulations in the near future.

***E. Taxation*****Marshall Islands Tax Considerations**

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



payments.

**Other Tax Jurisdictions**

Certain of Navios Holdings' subsidiaries are incorporated in countries, which impose taxes, such as Belgium, however such taxes are immaterial to Navios Holdings' operations.

Marshall Islands, Liberia, Panama and Malta do not impose a tax on international shipping income. Under the laws of Marshall Islands, Malta, Liberia and Panama, the countries of incorporation of the Company and its subsidiaries and the vessels' registration, the companies are subject to registration and tonnage taxes, which have been included in direct vessel expenses in the accompanying consolidated statements of comprehensive (loss)/income.

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Certain of the Company's subsidiaries have registered offices in Greece under Greek Law 27/75 as amended and in force (former law 89/67). These companies are allowed to conduct the specific business activities provided in their license and the provisions of the above legislation. Same law (27/75) provides that these companies are exempted in Greece from any tax, duty, levy, contribution or deduction in respect of income.

In accordance with the currently applicable Greek law, ship owning companies of foreign flagged vessels that are managed by Greek or foreign ship management companies having established an office/branch in Greece under law 27/75 are subject to duties towards the Greek state which are calculated on the basis of the relevant vessel's tonnage. In case that tonnage tax and/or similar taxes/duties are paid by the shipowning companies to the vessel's flag state, these are deducted from the amount of the duty to be paid in Greece by the ship owner. The payment of said duties exhausts the tax liability of the foreign ship owning company against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

Navios Logistics subsidiaries are incorporated in countries, which impose taxes, such as Argentina, Uruguay, Brazil and Paraguay. Income tax liabilities of the Argentinean subsidiaries for the current periods is measured at the amount expected to be paid to the taxation authorities using a tax rate of 30.0% on the taxable net income. As a result of the tax reforms voted by the Argentinean Parliament in December 2017, the corporate income tax rate has decreased from 35% in 2017 to 30% for the years 2018 and 2019, and will further decrease to 25% from 2020 onwards. Tax rates and tax laws used to assess the income tax liability are those that are effective on the close of the fiscal period. Additionally, at the end of the fiscal year local companies in Argentina had to calculate an assets tax (Minimum Presumed Income Tax), applying the effective tax rate of 1.0% over the gross value of the corporate assets (based on tax law criteria). Following the tax reform voted by the Argentinean Parliament in December 2017, and the subsequent resolution in-force since May 2018, this tax will not longer apply as of the fiscal year 2019. Relating to the Paraguayan subsidiaries there are two possible options to determine the income tax liability. Under the first option, income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authorities, by applying the tax rate of 10.0% on the fiscal profit and loss. 50.0% of revenues derived from international freights are considered Paraguayan sourced (and therefore taxed) if carried between Paraguay and Argentina, Bolivia, Brazil or Uruguay. In any other case, only 30.0% of revenues derived from international freights are considered Paraguayan sourced. Companies whose operations are considered international freights can choose to pay income taxes on their revenues at an effective tax rate of 1.0% on such revenues, without considering any other kind of adjustments. Fiscal losses, if any, are neither deducted nor carried forward.

**Material U.S. Federal Income Tax Considerations**

The following discussion addresses certain U.S. federal income tax considerations applicable to us and to the purchase, ownership and disposition of our common stock. The discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "Code"), judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the U.S. Treasury (the "Treasury Regulations"), all of which are subject to change, possibly with retroactive effect. Changes in these authorities may cause the tax consequences to vary substantially from the consequences described below. No party has sought or will seek any rulings from the U.S. Internal Revenue Service (the "IRS") with respect to the U.S. federal income tax consequences discussed below. The discussion below is not in any way binding on the IRS or the courts or in any way an assurance that the U.S. federal income tax consequences discussed herein will be accepted by the IRS or the courts.

The U.S. federal income tax consequences to a beneficial owner of our common stock may vary depending on such beneficial owner's particular situation or status. This discussion is limited to beneficial owners of our common stock who hold our common stock as capital assets, and it does not address aspects of U.S. federal income taxation that may be relevant to persons who are subject to special treatment under U.S. federal income tax laws, including but not

limited to: dealers in securities; banks and other financial institutions; insurance companies; tax-exempt entities, plans or accounts; persons holding our common stock as part of a hedge, straddle or other risk reduction transaction; partnerships or other pass-through entities (or investors in such entities); U.S. persons whose functional currency is not the U.S. dollar; persons that actually or constructively own 10.0% or more (by voting power or value) of our outstanding stock; U.S. expatriates; persons that are accrual method taxpayers required to accelerate the recognition of any item of gross income for U.S. federal income tax purposes as a result of such income being recognized on an applicable financial statement; and persons subject to alternative minimum tax. The following discussion is for general information purposes only and does not address any U.S. state or local tax matters, any non-U.S. tax matters, or any U.S. federal taxes other than income taxes (such as estate and gift taxes or the Medicare tax on certain investment income).

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U.S. Holders (as defined below) that use an accrual method of accounting for U.S. federal income tax purposes generally are required to include certain amounts in income no later than the time such amounts are reflected on certain applicable financial statements. The application of this rule may require the accrual of income earlier than would be the case under the general U.S. federal income tax rules described below, although it is not clear to what types of income this rule applies. U.S. Holders that use an accrual method of accounting for U.S. federal income tax purposes should consult with their tax advisors regarding the potential applicability of this rule to their particular situation.

You are encouraged to consult your own tax advisor regarding the particular U.S. federal, state and local and non-U.S. income and other tax consequences applicable to us and to the purchase, ownership and disposition of our common stock that may be applicable to you.

## **U.S. Federal Income Taxation of the Company**

### **Taxation of Our Shipping Income**

Navios Holdings is incorporated under the laws of the Marshall Islands. Accordingly, we take the position that Navios Holdings is taxed as a foreign corporation by the U.S., and the remainder of this discussion assumes the correctness of this position. If Navios Holdings were taxed as a U.S. corporation, it could be subject to substantially greater U.S. federal income tax than contemplated below. See **Risk Factors Tax Risks** Navios Maritime Holdings Inc. may be taxed as a U.S. corporation.

Subject to the discussion of **effectively connected** income below, unless exempt from U.S. federal income tax under the rules contained in Section 883 of the Code and the Treasury Regulations promulgated thereunder, a non-U.S. corporation is subject to a 4.0% U.S. federal income tax in respect of its U.S.-source gross shipping income (without allowance for deductions). For this purpose, U.S.-source gross shipping income includes 50.0% of the shipping income that is attributable to transportation that begins or ends (but that does not both begin and end) in the U.S. Shipping income attributable to transportation that both begins and ends in the U.S. is considered to be 100.0% U.S.-source. Shipping income attributable to transportation exclusively between non-U.S. destinations is considered to be 100.0% non-U.S. source and generally is not subject to U.S. federal income tax. **Shipping income** means income that is derived from the use of vessels, the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing agreement or other joint venture it directly or indirectly owns or participates in that generates such income, or the performance of services directly related to these uses.

Under Section 883 of the Code and the Treasury Regulations promulgated thereunder, a non-U.S. corporation will be exempt from U.S. federal income tax on its U.S.-source shipping income if the following three requirements are satisfied:

It is organized in a jurisdiction outside the United States that grants an **equivalent exemption** from tax to corporations organized in the United States with respect to the types of U.S.-source shipping income that we earn;

Either (i) its stock is **primarily traded** and **regularly traded** on an **established securities market** in the United States, in its country of organization, or in another country that grants an **equivalent exemption** to U.S. corporations or (ii) more than 50.0% of the value of its stock is owned, directly or indirectly, by (a) individuals

who are residents of foreign countries that grants an equivalent exemption, (b) non-U.S. corporations organized in foreign countries that grant an equivalent exemption and that meet the test described in (i), and/or (c) certain other qualified shareholders described in the Treasury Regulations promulgated under Section 883; and

It meets certain substantiation and reporting requirements.

We believe that we and each of our subsidiaries qualifies and will continue to qualify for the foreseeable future for this statutory tax exemption under Section 883 with respect to our U.S.-source shipping income, provided that our common stock continues to be listed on the NYSE and represents more than 50.0% of the total combined voting power of all classes of our stock entitled to vote and of the total value of our stock, and less than 50.0% of our common stock is owned, actually or constructively under specified stock attribution rules, on more than half the number of days in the relevant year by persons who each own 5.0% or more of the vote and value of our common stock. However, no assurance can be given that we will satisfy these requirements or qualify for this exemption.

If we or our subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our subsidiaries would be subject for those years to the 4.0% U.S. federal income tax on our gross U.S.-source shipping income described above, subject to the discussion of effectively connected income below. We expect that no more than a small portion of our gross shipping income would be treated as U.S.-source and we expect that the effective rate of U.S. federal income tax on our gross shipping income would be significantly below 1.0%.

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To the extent exemption under Section 883 is unavailable, our U.S.-source gross shipping income that is considered to be effectively connected with the conduct of a U.S. trade or business (net of applicable deductions) would be subject to the U.S. federal corporate income tax currently imposed at a flat rate of 21.0%, but would not be subject to the 4.0% tax discussed above. In addition, we may be subject to the 30.0% U.S. branch profits tax on any earnings and profits effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid that is attributable to the conduct of such U.S. trade or business.

Our U.S.-source shipping income attributable to time or voyage charters (which currently represent, and are expected to continue to represent, substantially all of our shipping income) would be considered effectively connected with the conduct of a U.S. trade or business only if:

we had, or were considered to have, a fixed place of business in the U.S. involved in the earning of such shipping income; and

Substantially all of our U.S.-source shipping were attributable to regularly scheduled transportation. We do not have, or intend to have or permit circumstances that would result in us having, such a fixed place of business in the U.S. or any vessel sailing to or from the U.S. on a regularly scheduled basis. Based on the foregoing and on the expected mode of our shipping operations and activities, we believe that none of our U.S.-source shipping income will be effectively connected with the conduct of a U.S. trade or business.

In addition, income attributable to transportation that both begins and ends in the U.S. is not subject to the tax rules described above. Such income is subject to either a 30.0% gross-basis tax or to U.S. federal corporate income tax on net income at a flat rate of 21.0% (and the branch profits tax discussed above). Although there can be no assurance, we do not expect to engage in transportation that produces shipping income of this type.

### **Taxation of Gain on Our Sale of Vessels**

On the sale of a vessel that has produced effectively connected income (as discussed above), we could be subject to net basis U.S. federal corporate income tax as well as branch profits tax with respect to the gain recognized up to the amount of certain prior deductions for depreciation that reduced effectively connected income. Otherwise, we should not be subject to U.S. federal income tax with respect to gain realized on the sale of a vessel, provided the sale is considered to occur outside of the U.S. (as determined under U.S. tax principles) and the gain is not attributable to an office or other fixed place of business maintained by us in the U.S. under U.S. federal income tax principles.

### **Taxation of U.S. Holders of our Common Stock**

The following discussion is limited to persons that are U.S. holders of our common stock. For purposes of this discussion, a U.S. holder is a beneficial owner of our common stock that is:

an individual U.S. citizen or resident (as determined for U.S. federal income tax purposes);

a corporation (or other entity that is classified as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S. or any of its political subdivisions;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons (as determined for U.S. federal income tax purposes) have the authority to control all substantial decisions of that trust, or if the trust has validly elected to be treated as a U.S. trust.

If an entity treated for U.S. federal income tax purposes as a partnership holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner, upon the activities of the partnership and certain determinations made at the partner level. If you are a partner in a partnership considering an investment in our common stock, you should consult your tax advisor.

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**Table of Contents****Distributions on Our Common Stock**

Subject to the discussion of passive foreign investment companies below, any distributions that you receive with respect to our common stock generally will constitute dividends, which may be taxable as ordinary income or qualified dividend income as described below, to the extent of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of our earnings and profits will be treated first as a non-taxable return of capital to the extent of your tax basis in our common stock and thereafter as gain from the sale of such stock. We do not maintain calculations of earnings and profits under U.S. federal income tax principles. Therefore, you should expect that a distribution with respect to your common stock generally will be treated as dividend income, even if that distribution might otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Because we are not a U.S. corporation, if you are a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes), you will not be entitled to claim a dividends-received deduction with respect to any distributions you receive from us. Dividends paid with respect to our common stock will generally be treated as passive category income for purposes of computing allowable foreign tax credits for U.S. foreign tax credit purposes.

If you are an individual, trust or estate, dividends you receive from us should be treated as qualified dividend income, provided that: (i) our common stock is readily tradable on an established securities market in the U.S., which we expect to be the case, provided that our common stock continues to be listed on the NYSE; (ii) we are not a passive foreign investment company for the taxable year during which the dividend is paid or the immediately preceding taxable year (see the discussion below under Passive Foreign Investment Company Status); (iii) you have owned our common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock become ex-dividend (and have not entered into certain risk limiting transactions with respect to such common stock); (iv) you are not under an obligation to make related payments with respect to positions in substantially similar or related property; and (v) you do not treat the dividends as investment income for purposes of the investment interest deduction.

Qualified dividend income is taxed at the preferential rates applicable to long-term capital gain, depending on the income level of the taxpayer. Dividends you receive from us that are not eligible for the preferential rates will be taxed at the ordinary income rates.

Special rules may apply to any amounts received in respect of our common stock that are treated as extraordinary dividends. Generally, an extraordinary dividend is a dividend with respect to a share of our common stock in an amount that is equal to or in excess of 10.0% of your adjusted tax basis (or fair market value in certain circumstances) in such share of common stock. In addition, extraordinary dividends include dividends received within a one-year period that, in the aggregate, equal or exceed 20.0% of your adjusted tax basis (or fair market value in certain circumstances). If we pay an extraordinary dividend on any shares of our common stock that is treated as qualified dividend income, and you are an individual, estate or trust, then any loss you derive from a subsequent sale or exchange of such shares of our common stock will be treated as long-term capital loss to the extent of such dividend.

**Sale, Exchange or Other Disposition of Common Stock**

Provided that we are not a passive foreign investment company for any taxable year during which you hold our common stock, you generally will recognize capital gain or loss upon a sale, exchange or other disposition of our common stock in an amount equal to the difference, if any, between the amount realized by you from such sale, exchange or other disposition and your tax basis in such common stock. Any such gain or loss will be treated as long-term capital gain or loss if your holding period is greater than one year at the time of the sale, exchange or other



disposition. Any such capital gain or loss will generally be treated as U.S. source income or loss, as applicable, for U.S. foreign tax credit purposes. If you are an individual, trust or estate, your long-term capital gains are currently subject to tax at preferential rates. Your ability to deduct capital losses against ordinary income is subject to limitations.

### **Passive Foreign Investment Company Status**

Special U.S. federal income tax rules apply to you if you hold stock in a non-U.S. corporation that is classified as a passive foreign investment company ( PFIC ) for U.S. federal income tax purposes. In general, we will be a PFIC for any taxable year in which, after applying certain look-through rules, either:

at least 75.0% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or

at least 50.0% of the quarterly average value of our assets during such taxable year consists of passive assets (i.e., assets that produce, or are held for the production of, passive income).

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For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25.0% of the value of the subsidiary's stock. Income we earn, or are deemed to earn, in connection with the performance of services will not constitute passive income. By contrast, rental income will generally constitute passive income (unless we are treated under certain special rules as deriving our rental income in the active conduct of a trade or business).

Based upon our actual and projected income, assets and activities, we believe that we should not be a PFIC for our taxable year ended December 31, 2018 or for subsequent taxable years. However, no assurance can be given as to our current and future PFIC status, because such status requires an annual factual determination based upon the composition of our income and assets for the entire taxable year. The PFIC determination also depends on the application of complex U.S. federal income tax rules concerning the classification of our income and assets for this purpose, and there are legal uncertainties involved in determining whether the income derived from our chartering activities and from our logistics activities constitutes rental income or income derived from the performance of services. In *Tidewater Inc. v. United States*, 565 F.2d 299 (5th Cir. 2009), the Fifth Circuit held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of a foreign sales corporation provision of the Code. The IRS has announced, in an Action on Decision (AOD 2010-001), its nonacquiescence with the court's holding in the *Tidewater* case and, at the same time, announced the position of the IRS that the vessel time charter agreements at issue in that case should be treated as service contracts. The IRS' AOD, however, is an administrative action that cannot be relied upon or otherwise cited as precedent by taxpayers. We have not sought, and we do not expect to seek, an IRS ruling on this issue. As a result, the IRS or a court could disagree with our position. In addition, although we intend to conduct our affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, we cannot assure you that the nature of our operations, or the nature or composition of our income or assets, will not change in the future, or that we can avoid PFIC status in the future.

As discussed below, if we are a PFIC for a taxable year during which you actually or constructively own our common stock, you generally would be subject to one of three different U.S. federal income tax regimes, depending on whether or not you make certain elections. Additionally, for each year during which we are treated as a PFIC and you actually or constructively own common stock you generally will be required to file IRS Form 8621 with your U.S. federal income tax return to report certain information concerning your ownership of our common stock. In the event that a person that is required to file IRS Form 8621 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such person for the related tax year may not close until three years after the date that the required information is filed.

The PFIC rules are complex, and you are encouraged to consult your own tax advisor regarding the PFIC rules, including the annual PFIC reporting requirement.

**Taxation of U.S. Holders That Make a Timely QEF Election**

If we were treated as a PFIC for any taxable year during which you actually or constructively own our common stock, and if you make a timely election to treat us as a Qualifying Electing Fund for U.S. tax purposes (a QEF Election), you would be required to report each year your pro rata share of our ordinary earnings (as ordinary income) and our net capital gain (as long-term capital gain), if any, for our taxable year that ends with or within your taxable year, regardless of whether we make any distributions to you. Such income inclusions would not be eligible for the preferential tax rates applicable to qualified dividend income. Your adjusted tax basis in our common stock would be increased to reflect such taxed but undistributed earnings and profits. Distributions of earnings and profits that had previously been taxed would result in a corresponding reduction in your adjusted tax basis in our common stock and would not be taxed again once distributed. You would generally recognize capital gain or loss on the sale, exchange or

other disposition of our common stock. Even if you make a QEF Election for one of our taxable years, if we were a PFIC for a prior taxable year during which you held our common stock and for which you did not make a timely QEF Election, you would also be subject to the more adverse rules described below under Taxation of U.S. Holders That Make No Election. Additionally, to the extent any of our subsidiaries is a PFIC, your election to treat us as a Qualifying Electing Fund would not be effective with respect to your deemed ownership of the stock of such subsidiary and a separate QEF Election with respect to such subsidiary would be required.

You would make a QEF Election by completing and filing IRS Form 8621 with your U.S. federal income tax return for the year for which the election is made in accordance with the relevant instructions. If we were to become aware that we were a PFIC for any taxable year, we would notify all U.S. holders of such treatment and would provide all necessary information to any U.S. holder who requests such information in order to make the QEF Election described above with respect to us and the relevant subsidiaries.

A QEF Election generally will not have any effect with respect to any taxable year for which we are not a PFIC, but will remain in effect with respect to any subsequent taxable year for which we are a PFIC. It should be noted that the beneficial effect of a QEF Election may be substantially diminished if such election is not made in the first year of your holding period in which we are a PFIC. In some instances, you may be permitted to make a QEF election that is retroactive to the beginning of your holding period if we unexpectedly are treated as a PFIC.

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Alternatively, if we were to be treated as a PFIC for any taxable year during which you actually or constructively own our common stock and, our common stock is treated as marketable stock, you would be allowed to make a mark-to-market election with respect to our common stock, provided you complete and file IRS Form 8621 with your U.S. federal income tax return for the year for which the election is made in accordance with the relevant instructions. If that election is made, you generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of our common stock at the end of the taxable year over your adjusted tax basis in our common stock. You also would be permitted an ordinary loss in respect of the excess, if any, of your adjusted tax basis in our common stock over the fair market value of such common stock at the end of the taxable year (but only to the extent of the net amount of gain previously included in income as a result of the mark-to-market election). Your tax basis in our common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains you previously included. However, to the extent any of our subsidiaries is a PFIC, your mark-to-market election with respect to our common stock would not apply to your deemed ownership of the stock of such subsidiary. This may significantly limit the beneficial effect of making a mark-to-market election.

It should be noted that the beneficial effect of a mark-to-market election may be substantially diminished if such election is not made in the first year of your holding period in which we are a PFIC.

**Taxation of U.S. Holders That Make No Election**

Finally, if we were treated as a PFIC for any taxable year during which you actually or constructively own our common stock, and you do not make either a QEF Election or a mark-to-market election for that year, you would be subject to special rules with respect to (a) any excess distribution (that is, the portion of any distributions you receive on our common stock in a taxable year in excess of 125.0% of the average annual distributions you received in the three preceding taxable years, or, if shorter, your holding period for our common stock) and (b) any gain realized on the sale, exchange or other disposition of our common stock. Under these special rules: (i) the excess distribution or gain would be allocated ratably over your aggregate holding period for our common stock (ii) the amount allocated to the current taxable year would be taxed as ordinary income; (iii) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and (iv) an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If you died while owning our common stock, your successor generally would not receive a step-up in tax basis with respect to such shares for U.S. tax purposes.

If we are treated as a PFIC during any taxable year during your holding period, unless you make a timely QEF Election, or a timely mark-to-market election, for the first taxable year in which you hold our common stock, we will continue to be treated as a PFIC for all succeeding years during which you are treated as a direct or indirect U.S. holder, even if we are not a PFIC for such years. You are encouraged to consult your own tax advisor with respect to any available elections that may be applicable in such a situation, as well as the IRS information and filing obligations that may arise as a result of the ownership of shares in a PFIC.

**Taxation of Non-U.S. Holders**

You are a non-U.S. holder if you are a beneficial owner of our common stock (other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes) and you are not a U.S. holder.

**Distributions on Our Common Stock**

You generally will not be subject to U.S. federal income or withholding taxes on a distribution with respect to our common stock, unless the income arising from such distribution is effectively connected with your conduct of a trade or business in the U.S. If you are entitled to the benefits of an applicable income tax treaty with respect to that income, such income generally is taxable in the U.S. only if it is attributable to a permanent establishment maintained by you in the U.S.

**Sale, Exchange or Other Disposition of Our Common Stock**

You generally will not be subject to U.S. federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock, unless:

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the gain is effectively connected with your conduct of a trade or business in the U.S. (and, if you are entitled to the benefits of an applicable income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by you in the U.S.); or

you are an individual who is present in the U.S. for 183 days or more during the taxable year of disposition and certain other conditions are met.

Gain that is effectively connected with your conduct of a trade or business in the U.S. (or so treated) generally will be subject to U.S. federal income tax, net of certain deductions, at regular U.S. federal income tax rates. If you are a corporate non-U.S. holder, your earnings and profits that are attributable to the effectively connected income (subject to certain adjustments) may be subject to an additional U.S. branch profits tax at a rate of 30.0% (or such lower rate as may be specified by an applicable income tax treaty).

Gain described in clause the second bullet point above (net of certain U.S.-source losses) will be taxed at a flat rate of 30.0% (or such lower rate as may be specified by an applicable tax treaty).

## **U.S. Backup Withholding and Information Reporting**

In general, if you are a non-corporate U.S. holder, distributions and proceeds from the disposition of our common stock may be subject to information reporting requirements. These payments to a non-corporate U.S. holder may also be subject to backup withholding tax if the non-corporate U.S. holder: (i) fails to provide an accurate taxpayer identification number; (ii) is notified by the IRS that it has become subject to backup withholding due to a prior failure to report all interest or distributions required to be shown on its federal income tax returns; or (iii) fails to comply with applicable certification requirements.

If you are a non-U.S. holder, you may be required to establish your exemption from information reporting and backup withholding by certifying your non-U.S. status on IRS Form W-8BEN, W-8BEN-E, W-8ECI or W-8IMY, as applicable.

Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your income tax liability by accurately completing and timely filing a refund claim with the IRS.

## ***Tax Return Disclosure Requirements***

Individual U.S. holders (and to the extent specified in applicable Treasury Regulations, certain individual non-U.S. holders and certain U.S. holders that are entities) that hold certain specified foreign assets with values in excess of certain dollar thresholds are required to report such assets on IRS Form 8938 with their U.S. federal income tax return, subject to certain exceptions (including an exception for foreign assets held in accounts maintained with U.S. financial institutions). Stock in a foreign corporation, including our common stock is a specified foreign asset for this purpose, unless such stock is held in an account maintained with a U.S. financial institution. Substantial penalties apply for failure to properly complete and file Form 8938. You are encouraged to consult your own tax advisor regarding the filing of this form. Additionally, in the event that an individual U.S. holder (and to the extent specified in applicable Treasury Regulations, an individual non-U.S. holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such person for the related tax year may not close until three years after the date that the required information is filed. U.S. holders (including U.S. entities) and non-U.S. holders should consult their own tax advisors regarding their reporting obligations with respect to specified foreign assets.

***F. Dividends and paying agents***

Not applicable.

***G. Statement by experts***

Not applicable.

***H. Documents on display***

We are subject to the informational requirements of the Exchange Act. Accordingly, we are required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet website that contains reports and other information about issuers, like us, that file electronically with the SEC. The address of that website is [www.sec.gov](http://www.sec.gov).

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We also make available on our website, free of charge, our Annual Report and the text of our reports on Form 6-K, including any amendments to these reports, as well as certain other SEC filings, as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Our website address is [www.navios.com](http://www.navios.com). The information contained on our website is not incorporated by reference in this Annual Report.

### ***I. Subsidiary information***

Not applicable.

## **Item 11. Quantitative and Qualitative Disclosures about Market Risks**

Navios Holdings is exposed to certain risks related to interest rate, foreign currency and charter rate risks.

### **Interest Rate Risk:**

*Debt Instruments* On December 31, 2018 and 2017, Navios Holdings had a total of \$1,843.9 million and \$1,717.8 million, respectively, of long-term indebtedness. All of the Company's debt is U.S. dollar-denominated and bears interest at a floating rate, except for the 2022 Senior Secured Notes, the 2022 Notes, the 2022 Logistics Senior Notes and two Navios Logistics loans discussed in Item 5.B Liquidity and Capital Resources that bear interest at a fixed rate.

Changes in interest rates for our floating-rate loan facilities would affect their interest rate and related interest expense. As of December 31, 2018, the outstanding amount of the Company's floating rate loan facilities was \$543.5 million. The interest rate on the 2022 Senior Secured Notes, the 2022 Notes, the 2022 Logistics Senior Notes, and two Navios Logistics loans is fixed and, therefore, changes in interest rates affect their fair value, which as of December 31, 2018 was \$972.5 million, but do not affect their related interest expense. A change in the LIBOR rate of 100 basis points would increase interest expense for the year ended December 31, 2018, by \$3.7 million.

For a detailed discussion on Navios Holdings' debt instruments refer to section Long-Term Debt Obligations and Credit Arrangements included in Item 5.B. of this Annual Report.

### **Inflation:**

Inflation has had a minimal impact on vessel operating expenses and general and administrative expenses. Our management does not consider inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

## **Item 12. Description of Securities Other than Equity Securities**

Not applicable.

## **PART II**

## **Item 13. Defaults, Dividend Arrearages and Delinquencies**

In February 2016, Navios Holdings announced the suspension of payment of quarterly dividends on the Company's Series G and Series H. On July 15, 2017, the Company reached six quarterly dividend payments in arrears relating to its Series G and Series H and as a result the respective dividend rate increased by 0.25%. As of the date of this Annual



Report, the Company has reached 13 quarterly dividend payments in arrears relating to its Series G and Series H.

**Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds**

None.

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**Item 15. Controls and Procedures**

***A. Disclosure Controls and Procedures***

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation, pursuant to Rule 13a-15 (e) promulgated under the Exchange Act, of the effectiveness of our disclosure controls and procedures as of December 31, 2018. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2018.

Disclosure controls and procedures means controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms and that such information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures.

***B. Management's Annual Report on Internal Control over Financial Reporting***

The management of Navios Holdings is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. Navios Holdings' internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the U.S.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Navios Holdings' management assessed the effectiveness of Navios Holdings' internal control over financial reporting as of December 31, 2018. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013). Based on its assessment, management concluded that, as of December 31, 2018, Navios Holdings' internal control over financial reporting is effective based on those criteria.

Navios Holdings' independent registered public accounting firm has issued an attestation report on Navios Holdings' internal control over financial reporting.

***C. Attestation Report of the Registered Public Accounting Firm***

Navios Holdings' independent registered public accounting firm has issued an audit report on Navios Holdings' internal control over financial reporting. This report appears on Page F-2 of the Consolidated Financial Statements.

***D. Changes in Internal Control over Financial Reporting***

There have been no changes in internal controls over financial reporting (identified in connection with management's evaluation of such internal controls over financial reporting) that occurred during the year covered by this Annual

Report that have materially affected, or are reasonably likely to materially affect, Navios Holdings' internal controls over financial reporting.

**Item 16. [Reserved]**

**Item 16A. Audit Committee financial expert**

Navios Holdings' Audit Committee consists of three independent directors, Spyridon Magoulas, Efstathios Loizos and George Malanga. The Board of Directors has determined that Efstathios Loizos qualifies as an audit committee financial expert as defined in the instructions of Item 16A of Form 20-F. Mr. Loizos is independent under applicable NYSE and SEC standards.

**Item 16B. Code of Ethics**

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

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**Item 16C. Principal Accountant Fees and Services**

***Audit Fees***

Our principal accountants for fiscal years 2018 and 2017 were PricewaterhouseCoopers S.A. The audit fees for the audit of the years ended December 31, 2018 and 2017 were \$1.7 million and \$1.6 million, respectively.

The Audit Committee is responsible for the appointment, replacement, compensation, evaluation and oversight of the work of the independent auditors. As part of this responsibility, the audit committee pre-approves the audit and non-audit services performed by the independent auditors in order to assure that they do not impair the auditors independence from the Company. The Audit Committee may delegate, to one or more of its designated members, the authority to grant such pre-approvals. The decision of any member to whom such authority is delegated is be presented to the full Committee at each of its scheduled meetings.

All audit services and other services provided by PricewaterhouseCoopers S.A., after the formation of our Audit Committee in October 2005 were pre-approved by the Audit Committee.

***Audit-Related Fees***

There were no audit-related fees billed in 2018 and 2017.

***Tax Fees***

There were no tax fees billed in 2018 and 2017.

***All Other Fees***

There were no other fees billed in 2018 and 2017.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

In March and April of 2019, Navios Holdings repurchased 10,930 Series H for a total of approximately \$4.2 million of cash consideration and a total of approximately \$4.7 million in aggregate principal amount of 2024 Notes, and 8,841 Series G for a total of approximately \$4.4 million of cash consideration and a total of approximately \$3.9 million principal amount of 2024 Notes, pursuant to tender offers. Please refer also to Note 23 to the Consolidated Financial Statements included herein.

**Item 16F. Changes in Registrant's Certifying Accountant**

Not applicable.

**Item 16G. Corporate Governance**

Pursuant to an exception for foreign private issuers, we are not required to comply with the corporate governance practices followed by U.S. companies under the NYSE listing standards. However, we have voluntarily adopted all of the NYSE required practices, except that, as permitted under Marshall Islands law, we do not need or intend to obtain prior shareholder approval to adopt or re-use equity compensation plans, including our 2015 Equity Incentive Plan.

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**Item 16H. Mine Safety disclosures**

Not applicable.

**PART III**

**Item 17. Financial Statements**

See Item 18.

**Item 18. Financial Statements**

The financial information required by this Item is set forth on pages F-1 to F-65 and are filed as part of this annual report.

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**Table of Contents****Item 19. Exhibits**

- 1.1 Amended and Restated Articles of Incorporation of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form F-1 (File No. 333-129382)).
- 1.2 Bylaws of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form F-1 (File No. 333-129382)).
- 1.3 Articles of Amendment of Articles of Incorporation of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 99.1 to the Registrant's Form 6-K, filed on January 17, 2007).
- 1.4 Articles of Amendment of Articles of Incorporation of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 1.1 to the Registrant's Form 6-K, filed on December 12, 2018).
- 2.1 Specimen Unit Certificate (Incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form F-1 (File No. 333-129382)).
- 2.2 Specimen Common Stock Certificate. (Incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form F-1 (File No. 333-129382)).
- 2.3 Certificate of Designations of Rights, Preferences and Privileges of Preferred Stock of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 99.2 to the Registrant's Form 6-K, filed on October 6, 2008).
- 2.4 Certificate of Designation, Preferences and Rights of Series A Convertible Preferred Stock of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on July 7, 2009).
- 2.5 Certificate of Designation, Preferences and Rights of Series B Convertible Preferred Stock of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on September 22, 2009).
- 2.6 Certificate of Designation, Preferences and Rights of Series C Convertible Preferred Stock of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on September 24, 2009).
- 2.7 Certificate of Designation, Preferences and Rights of Series D Convertible Preferred Stock of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant's Form 6-K, filed on February 4, 2010).
- 2.8 Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of November 29, 2013, among Navios Maritime Holdings Inc., Navios Logistics Finance II (US) Inc., the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee and collateral trustee (Incorporated by reference to Exhibit 99.2 to the Registrant's Form 6-K, filed on December 13, 2013).
- 2.8.1 First Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of February 20, 2014 (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on March 3, 2014).
- 2.8.2 Second Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of June 24, 2014 (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on July 23, 2014).

- 2.8.3 Third Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of October 24, 2014 (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on December 8, 2014).
- 2.8.4 Fourth Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of October 24, 2014 (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on February 25, 2016).
- 2.8.5 Fifth Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of March 17, 2017 (Incorporated by reference to Exhibit 10.5 to the Registrant's Form 6-K, filed on December 20, 2018).
- 2.8.6 Sixth Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of March 12, 2018 (Incorporated by reference to Exhibit 10.6 to the Registrant's Form 6-K, filed on December 20, 2018).



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- 2.8.7 Seventh Supplemental Indenture relating to the 7.375% First Priority Ship Mortgage Notes due 2022, dated as of October 31, 2018 (Incorporated by reference to Exhibit 10.7 to the Registrant's Form 6-K, filed on December 20, 2018).
- 2.9 Indenture relating to the 11.25% Senior Secured Notes due 2022, dated as of November 21, 2017, among Navios Maritime Holdings Inc., Navios Logistics Finance II (US) Inc., the guarantors party thereto, and Wells Fargo Bank, National Association, as trustee and collateral trustee (Incorporated by reference to Exhibit 99.2 to the Registrant's Form 6-K, filed on November 21, 2017).
- 2.9.1 First Supplemental Indenture relating to the 11.25% Senior Secured Notes due 2022, dated as of March 12, 2018 (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on December 20, 2018).
- 2.9.2 Second Supplemental Indenture relating to the 11.25% Senior Secured Notes due 2022, dated as of October 31, 2018 (Incorporated by reference to Exhibit 10.4 to the Registrant's Form 6-K, filed on December 20, 2018).
- 2.10 Deposit Agreement, dated as of January 21, 2014, by and among Navios Maritime Holdings Inc., The Bank of New York Mellon, and the holders from time to time of the American depository receipts described therein (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A (File No. 001-33311), filed on January 24, 2014).
- 2.11 Certificate of Designation of 8.75% Series G Cumulative Redeemable Perpetual Preferred Stock of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form 8-A (File No. 001-33311), filed on January 24, 2014).
- 2.12 Form of American Depositary Receipt representing the American Depositary Shares (Incorporated by reference to Exhibit A to Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A (File No. 001-33311), filed on January 24, 2014).
- 2.13 Form of Certificate representing the 8.75% Series G Cumulative Redeemable Perpetual Preferred Stock (Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form 8-A (File No. 001-33311), filed on January 24, 2014).
- 2.14 Certificate of Designation of 8.625% Series H Cumulative Redeemable Perpetual Preferred Stock of Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 3.3 to the Registrant's Registration Statement on Form 8-A (File No. 001-33311), filed on July 7, 2014).
- 2.15 Form of Certificate representing the 8.625% Series H Cumulative Redeemable Perpetual Preferred Stock (Incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form 8-A (File No. 001-33311), filed on July 7, 2014).
- 2.16 Stockholders Rights Agreement dated as of February 19, 2019 by and between Navios Maritime Holdings Inc. and Continental Stock Transfer & Trust Company (Incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form 8-A (File No. 001-33311), filed on February 19, 2019).
- 4.1 Amendment to Omnibus Agreement, dated June 29, 2009, by and among Navios Maritime Holdings Inc., Navios GP L.L.C., Navios Maritime Operating L.L.C. and Navios Maritime Partners L.P. (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on July 7, 2009).
- 4.2 Facility Agreement for a \$240.0 million term loan facility, dated June 24, 2009, by and between Floral Marine Ltd., Nostos Shipmanagement Corp., Pandora Marine Inc., Red Rose Shipping Corp. and Commerzbank AG (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on July 7, 2009).
- 4.3

Supplemental Agreement in relation to the Facility Agreement dated December 11, 2007 for a loan facility of up to \$154.0 million, dated July 10, 2009, among Chilali Corp., Rumer Holding Ltd. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 99.3 to the Registrant's Form 6-K, filed on August 5, 2009).

- 4.4 Second Supplemental Agreement in relation to the Facility Agreement dated December 11, 2007 for a loan facility of up to \$130.0 million, dated August 28, 2009, between Chilali Corp, Rumer Holding Ltd. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 99.3 to the Registrant's Form 6-K, filed on October 8, 2009).

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- 4.5 Facility Agreement in respect of a loan of up to \$75.0 million, dated August 28, 2009, between Kohylia Shipmanagement S.A., Ducale Marine Inc. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 99.5 to the Registrant's Form 6-K, filed on October 8, 2009).
- 4.6 Facility Agreement for a \$150.0 million term loan facility, dated as of April 7, 2010, by and between Amorgos Shipping Corporation, Andros Shipping Corporation, Antiparos Shipping Corporation, Ikaria Shipping Corporation, Kos Shipping Corporation, Mytilene Shipping Corporation, Deutsche Schiffsbank AG, Alpha Bank AE and Credit Agricole Corporate and Investment Bank (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on April 8, 2010).
- 4.7 Facility Agreement for a \$75.0 million term loan facility, dated as of April 8, 2010, by and between Sifnos Corporation, Skiathos Shipping Corporation, Syros Shipping Corporation, Fortis Bank and DVB Bank SE (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on April 8, 2010).
- 4.8 Facility Agreement in respect of a loan of up to \$40.0 million, dated as of September 30, 2010, between Aramis Navigation Inc. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on October 14, 2010).
- 4.9 Amended and Restated Loan Agreement relating to a facility of up to \$120.0 million, by and between Portorosa Marine Corp., Floral Maritime Ltd., the banks and financial institutions listed therein and Dekabank Deutsche Girozentrale (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on November 15, 2010).
- 4.10 Supplemental Agreement relating to the Facility Agreement dated as of June 24, 2009 for a term loan facility of up to \$240.0 million, dated January 28, 2011, between Nostos Shipmanagement Corp. Red Rose Shipping Corp. and Commerzbank AG (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on February 4, 2011).
- 4.11 Supplemental Agreement relating to the Facility Agreement dated as of September 30, 2010 for a term loan facility of up to \$40.0 million, dated January 28, 2011, between Aramis Navigation Inc. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on February 4, 2011).
- 4.12 Supplemental Agreement relating to the Facility Agreement dated as of December 11, 2007 (as amended) for a term loan facility of up to \$154.0 million, dated January 28, 2011, between Rumer Holding Ld. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on February 4, 2011).
- 4.13 Supplemental Agreement relating to the Facility Agreement dated as of August 28, 2009 (as amended) for a term loan facility of up to \$75.0 million, dated January 28, 2011, between Kohylia Shipmanagement S.A., Ducale Marine Inc. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 10.4 to the Registrant's Form 6-K, filed on February 4, 2011).
- 4.14 Supplemental Agreement relating to the Amended and Restated Loan Agreement dated as of October 27, 2010 in respect of a loan facility of up to \$120.0 million, dated January 28, 2011, between Portorosa Marine Corp., Floral Marine Ltd., the banks and financial institutions listed thereto and Dekabank Deutsche Girozentrale (Incorporated by reference to Exhibit 10.5 to the Registrant's Form 6-K, filed on February 4, 2011).
- 4.15 Administrative Services Agreement, dated April 12, 2011, between Navios South American Logistics Inc. and Navios Maritime Holdings Inc. (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K,

filed on May 25, 2011).

- 4.16 Facility Agreement No. 242 in respect of a loan up to \$23.0 million, dated August 19, 2011, between Solange Shipping Ltd. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on August 25, 2011).
- 4.17 Facility agreement in respect of a loan of up to \$23.0 million, dated December 29, 2011, between Mandora Shipping Ltd. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on January 26, 2012).

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- 4.18 Shareholders Agreement, dated as of June 17, 2010, between Navios South American Logistics Inc., Navios Corporation and Grandall Investment S.A (Incorporated by reference to Exhibit 4.1 to Navios South American Logistics Inc.'s Registration Statement on Form F-4 (Registration No. 333-179250), filed on January 31, 2012).
- 4.19 Facility agreement for a \$42.0 million term loan facility, dated March 23, 2012, by and between Astra Maritime Corporation, Serenity Shipping Enterprises Inc., DVB Bank SE, Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) and Norddeutsche Landesbank Girozentrale (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on April 6, 2012).
- 4.20 Fifth Supplemental Agreement relating to the Loan Agreement dated December 11, 2007 (as amended) for a term loan facility of up to \$154.0 million, dated March 28, 2012, between Rumer Holding Ltd. and Credit Agricole Corporate and Investment Bank (formerly Emporiki Bank of Greece S.A.) (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on April 6, 2012).
- 4.21 Second Supplemental Agreement relating to the Facility Agreement dated June 24, 2009 (as amended) for a term loan facility of up to \$240.0 million, dated March 30, 2012, between Notros Shipmanagement Corp., Red Rose Shipping Corp. and Commerzbank AG (Incorporated by reference to Exhibit 10.3 to the Registrant's Form 6-K, filed on April 6, 2012).
- 4.22 Facility Agreement for a \$40.0 million term loan facility, dated September 19, 2013, between Kleimar NV and DVB Bank SE (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on October 8, 2013).
- 4.23 Loan Agreement, dated December 13, 2013, between Navios Europe Inc., Navios Partners Europe Finance Inc., Navios Acquisition Europe Finance Inc. and Navios Holdings Europe Finance Inc. (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on March 3, 2014).
- 4.24 Facility Agreement for a \$65.5 million term loan facility, dated June 27, 2014, between Astra Maritime Corporation, Emery Shipping Corporation, Serenity Shipping Enterprises Inc., DVB Bank SE, Credit Agricole Corporate and Investment Bank and Norddeutsche Landesbank Girozentrale (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on July 23, 2014).
- 4.25 Loan Agreement in respect of a loan of up to \$31.0 million, dated November 6, 2014, between Lavender Shipping Corporation and Alpha Bank A.E. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on December 8, 2014).
- 4.26 Fourth Supplemental Agreement relating to the Facility Agreement dated as of June 24, 2009 (as amended) for a term loan facility of up to \$240.0 million, dated March 31, 2015 between Nostos Shipmanagement Corp, Red Rose Shipping Corp. and Commerzbank AG (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on April 14, 2015).
- 4.27 Facility Agreement for a \$41.0 million term loan facility, dated January 5, 2016, Triangle Shipping Corporation, Esmeralda Shipping Corporation, Navios Maritime Holdings Inc. and DVB Bank SE. (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on February 25, 2016).
- 4.28 Loan Agreement for a Loan of up to \$16.125 million, dated as of November 3, 2016, by and between Nostos Shipmanagement Corp. and Alpha Bank A.E (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on December 1, 2016).
- 4.29 Facility Agreement relating to a facility of up to \$18,253,968.25, dated December 21, 2017, between Kleimar NV, and DVB Bank SE (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on January 17, 2018).

- 4.30 Second Amendment to the Navios Maritime Holdings Inc. 2015 Equity Incentive Plan (Incorporated by reference to Exhibit 99.1 to the Registrant's Form 6-K, filed on December 4, 2018).
- 4.31 Facility Agreement dated May 23, 2017 for a loan facility of up to \$15.3 million, between Red Rose Shipping Corp. and HSH Nordbank AG (Incorporated by reference to Exhibit 10.1 to the Registrant's Form 6-K, filed on December 20, 2018).
- 4.32 Facility Agreement dated February 14, 2018 for a loan facility of up to \$28.745 million, between Aramis Navigation Inc., Iris Shipping Corporation, Jasmine Shipping Corporation and Crédit Agricole Corporate And Investment Bank (Incorporated by reference to Exhibit 10.2 to the Registrant's Form 6-K, filed on December 20, 2018).

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- 8.1 List of subsidiaries.
- 12.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
- 12.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.
- 13.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act.
- 15.1 Consent of PricewaterhouseCoopers S.A.
- 101 The following materials from the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2018, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets at December 31, 2018 and 2017; (ii) Consolidated Statements of Comprehensive (Loss)/Income for each of the years ended December 31, 2018, 2017 and 2016; (iii) Consolidated Statements of Cash Flows for each of the years ended December 31, 2018, 2017 and 2016; (iv) Consolidated Statements of Changes in Equity for each of the years ended December 31, 2018, 2017 and 2016; and (v) the Notes to Consolidated Financial Statements.

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**SIGNATURE**

Navios Maritime Holdings Inc. hereby certifies that it meets all of the requirements for filing its Annual Report on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Navios Maritime Holdings Inc.

By: /s/ Angeliki Frangou

Name: Angeliki Frangou

Title: Chairman and Chief Executive Officer

Date: April 26, 2019



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| <u>CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2018 AND 2017</u>   | F-4         |
| <u>CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME FOR EACH OF THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016</u> | F-5         |
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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Navios Maritime Holdings Inc.

***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Navios Maritime Holdings Inc. and its subsidiaries (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of comprehensive (loss)/income, of changes in equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control Integrated Framework* (2013) issued by the COSO.

***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting, appearing under item 15 (b) of the Company's 2018 Annual Report on Form 20-F. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.



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***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers S.A.

Athens, Greece

April 26, 2019

We have served as the Company's (or its predecessor) auditor since 2002.

**Table of Contents****NAVIOS MARITIME HOLDINGS INC.****CONSOLIDATED BALANCE SHEETS**

(Expressed in thousands of U.S. dollars except share data)

|   | Notes     | December 31,<br>2018 | December 31,<br>2017 |
|---|-----------|----------------------|----------------------|
| <b>ASSETS</b>   |           |                      |                      |
| <b>Current assets</b>                                       |           |                      |                      |
| Cash and cash equivalents                                   | 4, 12     | \$ 137,882           | \$ 127,632           |
| Restricted cash   | 4, 11, 12 | 12,892               | 6,558                |
| Accounts receivable, net                                    | 5         | 60,290               | 60,331               |
| Due from affiliate companies                                | 16        | 19,710               | 4,002                |
| Inventories   |           | 27,746               | 30,170               |
| Prepaid expenses and other current assets                   | 6         | 40,190               | 27,383               |
| <b>Total current assets</b>                                 |           | <b>298,710</b>       | <b>256,076</b>       |
| Deposits for vessels, port terminals and other fixed assets | 7         |                      | 36,849               |
| Vessels, port terminals and other fixed assets, net         | 7         | 1,898,455            | 1,809,225            |
| Deferred dry dock and special survey costs, net             |           | 25,122               | 32,945               |
| Loan receivable from affiliate companies                    | 12, 16    | 46,089               | 30,112               |
| Investments in affiliates                                   | 9, 19     | 91,111               | 183,160              |
| Other long-term assets                                      | 12, 14, 9 | 23,736               | 4,856                |
| Intangible assets other than goodwill                       | 8         | 138,937              | 116,422              |
| Goodwill  | 2, 19     | 160,336              | 160,336              |
| <b>Total non-current assets</b>                             |           | <b>2,383,786</b>     | <b>2,373,905</b>     |
| <b>Total assets</b>   |           | <b>\$ 2,682,496</b>  | <b>\$ 2,629,981</b>  |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                  |           |                      |                      |
| <b>Current liabilities</b>                                  |           |                      |                      |
| Accounts payable  |           | \$ 78,947            | \$ 79,671            |
| Accrued expenses and other liabilities                      | 8, 10, 16 | 123,652              | 94,859               |
| Deferred income and cash received in advance                | 16        | 11,753               | 11,030               |
| Due to affiliate companies                                  | 16        | 37,063               | 16,749               |
| Current portion of long-term debt, net                      | 11, 12    | 69,051               | 33,885               |
| <b>Total current liabilities</b>                            |           | <b>320,466</b>       | <b>236,194</b>       |
| Senior and ship mortgage notes, net                         | 11, 12    | 1,272,108            | 1,301,999            |
| Long-term debt, net of current portion                      | 11, 12    | 474,848              | 346,604              |
| Other long-term liabilities and deferred income             | 16        | 19,063               | 43,382               |
| Long-term payable to affiliate companies                    | 16        | 67,154               | 76,872               |

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|  |    |                     |                     |
|--|----|---------------------|---------------------|
| Deferred tax liability   | 21 | 7,177               | 7,766               |
| <b>Total non-current liabilities</b>   |    | <b>1,840,350</b>    | <b>1,776,623</b>    |
| <b>Total liabilities</b>   |    | <b>2,160,816</b>    | <b>2,012,817</b>    |
| <b>Commitments and contingencies</b>   | 14 |                     |                     |
| <b>Stockholders equity</b>   |    |                     |                     |
| Preferred Stock \$0.0001 par value, authorized 1,000,000 shares, 46,302 issued and outstanding as of December 31, 2018 and 2017.                                 | 17 |                     |                     |
| Common stock \$0.0001 par value, authorized 250,000,000 shares, 12,843,414 and 12,038,647 issued and outstanding as of December 31, 2018 and 2017, respectively. | 17 | 1                   | 1                   |
| Additional paid-in capital   |    | 686,671             | 682,116             |
| Accumulated other comprehensive income   |    |                     | 2                   |
| Accumulated deficit  |    | (434,739)           | (166,021)           |
| <b>Total Navios Holdings stockholders equity</b>   |    | <b>251,933</b>      | <b>516,098</b>      |
| Noncontrolling interest  |    | 269,747             | 101,066             |
| <b>Total stockholders equity</b>   |    | <b>521,680</b>      | <b>617,164</b>      |
| <b>Total liabilities and stockholders equity</b>   |    | <b>\$ 2,682,496</b> | <b>\$ 2,629,981</b> |

See notes to consolidated financial statements.

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## NAVIOS MARITIME HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

(Expressed in thousands of U.S. dollars except share and per share data)

|  | Notes     | Year Ended<br>December 31,<br>2018 | Year Ended<br>December 31,<br>2017 | Year Ended<br>December 31,<br>2016 |
|--|-----------|------------------------------------|------------------------------------|------------------------------------|
| Revenue  | 19        | \$ 517,739                         | \$ 463,049                         | \$ 419,782                         |
| Administrative fee revenue from affiliates   | 16, 19    | 28,393                             | 23,667                             | 21,799                             |
| Time charter, voyage and logistics business expenses                               | 16        | (206,333)                          | (213,929)                          | (175,072)                          |
| Direct vessel expenses   | 16        | (101,543)                          | (116,713)                          | (127,396)                          |
| General and administrative expenses incurred on behalf of affiliates               | 16        | (28,393)                           | (23,667)                           | (21,799)                           |
| General and administrative expenses  |           | (27,513)                           | (27,521)                           | (25,295)                           |
| Depreciation and amortization  | 7, 8, 19  | (102,839)                          | (104,112)                          | (113,825)                          |
| Provision for losses on accounts receivable  | 5         | (575)                              | (269)                              | (1,304)                            |
| Interest income  | 16, 19    | 8,748                              | 6,831                              | 4,947                              |
| Interest expense and finance cost  | 18, 19    | (139,120)                          | (121,611)                          | (113,639)                          |
| Impairment losses  | 7         | (200,657)                          | (50,565)                           |                                    |
| Bargain gain upon obtaining control  | 3         | 58,313                             |                                    |                                    |
| Gain/(loss) on bond and debt extinguishment  | 11        | 6,464                              | (981)                              | 29,187                             |
| Gain on sale of assets   | 7         | 28                                 | 1,064                              |                                    |
| Other income   | 22        | 14,582                             | 6,140                              | 18,175                             |
| Other expense  | 9, 22     | (13,708)                           | (13,761)                           | (11,665)                           |
| <b>Loss before equity in net earnings of affiliated companies</b>                  |           | <b>\$ (186,414)</b>                | <b>\$ (172,378)</b>                | <b>\$ (96,105)</b>                 |
| Equity in net (losses)/earnings of affiliated companies                            | 9, 16, 19 | (80,205)                           | 4,399                              | (202,779)                          |
| <b>Loss before taxes</b>   |           | <b>\$ (266,619)</b>                | <b>\$ (167,979)</b>                | <b>\$ (298,884)</b>                |
| Income tax benefit/(expense)   | 21        | 1,108                              | 3,192                              | (1,265)                            |
| <b>Net loss</b>  |           | <b>\$ (265,511)</b>                | <b>\$ (164,787)</b>                | <b>\$ (300,149)</b>                |
| Less: Net income attributable to the noncontrolling interest                       |           | (3,207)                            | (1,123)                            | (3,674)                            |
| <b>Net loss attributable to Navios Holdings common stockholders</b>                |           | <b>\$ (268,718)</b>                | <b>\$ (165,910)</b>                | <b>\$ (303,823)</b>                |
| <b>Loss attributable to Navios Holdings common stockholders, basic and diluted</b> | 20        | <b>\$ (278,959)</b>                | <b>\$ (175,298)</b>                | <b>\$ (273,105)</b>                |
|  |           | <b>\$ (23.33)</b>                  | <b>\$ (15.02)</b>                  | <b>\$ (25.44)</b>                  |

**Basic and diluted loss per share attributable to Navios Holdings common stockholders**

|   |    |                     |                     |                     |
|---|----|---------------------|---------------------|---------------------|
| <b>Weighted average number of shares, basic and diluted</b>                         | 20 | <b>11,958,959</b>   | <b>11,667,346</b>   | <b>10,736,678</b>   |
| <b>Other comprehensive income/(loss)</b>  |    |                     |                     |                     |
| Unrealized holding gain on investments in-available-for-sale securities             | 9  |                     | 2                   | 100                 |
| Reclassification to earnings  | 9  |                     |                     | 345                 |
| <b>Total other comprehensive income</b>   |    | \$                  | \$ 2                | \$ 445              |
| <b>Total comprehensive loss</b>   |    | <b>(265,511)</b>    | <b>(164,785)</b>    | <b>(299,704)</b>    |
| Comprehensive income attributable to noncontrolling interest                        |    | \$ (3,207)          | \$ (1,123)          | \$ (3,674)          |
| <b>Total comprehensive loss attributable to Navios Holdings common stockholders</b> |    | <b>\$ (268,718)</b> | <b>\$ (165,908)</b> | <b>\$ (303,378)</b> |

See notes to consolidated financial statements.



**Table of Contents****NAVIOS MARITIME HOLDINGS INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of U.S. dollars)

|  | Notes | Year Ended<br>December 31,<br>2018 | Year Ended<br>December 31,<br>2017 | Year Ended<br>December 31,<br>2016 |
|--|-------|------------------------------------|------------------------------------|------------------------------------|
| <b>OPERATING ACTIVITIES:</b>   |       |                                    |                                    |                                    |
| Net loss   |       | \$ (265,511)                       | \$ (164,787)                       | \$ (300,149)                       |
| <b>Adjustments to reconcile net loss to net cash provided by operating activities:</b> |       |                                    |                                    |                                    |
| Depreciation and amortization  | 7, 8  | 102,839                            | 104,112                            | 113,825                            |
| Amortization and write-off of deferred financing costs                                 | 18    | 7,880                              | 6,391                              | 5,653                              |
| Amortization of deferred drydock and special survey costs                              |       | 13,828                             | 14,727                             | 13,768                             |
| Provision for losses on accounts receivable  | 5     | 575                                | 269                                | 1,304                              |
| Share based compensation   | 13    | 4,556                              | 4,296                              | 3,446                              |
| Gain on bond and debt extinguishment   | 11    | (6,464)                            | (185)                              | (29,187)                           |
| Income tax (benefit)/expense   | 21    | (1,108)                            | (3,192)                            | 1,265                              |
| Realized holding loss on investments in-available-for-sale-securities                  | 9     |                                    |                                    | 345                                |
| Loss in affiliates, net of dividends received  | 9, 16 | 84,317                             | 4,610                              | 219,417                            |
| Bargain gain upon obtaining control  | 3     | (58,313)                           |                                    |                                    |
| Gain on sale of assets   | 7     | (894)                              | (1,064)                            |                                    |
| Impairment losses  | 7     | 200,657                            | 50,565                             |                                    |
| <b>Changes in operating assets and liabilities:</b>                                    |       |                                    |                                    |                                    |
| Decrease/(increase) in accounts receivable   |       | 6,575                              | 5,293                              | (2,350)                            |
| Decrease/(increase) in inventories   |       | 2,672                              | (1,681)                            | (4,046)                            |
| (Increase)/decrease in prepaid expenses and other assets                               |       | (19,171)                           | 3,123                              | (4,313)                            |
| (Increase)/decrease in due from affiliate companies                                    |       | (15,708)                           | 15,651                             | (6,984)                            |
| (Decrease)/increase in accounts payable  |       | (3,023)                            | (7,393)                            | 7,209                              |
| Increase/(decrease) in accrued expenses and other liabilities                          |       | 20,569                             | 2,422                              | (9,159)                            |
| (Decrease)/increase in due to affiliate companies                                      |       | (3,031)                            | 23,980                             | 22,694                             |
| (Decrease)/increase in deferred income and cash received in advance                    |       | (1,535)                            | 1,847                              | (4,309)                            |
| (Decrease)/increase in other long-term liabilities and deferred income                 |       | (6,318)                            | (43)                               | 22,493                             |
| Payments for drydock and special survey costs  |       | (7,755)                            | (10,824)                           | (11,096)                           |
| <b>Net cash provided by operating activities</b>                                       |       | <b>\$ 55,637</b>                   | <b>\$ 48,117</b>                   | <b>\$ 39,826</b>                   |
| <b>INVESTING ACTIVITIES:</b>   |       |                                    |                                    |                                    |
| Cash acquired upon obtaining control   | 3     | 24,400                             |                                    |                                    |
| Loan to affiliate company  | 16    | (12,875)                           | (4,461)                            | (4,275)                            |
| Dividends from affiliate companies   | 9     | 5,838                              | 7,298                              |                                    |

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|   |    |                  |                    |                     |
|---|----|------------------|--------------------|---------------------|
| Deposits for vessels, port terminals and other fixed assets | 7  | (12,572)         | (36,589)           | (86,911)            |
| Proceeds from lease receivable                              |    | 233              | 200                |                     |
| Proceeds from sale of asset                                 | 7  | 102,217          | 11,828             |                     |
| Acquisition of investments in affiliates                    | 9  | (6,305)          | (7,638)            |                     |
| Acquisition of vessels                                      | 7  | (46,395)         |                    | (60,115)            |
| Purchase of property, equipment and other fixed assets      | 7  | (11,444)         | (10,279)           | (4,567)             |
| Disposal of available-for-sale securities                   | 9  |                  |                    | 5,303               |
| Deposit for option to acquire vessel                        | 14 | (15,234)         | (2,724)            |                     |
| <b>Net cash provided by/(used in) investing activities</b>  |    | <b>\$ 27,863</b> | <b>\$ (42,365)</b> | <b>\$ (150,565)</b> |

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## NAVIOS MARITIME HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of U.S. dollars)

|  | Notes | Year<br>Ended<br>December 31,<br>2018 | Year Ended<br>December 31,<br>2017 | Year<br>Ended<br>December 31,<br>2016 |
|--|-------|---------------------------------------|------------------------------------|---------------------------------------|
| <b>FINANCING ACTIVITIES:</b>   |       |                                       |                                    |                                       |
| Repurchase of preferred stock  | 17    | \$                                    | \$ (571)                           | \$ (9,323)                            |
| (Repayment of)/proceeds from loan payable to affiliate company                                   | 16    |                                       | (55,132)                           | 50,000                                |
| Proceeds from transfer of rights to affiliate company  | 9, 16 |                                       | 4,050                              |                                       |
| Proceeds from long-term loans  | 11    | 56,919                                | 125,495                            | 116,331                               |
| Proceeds from issuance of senior and ship mortgage notes net of discount and debt issuance costs | 11    |                                       | 291,218                            |                                       |
| Repayment of long-term debt and payment of principal   | 11    | (94,298)                              | (48,600)                           | (40,737)                              |
| Repayment/repurchase of senior notes   | 11    | (28,796)                              | (291,094)                          | (30,671)                              |
| Payments of obligations under capital leases   | 7     |                                       | (12,374)                           | (3,032)                               |
| Debt issuance costs  |       | (740)                                 | (609)                              | (2,844)                               |
| Acquisition of treasury stock  | 17    | (1)                                   |                                    | (818)                                 |
| Dividends paid to noncontrolling shareholders  |       |                                       | (25,323)                           |                                       |
| Dividends paid   |       |                                       |                                    | (3,681)                               |
| <b>Net cash (used in)/provided by financing activities</b>                                       |       | <b>\$ (66,916)</b>                    | <b>\$ (12,940)</b>                 | <b>\$ 75,225</b>                      |
| <b>Increase/(decrease) in cash and cash equivalents and restricted cash</b>                      |       | <b>16,584</b>                         | <b>(7,188)</b>                     | <b>(35,514)</b>                       |
| <b>Cash and cash equivalents and restricted cash, beginning of year</b>                          |       | <b>134,190</b>                        | <b>141,378</b>                     | <b>176,892</b>                        |
| <b>Cash and cash equivalents and restricted cash, end of year</b>                                |       | <b>\$ 150,774</b>                     | <b>\$ 134,190</b>                  | <b>\$ 141,378</b>                     |
| <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>   |       |                                       |                                    |                                       |
| Cash paid for interest, net of capitalized interest  |       | \$ 121,902                            | \$ 115,898                         | \$ 108,380                            |
| Cash paid for income taxes   |       | \$ 485                                | \$ 393                             | \$ 92                                 |
| <b>Non-cash investing and financing activities</b>   |       |                                       |                                    |                                       |
| Purchase of property, equipment and other fixed assets   | 7     | \$                                    | \$                                 | \$ (472)                              |
| Deposits for vessels, port terminals and other fixed assets                                      | 7     | \$                                    | \$ (726)                           | \$ (5,726)                            |
|  | 7     | \$                                    | \$ 5,243                           | \$                                    |

Revaluation of vessels due to termination/restructuring  
of capital lease obligations

|   |        |    |         |    |         |    |         |
|---|--------|----|---------|----|---------|----|---------|
| Accrued interest income on loan receivable from<br>affiliate company          | 16     | \$ | (3,103) | \$ | (2,643) | \$ | (2,259) |
| Accrued interest expense on loan payable to affiliate<br>company              | 11, 16 | \$ |         | \$ |         | \$ | 1,240   |
| Accrued interest expense payable to affiliate company                         | 11, 16 | \$ | 1,071   | \$ | 815     | \$ |         |
| Acquisition of vessels, port terminals and other fixed<br>assets              | 7      | \$ | (1,662) | \$ | (843)   | \$ |         |
| Long-term payable to affiliate company  | 9, 16  | \$ |         | \$ | 29,423  | \$ |         |
| Transfers from deposits for vessels, port terminals and<br>other fixed assets | 7      | \$ | 49,421  | \$ | 137,357 | \$ |         |
| Transfers to other long-term assets   |        | \$ | (26)    | \$ |         | \$ |         |

See notes to consolidated financial statements.

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## NAVIOS MARITIME HOLDINGS INC.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of U.S. dollars except share data)

|   | Number of<br>Preferred<br>Shares | Number of<br>Preferred<br>Stock | Number of<br>Common<br>Shares | Number of<br>Common<br>Stock | Additional<br>Paid-in<br>Capital | Retained<br>Earnings/<br>Accumulated<br>Deficit | Other<br>Comprehen-<br>sive<br>Income/(Loss) | Navios Holdings<br>Stockholders<br>Equity | Noncontrolling<br>Interest | Total<br>Stockholders<br>Equity |
|---|----------------------------------|---------------------------------|-------------------------------|------------------------------|----------------------------------|---|--|---|----------------------------|---------------------------------|
| <b>Balance<br/>December 31,<br/>2015</b>                        | <b>73,935</b>                    | <b>\$ 11,046,875</b>            | <b>\$ 1</b>                   | <b>\$ 726,801</b>            | <b>\$ 262,603</b>                | <b>\$ (445)</b>                                 | <b>\$ 988,960</b>                            | <b>\$ 121,592</b>                         | <b>\$ 1,110,552</b>        |                                 |
| Net loss  |                                  |                                 |                               |                              | (303,823)                        |   | (303,823)                                    | 3,674                                     | (300,149)                  |                                 |
| Total other<br>comprehensive<br>income                          |                                  |                                 |                               |                              |                                  | 445   | 445  |   | 445                        |                                 |
| Tender Offer -<br>Redemption of<br>preferred stock<br>(Note 17) | (24,431)                         |                                 | 758,918                       |                              | (50,887)                         | 41,564  |  | (9,323)                                   | (9,323)                    |                                 |
| Stock-based<br>compensation<br>expenses<br>(Note 17)            |                                  |                                 | 2,497                         |                              | 3,446                            |   |  | 3,446                                     | 3,446                      |                                 |
| Cancellation of<br>shares (Note<br>17)                          |                                  |                                 | (291)                         |                              |                                  |   |  |   |                            |                                 |
| Acquisition of<br>treasury stock<br>(Note 17)                   |                                  |                                 | (94,858)                      |                              | (818)                            |   |  | (818)                                     | (818)                      |                                 |
| Dividends<br>declared/ paid                                     |                                  |                                 |                               |                              |                                  | (600)   |  | (600)                                     | (600)                      |                                 |
| <b>Balance<br/>December 31,<br/>2016</b>                        | <b>49,504</b>                    | <b>\$ 11,713,141</b>            | <b>\$ 1</b>                   | <b>\$ 678,542</b>            | <b>\$ (256)</b>                  | <b>\$ 678,287</b>                               | <b>\$ 125,266</b>                            | <b>\$ 803,553</b>                         |                            |                                 |
| Net loss  |                                  |                                 |                               |                              | (165,910)                        |   | (165,910)                                    | 1,123                                     | (164,787)                  |                                 |
| Total other<br>comprehensive<br>income                          |                                  |                                 |                               |                              |                                  | 2   | 2  |   | 2                          |                                 |
| Tender Offer -<br>Redemption of<br>preferred stock<br>(Note 17) | (766)                            |                                 | 62,581                        |                              | (716)                            | 145   |  | (571)                                     | (571)                      |                                 |
|   | (2,436)                          |                                 | 179,015                       |                              |                                  |   |  |   |                            |                                 |

|  |               |                      |             |                   |                     |             |                   |                   |                   |
|--|---------------|----------------------|-------------|-------------------|---------------------|-------------|-------------------|-------------------|-------------------|
| Conversion of convertible preferred stock/ undeclared preferred dividend to common stock (Note 17) |               |                      |             |                   |                     |             |                   |                   |                   |
| Stock-based compensation expenses (Note 17)  |               | 84,333               |             | 4,296             |                     |             | 4,296             |                   | 4,296             |
| Cancellation of shares (Note 17)   |               | (423)                |             | (6)               |                     |             | (6)               |                   | (6)               |
| Dividends paid to Noncontrolling Shareholders  |               |                      |             |                   |                     |             | (25,323)          |                   | (25,323)          |
| <b>Balance December 31, 2017</b>   | <b>46,302</b> | <b>\$ 12,038,647</b> | <b>\$ 1</b> | <b>\$ 682,116</b> | <b>\$ (166,021)</b> | <b>\$ 2</b> | <b>\$ 516,098</b> | <b>\$ 101,066</b> | <b>\$ 617,164</b> |
| Net loss   |               |                      |             |                   | (268,720)           |             | (268,720)         | 3,207             | (265,513)         |
| Total other comprehensive income   |               |                      |             |                   | 2                   | (2)         |                   |                   |                   |
| Cancellation of shares (Note 17)   |               | (656)                |             | (1)               |                     |             | (1)               |                   | (1)               |
| Stock-based compensation expenses (Note 17)  |               | 805,423              |             | 4,556             |                     |             | 4,556             |                   | 4,556             |
| Noncontrolling interest of Navios Containers (Note 3)  |               |                      |             |                   |                     |             |                   | 165,474           | 165,474           |
| <b>Balance December 31, 2018</b>   | <b>46,302</b> | <b>\$ 12,843,414</b> | <b>\$ 1</b> | <b>\$ 686,671</b> | <b>\$ (434,739)</b> | <b>\$</b>   | <b>\$ 251,933</b> | <b>\$ 269,747</b> | <b>\$ 521,680</b> |

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**NAVIOS MARITIME HOLDINGS INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

**NOTE 1: DESCRIPTION OF BUSINESS**

Navios Maritime Holdings Inc. ( Navios Holdings or the Company ) (NYSE:NM) is a global, vertically integrated seaborne shipping and logistics company focused on the transport and transshipment of dry bulk commodities, including iron ore, coal and grain.

*Navios Logistics*

Navios South American Logistics Inc. ( Navios Logistics ), a consolidated subsidiary of the Company, is one of the largest logistics companies in the Hidrovia region of South America, focusing on the Hidrovia river system, the main navigable river system in the region, and on cabotage trades along the eastern coast of South America. Navios Logistics is focused on providing its customers integrated transportation, storage and related services through its port facilities, its large, versatile fleet of dry and liquid cargo barges and its product tankers. Navios Logistics serves the needs of a number of growing South American industries, including mineral and grain commodity providers as well as users of refined petroleum products. As of December 31, 2018, Navios Holdings owned 63.8% of Navios Logistics.

*Navios Containers*

Navios Maritime Containers L.P. ( Navios Containers ) (NASDAQ: NMCI) is a growth vehicle dedicated to the container sector of the maritime industry. Navios Maritime Containers Inc. registered its shares on the Norwegian Over-The-Counter Market (N-OTC) on June 12, 2017 under the ticker NMCI .

On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers' general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios Holdings due to the fact that the general partner has exclusive management authority over Navios Containers' operations, controls the appointment of three of the seven members of Navios Containers' board of directors and has veto rights over certain significant actions of Navios Containers. The limited partners may not remove the general partner without the affirmative vote of at least 75% of the outstanding units (including units held by the general partner and its affiliates), voting as a single class. In addition, limited partners have no right to participate in the operation, management or control of Navios Containers' business or transact any business in Navios Containers' name. The general partner has the power to oversee and direct the partnership's operations and to manage and determine the partnership's strategies and policies on an exclusive basis and therefore, has the power to govern the financial and operating policies of Navios Containers. As of that date, Navios Holdings obtained control over Navios Containers and consequently the results of operations of Navios Containers are consolidated under Navios Holdings. See also Note 3.

As of December 31, 2018, Navios Holdings had a 3.7% ownership interest in Navios Containers.

*Navios Partners*

Navios Maritime Partners L.P. ( Navios Partners ) (NYSE:NMM) is an international owner and operator of dry cargo vessels and is engaged in seaborne transportation services of a wide range of dry cargo commodities including iron ore, coal, grain, fertilizer and also containers, chartering its vessels under medium to long-term charters.

As of December 31, 2018, Navios Holdings owned a 20.0% interest in Navios Partners, including a 2.0% general partner interest.

*Navios Acquisition*

Navios Maritime Acquisition Corporation ( Navios Acquisition ) (NYSE: NNA), is an owner and operator of tanker vessels focusing on the transportation of petroleum products (clean and dirty) and bulk liquid chemicals.

As of December 31, 2018, Navios Holdings ownership of the outstanding voting stock of Navios Acquisition was 32.8% and its economic interest was 35.8%.



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**NAVIOS MARITIME HOLDINGS INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

*Navios Europe I*

On October 9, 2013, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe Inc. ( Navios Europe I ) and have economic interests of 47.5%, 47.5% and 5.0%, respectively. Navios Europe I is engaged in the marine transportation industry through the ownership of five tanker and five container vessels. Effective November 2014, Navios Holdings, Navios Acquisition and Navios Partners have voting interests of 50%, 50% and 0%, respectively.

*Navios Europe II*

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe (II) Inc. ( Navios Europe II ) and have economic interests of 47.5%, 47.5% and 5.0%, respectively and voting interests of 50%, 50% and 0%, respectively. Navios Europe II is engaged in the marine transportation industry through the ownership of seven dry bulkers and seven container vessels.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation:** The accompanying consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

***Change in accounting principles:***

**ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash**

The Company historically presented changes in restricted cash and cash equivalents depending on the nature of the cash flow within the consolidated statements of cash flows. During the first quarter of 2018, the Company adopted ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash, which requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. The recognition and measurement guidance for restricted cash is not affected. The Company applied this guidance retrospectively to all prior periods presented in the Company's financial statements.

The effect of the retrospective application of this change in accounting principle on the Company's consolidated statements of cash flows for the year ended December 31, 2017 and 2016 resulted in a decrease of cash provided by operating activities in the amount of \$2,666 and an increase of cash provided by operating activities in the amount of \$2,906, respectively and a decrease of cash used in financing activities in the amount of \$3,839 and a decrease in cash provided by financing activities in the amount of \$11,000, respectively with a corresponding change in cash and cash equivalents and restricted cash of \$1,172 increase and \$8,094 decrease, respectively.

The following table provides a reconciliation of cash and cash equivalents and restricted cash to amounts reported within the consolidated balance sheets:

|   | December 31,<br>2018 | December 31,<br>2017 | December 31,<br>2016 |
|---|----------------------|----------------------|----------------------|
| <b>Reconciliation of cash and cash equivalents and restricted cash:</b> |                      |                      |                      |
| <b>Current assets:</b>  |                      |                      |                      |
| Cash and cash equivalents   | 137,882              | 127,632              | 135,992              |
| Restricted cash   | 12,892               | 6,558                | 5,386                |
| <b>Total cash and cash equivalents and restricted cash</b>              | <b>\$ 150,774</b>    | <b>\$ 134,190</b>    | <b>\$ 141,378</b>    |

#### **ASC 606, Revenue from Contracts with Customers ( ASC 606 )**

On January 1, 2018, the Company adopted the provisions of ASC 606, Revenue from Contracts with Customers. The guidance provides a unified model to determine how revenue is recognized. In doing so, the Company makes judgments including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers control of the promised goods or services to its customers. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i)

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**NAVIOS MARITIME HOLDINGS INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's contract revenues from time chartering continue to be governed by ASC 840 *Leases*. Upon adoption of ASC 606, the timing and recognition of earnings from time charter contracts to which the Company is party did not change from previous practice. See also Note 2(r).

**Reverse Stock Split**

On December 21, 2018, the Company's common stockholders approved a one-for-ten reverse stock split of the Company's outstanding shares of common stock (the Reverse Stock Split). The Reverse Stock Split was effective since January 3, 2019 and the common stock commenced trading on that date on a split-adjusted basis. As a result of the Reverse Stock Split, every ten shares of issued and outstanding common stock were combined into one issued and outstanding share of common stock, without any change in authorized shares or the par value per share. All issued and outstanding shares of common stock, redemption and conversion terms of preferred stock, options to purchase common stock and per share amounts contained in the consolidated financial statements have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented. The retroactive application of the Reverse Stock Split reduced the number of shares of common stock outstanding from 128.4 million shares to 12.8 million shares as of December 31, 2018 and from 120.4 million shares to 12.0 million shares as of December 31, 2017. The par value of the common stock remained at \$0.0001 per share. Accordingly, Common stock and Additional paid-in capital in the Company's consolidated balance sheets as of December 31, 2018 reflect a decrease and increase of \$12, respectively, and as of December 31, 2017 reflect a decrease and increase of \$11, respectively.

**(b) Principles of consolidation:** The accompanying consolidated financial statements include the accounts of Navios Holdings, a Marshall Islands corporation, and both its majority and wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated statements.

The Company also consolidates entities that are determined to be variable interest entities ( VIE ) as defined in the accounting guidance, if the Company determines that it is the primary beneficiary. A VIE is defined as a legal entity where either (i) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (ii) the equity interest holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (iii) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

Based on internal forecasts and projections that take into account reasonably possible changes in our trading performance, management believes that the Company has adequate financial resources to continue in operation and meet its financial commitments, including but not limited to capital expenditures and debt service obligations, for a period of at least twelve months from the date of issuance of these consolidated financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

***Subsidiaries:*** Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies of the entity. The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets acquired and liabilities assumed is recorded as goodwill. All subsidiaries included in the consolidated financial statements are 100% owned, except for Navios Logistics and Navios Containers, which are 63.8% and 3.7% owned by Navios Holdings, respectively.

***Investments in Affiliates:*** Affiliates are entities over which the Company generally has between 20% and 50% of the voting rights, or over which the Company has significant influence, but it does not exercise control. Investments in these entities are accounted for under the equity method of accounting. Under this method, the Company records an investment in the stock of an affiliate at cost, and adjusts the carrying amount for its share of the earnings or losses of the affiliate subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received from an affiliate reduce the carrying amount of the investment. The Company recognizes gains and losses in earnings for the issuance of shares by its affiliates,

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(Expressed in thousands of U.S. dollars except share data)

provided that the issuance of shares qualifies as a sale of shares. When the Company's share of losses in an affiliate equals or exceeds its interest in the affiliate, the Company does not recognize further losses, unless the Company has incurred obligations or made payments on behalf of the affiliate.

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

In the consolidated financial statements of Navios Holdings, the following entities are included as affiliates and are accounted for under the equity method for such periods: (i) Navios Partners and its subsidiaries (ownership interest as of December 31, 2018 was 20.0%, which includes a 2.0% general partner interest); (ii) Navios Acquisition and its subsidiaries (economic interest as of December 31, 2018 was 35.8%); (iii) Navios Europe I and its subsidiaries (economic interest as of December 31, 2018 was 47.5%); (iv) Navios Europe II and its subsidiaries (economic interest as of December 31, 2018 was 47.5%); and (v) Navios Containers and its subsidiaries (economic interest as of November 30, 2018, date of obtaining control, was 3.7%).

**Subsidiaries Included in the Consolidation:**

| Company Name                         | Nature              | Ownership Interest | Country of Incorporation | Statement of Operations |             |             |
|--------------------------------------|---------------------|--------------------|--------------------------|-------------------------|-------------|-------------|
|                                      |                     |                    |                          | 2018                    | 2017        | 2016        |
| Navios Maritime Holdings Inc.        | Holding Company     |                    | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios South American Logistics Inc. | Sub-Holding Company | 63.8%              | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Maritime Containers L.P.      | Holding Company     | 3.7%               | Marshall Is.             | 11/30 - 12/31           |             |             |
| Navios Corporation                   | Sub-Holding Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios International Inc.            | Operating Company   | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navimax Corporation                  | Operating Company   | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Handybulk Inc.                | Operating Company   | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Hestia Shipping Ltd                  | Operating Company   | 100%               | Malta                    | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Anemos Maritime Holdings Inc.        | Sub-Holding Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Shipmanagement                | Management Company  | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |

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|                                |  |      |              |             |             |             |
|--------------------------------|--|------|--------------|-------------|-------------|-------------|
| Inc.                           |  |      |              |             |             |             |
| NAV Holdings Limited           | Sub-Holding Company  | 100% | Malta        | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Kleimar N.V.                   | Operating Company/<br>Vessel Owning Company/<br>Management Company | 100% | Belgium      | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Kleimar Ltd.                   | Operating Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Bulkinvest S.A.                | Operating Company  | 100% | Luxembourg   | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Primavera Shipping Corporation | Operating Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Ginger Services Co.            | Operating Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Aquis Marine Corp.             | Sub-Holding Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Tankers Management Inc. | Management Company   | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Astra Maritime Corporation     | Vessel Owning Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Achilles Shipping Corporation  | Operating Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Apollon Shipping Corporation   | Operating Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Herakles Shipping Corporation  | Operating Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Hios Shipping Corporation      | Operating Company  | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |

**Table of Contents****NAVIOS MARITIME HOLDINGS INC.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

| Company Name                             | Nature                | Ownership Interest | Country of Incorporation | Statement of Operations |             |             |
|--|-----------------------|--------------------|--------------------------|-------------------------|-------------|-------------|
|  |                       |                    |                          | 2018                    | 2017        | 2016        |
| Ionian Shipping Corporation              | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Kypros Shipping Corporation              | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Meridian Shipping Enterprises Inc.       | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Mercator Shipping Corporation            | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Arc Shipping Corporation                 | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Horizon Shipping Enterprises Corporation | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Magellan Shipping Corporation            | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Aegean Shipping Corporation              | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Star Maritime Enterprises Corporation    | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Corsair Shipping Ltd.                    | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Rowboat Marine Inc.                      | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Beaufiks Shipping Corporation            | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Nostos Shipmanagement Corp.              | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Portorosa Marine Corp.                   | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Shikhar Ventures S.A.                    | Vessel Owning Company | 100%               | Liberia                  | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Sizzling Ventures Inc.                   | Operating Company     | 100%               | Liberia                  | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Rheia Associates Co.                     | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Taharqa Spirit Corp.                     | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Rumer Holding Ltd.                       | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Pharos Navigation S.A.                   | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Pueblo Holdings Ltd                      | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Quena Shipmanagement Inc.                | Operating Company     | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| Aramis Navigation Inc.                   | Vessel Owning Company | 100%               | Marshall Is.             | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |
| White Narcissus Marine S.A.              | Vessel Owning Company | 100%               | Panama                   | 1/1 - 12/31             | 1/1 - 12/31 | 1/1 - 12/31 |

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|                         |                       |      |              |             |             |             |
|-------------------------|-----------------------|------|--------------|-------------|-------------|-------------|
| Navios GP L.L.C.        | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |
| Red Rose Shipping Corp. | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31 | 1/1 - 12/31 | 1/1 - 12/31 |

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(Expressed in thousands of U.S. dollars except share data)

|                                      |                       |                           |                                 | <b>Statement of Operations</b> |             |             |
|--------------------------------------|-----------------------|---------------------------|---------------------------------|--------------------------------|-------------|-------------|
| <b>Company Name</b>                  | <b>Nature</b>         | <b>Ownership Interest</b> | <b>Country of Incorporation</b> | <b>2018</b>                    | <b>2017</b> | <b>2016</b> |
| Highbird Management Inc.             | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Ducale Marine Inc.                   | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Vector Shipping Corporation          | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Faith Marine Ltd.                    | Vessel Owning Company | 100%                      | Liberia                         | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Maritime Finance (US) Inc.    | Operating Company     | 100%                      | Delaware                        | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Maritime Finance II (US) Inc. | Operating Company     | 100%                      | Delaware                        | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Tulsi Shipmanagement Co.             | Operating Company     | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Cinthara Shipping Ltd.               | Operating Company     | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Rawlin Services Company              | Operating Company     | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Mauve International S.A.             | Operating Company     | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Serenity Shipping Enterprises Inc.   | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Mandora Shipping Ltd                 | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Solange Shipping Ltd.                | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Diesis Ship Management Ltd           | Operating Company     | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Holdings Europe Finance Inc.  | Sub-Holding Company   | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Navios Asia LLC                      | Sub-Holding Company   | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Iris Shipping Corporation            | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |
| Jasmine Shipping Corporation         | Vessel Owning Company | 100%                      | Marshall Is.                    | 1/1 - 12/31                    | 1/1 - 12/31 | 1/1 - 12/31 |

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|                                   |                       |      |              |              |               |              |
|-----------------------------------|-----------------------|------|--------------|--------------|---------------|--------------|
| Emery Shipping Corporation        | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31  | 1/1 - 12/31   | 1/1 - 12/31  |
| Lavender Shipping Corporation     | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 12/31  | 1/1 - 12/31   | 1/1 - 12/31  |
| Esmeralda Shipping Corporation    | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 8/30   | 1/1 - 12/31   | 1/12 - 12/31 |
| Triangle Shipping Corporation     | Vessel Owning Company | 100% | Marshall Is. | 1/1 - 8/30   | 1/1 - 12/31   | 1/12 - 12/31 |
| Roselite Shipping Corporation     | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31  | 1/1 - 12/31   | 1/1 - 12/31  |
| Smaltite Shipping Corporation     | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31  | 1/1 - 12/31   | 1/1 - 12/31  |
| Motiva Trading Ltd                | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31  | 1/1 - 12/31   | 11/2 - 12/31 |
| Alpha Merit Corporation           | Sub-Holding Company   | 100% | Marshall Is. | 1/1 - 12/31  | 11/3 - 12/31  |              |
| Thalassa Marine S.A.              | Operating Company     | 100% | Marshall Is. | 1/1 - 12/31  | 12/15 - 12/31 |              |
| Asteroid Shipping S.A.            | Operating Company     | 100% | Marshall Is. | 1/12 - 12/31 |               |              |
| Cloud Atlas Marine S.A.           | Operating Company     | 100% | Marshall Is. | 1/15 - 12/31 |               |              |
| Heodor Shipping Inc.              | Vessel Owning Company | 100% | Marshall Is. | 2/13 - 12/31 |               |              |
| Navios Maritime Containers GP LLC | Operating Company     | 100% | Marshall Is. |              | 9/11 - 12/31  |              |
| Navios Containers Management Inc. | Management Company    | 100% | Marshall Is. |              | 1/1 - 12/31   |              |
| Pacifico Navigation Corp.         | Vessel Owning Company | 100% | Marshall Is. |              | 11/7 - 12/31  |              |
| Rider Shipmanagement Inc.         | Operating Company     | 100% | Marshall Is. |              | 12/4 - 12/31  |              |
| Talia Shiptrade S.A.              | Operating Company     | 100% | Marshall Is. |              | 10/11 - 12/31 |              |

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(Expressed in thousands of U.S. dollars except share data)

- (c) **Use of Estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the assessment of other-than-temporary impairment related to the carrying value of investments in affiliates, the selection of useful lives for tangible and intangible assets, expected future cash flows from long-lived assets to support impairment tests, impairment test for goodwill, provisions necessary for accounts receivables and demurrages, provisions for legal disputes, pension benefits, contingencies and guarantees. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.
- (d) **Cash and Cash Equivalents:** Cash and cash equivalents consist of cash on hand, deposits held on call with banks, and other short-term liquid investments with original maturities of three months or less.
- (e) **Restricted Cash:** As of December 31, 2018 and 2017, restricted cash included \$4,315 (of which \$1,934 related to Navios Containers) and \$5,968, respectively, which related to amounts held in retention accounts in order to service debt and interest payments, as required by certain of Navios Holdings' credit facilities. Also included in restricted cash as of December 31, 2018 and 2017 are amounts held as security in the form of letters of guarantee or letters of credit totaling \$1,577 and \$590, respectively. As of December 31, 2018 restricted cash also included an amount of \$7,000 concerning the proceeds from the sale of Navios Magellan held as cash collateral in an escrow account, following the vessel's disposal and release from the 7.375% First Priority Ship Mortgage Notes due 2022 (the 2022 Notes). See also Note 11.
- (f) **Insurance Claims:** Insurance claims at each balance sheet date consist of claims submitted and/or claims in the process of compilation or submission (claims pending). They are recorded on an accrual basis and represent the claimable expenses, net of applicable deductibles, incurred through December 31 of each reporting period, which are probable to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities. The classification of insurance claims into current and non-current assets is based on management's expectations as to their collection dates.
- (g) **Inventories:** Inventories, which are comprised of lubricants, bunkers (when applicable) and stock provisions on board of the vessels, as well as petroleum products held by Navios Logistics, are valued at cost as determined on the first-in, first-out basis.

**(h) Dry Bulk Vessels, Container Vessels, Port Terminals, Tanker Vessels, Barges, Pushboats and Other Fixed Assets, net:** Dry bulk vessels, container vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets acquired as parts of business combinations are recorded at fair value on the date of acquisition, and if acquired as an asset acquisition, are recorded at cost (including transaction costs). Vessels constructed by the company would be stated at historical cost, which consists of the contract price, capitalized interest and any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for ballast water treatment system, major improvements and upgrades are capitalized, provided they appreciably extend the life, increase the earnings capability or improve the efficiency or safety of the vessels. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of comprehensive (loss)/income. Expenditures for routine maintenance and repairs are expensed as incurred.

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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars except share data)

Depreciation is computed using the straight line method over the useful life of the vessels, port terminals, tanker vessels, barges, pushboats and other fixed assets, after considering the estimated residual value.

Annual depreciation rates used, which approximate the useful life of the assets are:

|                                      |                                  |
|--------------------------------------|----------------------------------|
| Dry bulk vessels                     | 25 years                         |
| Container vessels                    | 30 years                         |
| Port terminals                       | 5 to 49 years                    |
| Tanker vessels, barges and pushboats | 15 to 45 years                   |
| Furniture, fixtures and equipment    | 3 to 10 years                    |
| Computer equipment and software      | 5 years                          |
| Leasehold improvements               | shorter of lease term or 6 years |

Management estimates the residual values of the Company's dry bulk vessels and container vessels based on a scrap value cost of steel times the weight of the ship noted in lightweight tons ( LWT ). Residual values are periodically reviewed and revised to recognize changes in conditions, new regulations or other reasons. Revisions of residual values affect the depreciable amount of the vessels and the depreciation expense in the period of the revision and future periods. Management estimates the residual values of the Company's vessels based on a scrap rate of \$340 per LWT after considering current market trends for scrap rates and ten-year average historical scrap rates of the residual values of the Company's vessels.

Management estimates the useful life of its dry bulk vessels and container vessels to be 25 years and 30 years, respectively from the vessel's original construction. However, when regulations place limitations on the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective. 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.

- (i) **Deposits for Vessels, Port Terminals and Other Fixed Assets:** This represents amounts paid by the Company in accordance with the terms of the purchase agreements for the construction of vessels, port terminals and other long-lived fixed assets. Deposits for vessels, port terminals and other fixed assets also include pre-delivery expenses. Pre-delivery expenses represent any direct costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Interest costs incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized. Capitalized interest for the years ended December 31, 2018, 2017 and 2016 amounted to \$1,908, \$4,764 and \$5,843, respectively.

- (j) **Assets Held for Sale:** It is the Company's policy to dispose of vessels and other fixed assets when suitable opportunities occur and not necessarily to keep them until the end of their useful life. The Company classifies assets and disposal groups as being held for sale when the following criteria are met: management has committed to a plan to sell the asset (disposal group); the asset (disposal group) is available for immediate sale in its present condition; an active program to locate a buyer and other actions required to complete the plan to sell the asset (disposal group) have been initiated; the sale of the asset (disposal group) is probable, and transfer of the asset (disposal group) is expected to qualify for recognition as a completed sale within one year; the asset (disposal group) is being actively marketed for sale at a price that is reasonable in relation to its current fair value; and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Long-lived assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale. No assets were classified as held for sale in any of the periods presented.
- (k) **Impairment of Long Lived Assets:** Vessels, other fixed assets and other long-lived assets held and used by Navios Holdings are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. Navios Holdings' management evaluates the carrying amounts and periods over which long-lived assets are depreciated to determine if events or changes in circumstances have occurred that would require modification to their carrying values or useful lives. Measurement of the impairment loss is based on the fair value of the asset. Navios Holdings determines the fair value of its assets on the basis of management estimates and assumptions by making use of available market data and taking into consideration third party valuations performed on an individual vessel basis. In evaluating useful lives and carrying values of long-lived assets, certain indicators of potential impairment are reviewed, such as undiscounted projected operating cash flows, vessel sales and purchases, business plans and overall market conditions.

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Undiscounted projected net operating cash flows are determined for each asset group and compared to the carrying value of the vessel, the unamortized portion of deferred drydock and special survey costs related to the vessel and the related carrying value of the intangible assets with respect to the time charter agreement attached to that vessel or the carrying value of deposits for newbuildings. Within the shipping industry, vessels are customarily bought and sold with a charter attached. The value of the charter may be favorable or unfavorable when comparing the charter rate to then-current market rates. The loss recognized either on impairment (or on disposition) will reflect the excess of carrying value over fair value (selling price) for the vessel asset group.

During the fourth quarter of fiscal year 2018, management concluded that events occurred and circumstances had changed, which indicated that potential impairment of Navios Holdings' long-lived assets might exist. These indicators included continued volatility in the spot market, and the related impact of the current dry bulk sector has on management's expectation for future revenues. As a result, an impairment assessment of long-lived assets (step one) was performed.

The Company determined undiscounted projected net operating cash flows for each vessel and compared it to the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to the vessel and the carrying value of the related intangible assets, if applicable. The significant factors and assumptions used in the undiscounted projected net operating cash flow analysis included: determining the projected net operating cash flows by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the unfixed days (based on a combination of one-year average historical time charter rates and 10-year average historical one-year time charter rates, adjusted for outliers) over the remaining economic life of each vessel, net of brokerage and address commissions excluding days of scheduled off-hires, running cost based on current year actuals, assuming an annual increase of 0.68% after 2019 and a utilization rate of 99.5% based on the fleet's historical performance.

As of December 31, 2018, our assessment concluded that step two of the impairment analysis was required for four of our dry bulk vessels held and used, as the undiscounted projected net operating cash flows did not exceed the carrying value. As a result, the Company recorded an impairment loss of \$179,186 for these vessels, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to these vessels, presented within the caption "Impairment losses" in the consolidated statements of comprehensive (loss)/income.

As of December 31, 2017, the Company recorded an impairment loss of \$32,930 for one dry bulk vessel, being the difference between the fair value and the vessel's carrying value together with the carrying value of deferred drydock and special survey costs related to this vessel, presented within the caption "Impairment losses" in the consolidated statements of comprehensive (loss)/income. The assessment performed for 2016 did not indicate a step two was necessary for the Company's other vessels held and used. See also Note 7.

**(l) *Deferred Drydock and Special Survey Costs:*** The Company's vessels, barges and pushboats are subject to regularly scheduled drydocking and special surveys which are carried out every 30 and 60 months, respectively, for ocean-going vessels, and up to every 96 months for pushboats and barges, to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained in rare cases and under certain conditions. The costs of drydocking and special surveys are deferred and amortized over the above periods or to the next drydocking or special survey date if such date has been determined. Unamortized drydocking or special survey costs of vessels, barges and pushboats sold are written-off to income in the year the vessel, barge or pushboat is sold.

Costs capitalized as part of the drydocking or special survey consist principally of the actual costs incurred at the yard, and expenses relating to spare parts, paints, lubricants and services incurred solely during the drydocking or special survey period. For each of the years ended December 31, 2018, 2017 and 2016, the amortization of deferred drydock and special survey costs was \$13,828, \$14,727, and \$13,768, respectively.

**(m) *Deferred Financing Costs:*** Deferred financing costs include fees, commissions and legal expenses associated with obtaining or modifying loan facilities. Deferred financing costs are presented as a deduction from the corresponding liability. These costs are amortized over the life of the related debt using the effective interest rate method, and are included in interest expense. Amortization and write-off of deferred financing costs for each of the years ended December 31, 2018, 2017 and 2016 were \$7,880, \$6,391 and \$5,653, respectively. See also Note 18.

**(n) *Goodwill and Other Intangibles***

**(i) *Goodwill:*** Goodwill is tested for impairment at the reporting unit level at least annually.

The Company evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill (step one). The Company determines the fair value of the reporting unit based on a combination of the income approach (i.e. discounted cash flows) and market approach (i.e. comparative market multiples) and believes that the combination of these two approaches is the best indicator of fair value for its individual reporting



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units. If the fair value of a reporting unit exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company must perform the second step (step two) to determine the implied fair value of the reporting unit's goodwill and compare it with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that reporting unit, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to its implied fair value.

As of December 31, 2018, the Company performed its impairments test for its reporting units within the Dry Bulk Vessel Operations and the Logistics Business. The Company additionally considered that its market capitalization continued to remain at a level well below the carrying value of its total net assets.

As of December 31, 2018, the Company performed step one of the impairment test for the Dry Bulk Vessel Operations reporting unit, which is allocated goodwill of \$56,240. Step one impairment test revealed that the fair value of the Dry Bulk Vessel Operations reporting unit substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required.

The fair value of the Dry Bulk Vessel Operations reporting unit was estimated using a combination of income and market approaches. For the income approach, the expected present value of future cash flows used judgments and assumptions that management believes were appropriate in the circumstances. The significant factors and assumptions the Company used in its discounted cash flow analysis included: EBITDA, the discount rate used to calculate the present value of future cash flows and future capital expenditures. EBITDA assumptions included revenue assumptions, general and administrative expense growth assumptions and direct vessel expense growth assumptions. The future cash flows were determined by considering the charter revenues from existing time charters for the fixed fleet days (the Company's remaining charter agreement rates) and an estimated daily time charter equivalent for the non-fixed days (based on a combination of one-year average historical time charter rates and the 10-year average historical one-year time charter rates adjusted for outliers), which the Company believes is an objective approach for forecasting charter rates over an extended time period for long-lived assets and consistent with the cyclicity of the industry. In addition, a weighted average cost of capital (WACC) was used to discount future estimated cash flows to their present values. The WACC was based on externally observable data considering market participants and the Company's cost of equity and debt, optimal capital structure and risk factors specific to the Company. The market approach estimated the fair value of the Company's business based on comparable publicly-traded companies in its industry. In assessing the fair value, the Company utilized the results of the valuations and considered the range of fair values determined under all methods which indicated that the fair value exceeded the carrying value of net assets.

As of December 31, 2018, the Company performed step one of the impairment test for the Logistics Business, which is allocated goodwill of \$104,096. Step one of the impairment test used the income method and revealed that the fair value substantially exceeded the carrying amount of its net assets. Accordingly, no step two analysis was required. The future cash flows from the Logistics Business were determined principally by combining revenues from existing contracts and estimated revenues based on the historical performance of the segment, including utilization rates and

actual storage capacity.

No impairment loss was recognized for any of the periods presented.

**(ii) Intangibles Other Than Goodwill:** Navios Holdings' intangible assets and liabilities consist of favorable lease terms, unfavorable lease terms, customer relationships, trade name and port terminal operating rights. The fair value of the trade name was determined based on the relief from royalty method which values the trade name based on the estimated amount that a company would have to pay in an arm's length transaction to use that trade name. The asset is being amortized under the straight line method over 32 years. Navios Logistics' trade name is being amortized under the straight line method over 10 years, and was fully amortized as of December 31, 2018.

The fair value of customer relationships of Navios Logistics was determined based on the excess earnings method, which relies upon the future cash flow generating ability of the asset. The asset is amortized under the straight line method.

Other intangibles that are being amortized, such as customer relationships and port terminal operating rights, would be considered impaired if their carrying value could not be recovered from the future undiscounted cash flows associated with the asset.

When intangible assets or liabilities associated with the acquisition of a vessel are identified, they are recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where charter rates are less than market charter rates, a liability is recorded, being the difference between the assumed charter rate and the market charter rate for an equivalent vessel. The determination of the fair value of acquired assets and assumed liabilities requires the Company to make significant assumptions and estimates of many

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(Expressed in thousands of U.S. dollars except share data)

variables including market charter rates, expected future charter rates, the level of utilization of the Company's vessels and the Company's weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on the Company's financial position and results of operations.

The amortizable value of favorable and unfavorable leases is amortized over the remaining life of the lease term and the amortization expense is included in the consolidated statements of comprehensive (loss)/income in the Depreciation and amortization line item.

The amortizable value of favorable leases would be considered impaired if its carrying value could not be recovered from the future undiscounted cash flows associated with the asset. Vessel purchase options that have not been exercised, which are included in favorable lease terms, would be considered impaired if the carrying value of an option, when added to the option price of the vessel, exceeded the fair value of the vessel.

Vessel purchase options that are included in favorable leases are not amortized and when the purchase option is exercised, the asset is capitalized as part of the cost of the vessel and depreciated over the remaining useful life of the vessel and if not exercised, the intangible asset is written off. Vessel purchase options that are included in unfavorable lease terms are not amortized and when the purchase option is exercised by the charterer and the underlying vessel is sold, it will be recorded as part of gain/loss on sale of the assets. If the option is not exercised at the expiration date it is written-off in the consolidated statements of comprehensive (loss)/income.

During the fourth quarter of fiscal year 2018, management concluded that there were no circumstances which indicated that potential impairment of Navios Holdings' intangible assets other than goodwill might exist. For the year ended December 31, 2018 and 2016, there were no impairment losses recognized for the Company's intangible assets. As of December 31, 2017, the Company performed an assessment which indicated that the amortizable value of one of its favorable leases would not be recoverable from the future undiscounted cash flows associated with the asset. As a result, the Company recognized an impairment loss of \$3,397 in the caption Impairment losses in the consolidated statements of comprehensive (loss)/income.

The weighted average amortization periods for intangibles are:

| <b>Intangible assets</b>       | <b>Years</b> |
|--------------------------------|--------------|
| Trade name                     | 32           |
| Favorable lease terms          | 1            |
| Port terminal operating rights | 47           |
| Customer relationships         | 20           |

See also Note 3 and Note 8.

(o) **Foreign Currency Translation:** The Company's functional and reporting currency is the U.S. dollar. The Company engages in worldwide commerce with a variety of entities. Although its operations may expose it to certain levels of foreign currency risk, its transactions are predominantly U.S. dollar denominated. The Company's subsidiaries in Uruguay, Argentina, Brazil and Paraguay transact a nominal amount of their operations in Uruguayan pesos, Argentinean pesos, Brazilian reals and Paraguayan guaranies, whereas the Company's wholly-owned vessel subsidiaries and the vessel management subsidiaries transact a nominal amount of their operations in Euros; however, all of the subsidiaries' primary cash flows are U.S. dollar denominated. The financial statements of the foreign operations are translated using the exchange rate at the balance sheet date except for property and equipment and equity, which are translated at historical rates. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized in the statements of comprehensive (loss)/income. The foreign currency (losses)/gains recognized under the caption "Other expense or Other income" in the consolidated statements of comprehensive (loss)/income for each of the years ended December 31, 2018, 2017 and 2016, were \$(1,207), \$(3,000) and \$1,600, respectively.

(p) **Provisions:** The Company, in the ordinary course of business, is subject to various claims, suits and complaints. Management, in consultation with internal and external advisers, will provide for a contingent loss in the financial statements if the contingency had occurred at the date of the financial statements and the likelihood of loss was probable and the amount can be reasonably estimated. If the Company has determined that the reasonable estimate of the loss is a range and there is no best estimate within the range, the Company will provide for the lower amount within the range. See also Note 14.

The Company participates in Protection and Indemnity ( P&I ) insurance plans provided by mutual insurance associations known as P&I clubs. Under the terms of these plans, participants may be required to pay additional premiums (supplementary calls) to fund operating deficits incurred by the clubs ( back calls ). Obligations for back calls are accrued annually based on information provided by the P&I clubs.

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Provisions for estimated losses on vessels under time charter are provided for in the period in which such losses are determined. As of December 31, 2018 and 2017, the balance for this provision was \$1,604 and \$2,631, respectively.

**(q) Segment Reporting:** Operating segments, as defined, are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Based on the Company's methods of internal reporting and management structure, the Company currently has three reportable segments: the Dry Bulk Vessel Operations segment, the Logistics Business segment and the Containers Business segment.

**(r) Revenue and Expense Recognition:**

**Revenue Recognition:** On January 1, 2018, the Company adopted the provisions of *ASC 606, Revenue from Contracts with Customers* (ASC 606). The guidance provides a unified model to determine how revenue is recognized. In doing so, the Company makes judgments including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers control of the promised goods or services to its customers. Revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's contract revenues from time chartering and pooling arrangements are governed by ASC 840 Leases. Upon adoption of ASC 606, the timing and recognition of earnings from the pool arrangements and time charter contracts to which the Company is party did not change from previous practice. The Company has determined to recognize lease revenue as a combined single lease component for all time charters (operating leases) as the related lease component and non-lease component will have the same timing and pattern of the revenue recognition of the combined single lease component. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. As a result of the adoption of these standards, there was no effect on the Company's opening retained earnings, consolidated balance sheets and consolidated statements of comprehensive (loss)/income.

Revenue is recorded when services are rendered, the Company has a signed charter agreement or other evidence of an arrangement, the price is fixed or determinable, and collection is reasonably assured. The Company generates revenue from transportation of cargo, time charter of vessels, port terminal operations, bareboat charters, contracts of affreightment/voyage contracts, demurrages and contracts covering dry or liquid port terminal operations.

Voyage revenues for the transportation of cargo are recognized ratably over the estimated relative transit time of each voyage. A voyage is deemed to commence when a vessel arrives at the loading port, as applicable under the contract, and is deemed to end upon the completion of the discharge of the current cargo. Under a voyage charter, a vessel is provided for the transportation of specific goods between specific ports in return for payment of an agreed upon freight per ton of cargo.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter rate. Since address commissions represent a discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

Revenue from contracts of affreightment ( COA )/voyage contracts relating to our barges are recognized ratably over the estimated relative transit time of each voyage. A voyage is deemed to commence upon the barge's arrival at the loading port, as applicable under the contract, and is deemed to end upon the completion of discharge under the current voyage. The percentage of transit time is based on the days traveled as of the balance sheet date divided by the total days expected for the voyage. The position of the barge at the balance sheet date is determined by the days traveled as of the balance sheet date over the total voyage of the pushboat having the barge in tow. Revenue arising from contracts that provide our customers with continuous access to convoy capacity is recognized ratably over the period of the contracts.

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Demurrage income represents payments made by the charterer to the vessel owner when loading or discharging time exceeds the stipulated time in the voyage charter and is recognized as it is earned.

Upon adoption of ASC 606, the Company is recognizing revenue ratably from the vessel's/barge's arrival at the loading port, as applicable under the contract, to when the charterer's cargo is discharged as well as defer costs that meet the definition of costs to fulfill a contract and relate directly to the contract. The adoption of this standard had no material effect on the Company's opening retained earnings, consolidated balance sheets and consolidated statements of comprehensive (loss)/income.

Revenues earned under contracts of affreightment (COA)/voyage contracts within the Dry Bulk Vessel Operations, amounted to \$19,121, \$38,273 and \$29,857 for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues earned under contracts of affreightment (COA)/voyage contracts within the Logistics business, amounted to \$35,623, \$42,455 and \$62,603 for the years ended December 31, 2018, 2017 and 2016, respectively.

Revenues from time chartering and bareboat chartering of vessels and barges are accounted for as operating leases and are thus recognized on a straight line basis as the average revenue over the rental periods of such charter agreements as service is performed, except for loss generating time charters, in which case the loss is recognized in the period when such loss is determined. A time charter involves placing a vessel or barge at the charterer's disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Short period charters for less than three months are referred to as spot-charters. Charters extending three months to a year are generally referred to as medium-term charters. All other charters are considered long-term. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel. Revenues from time chartering of vessels in the Dry Bulk Vessel Operations amounted to \$278,591, \$199,945 and \$153,858 for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues from time chartering and bareboat chartering of vessels and barges in the Logistics business amounted to \$72,689, \$84,063 and \$153,858 for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues from time chartering and bareboat chartering of vessels in the Containers business amounted to \$12,053 for the period from November 30, 2018 (date of obtaining control) to December 31, 2018.

For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company's vessels, is determined in accordance with an agreed-upon formula, which is determined by margins awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Revenue under pooling arrangements is accounted for on the accrual basis and is recognized in the period in which the variability is resolved. The allocation of such net revenue may be subject to future adjustments by the pool, however, such changes are not expected to be material. Revenue for vessels operating in pooling arrangements in the Dry Bulk Vessel Operations amounted to \$0, \$8,025 and \$15,007 for the years ended December 31, 2018, 2017 and 2016, respectively.

Profit-sharing revenues are calculated at an agreed percentage of the excess of the charterer's average daily income (calculated on a quarterly or half-yearly basis) or the Baltic Dry Index over an agreed amount and accounted for on an

accrual basis based on provisional amounts and for those contracts that provisional accruals cannot be made due to the nature of the profit sharing elements, these are accounted for on the actual cash settlement. Profit sharing results from the Dry Bulk Vessel Operations for the years ended December 31, 2018, 2017 and 2016 amounted to \$(52), \$3,205 and \$(2,530), respectively.

Revenues from dry port terminal operations consist of an agreed flat fee per ton and cover the services performed to unload barges (or trucks), transfer the product into silos or the stockpiles for temporary storage and then loading the ocean-going vessels. Revenues are recognized upon completion of loading the ocean-going vessels. Revenue arising from contracts that provide our customers with continuous access to port terminal storage and transshipment capacity is recognized ratably over the period of the contracts. Additionally, fees are charged for vessel dockage and for storage time in excess of contractually specified terms. Dockage revenues are recognized ratably up to completion of loading as the performance obligation is met evenly over the loading period. Storage fees are assessed and recognized at the point when the product remains in the silo storage beyond the contractually agreed time allowed. Storage fee revenue is recognized ratably over the storage period and ends when the product is loaded onto the ocean-going vessel.

Revenues from port terminal operations of the Logistics business amounted to \$58,552, \$43,984 and \$29,056 for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues from storage fees (dry port) of the Logistics business amounted to \$882, \$1,974 and \$446 for the years ended December 31, 2018, 2017 and 2016, respectively.

Dockage revenues from the Logistics business in the dry port terminal operations amounted to \$3,136, \$4,497 and \$3,373 for the years ended December 31, 2018, 2017 and 2016, respectively.

Revenues from liquid port terminal operations consist mainly of sales of petroleum products in the Paraguayan market and revenues from liquid port operations. Revenues from liquid port terminal operations consist of an agreed flat fee per cubic meter or a fixed rate over a specific period to cover the services performed to unload barges, transfer the products into the tanks for temporary storage and then loading the trucks. Revenues that consist of an agreed flat fee per cubic meter are recognized upon completion of loading the trucks. Revenues from liquid port terminal operations that consist of a fixed rate over a specific period



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are recognized ratably over the storage period as the performance obligation is met evenly over time, ending when the product is loaded onto the trucks. Revenues from sale of products by the Logistics business amounted to \$32,508, \$32,572 and \$30,118 for the years ended December 31, 2018, 2017 and 2016, respectively. Revenues from liquid port terminal operations from the Logistics business amounted to \$3,739, \$2,841 and \$3,059 for the years ended December 31, 2018, 2017 and 2016, respectively.

Additionally, revenues consist of an agreed flat fee per cubic meter to cover the services performed to unload barges, transfer the products into the tanks for temporary storage and then loading the trucks. Revenues are recognized upon completion of loading the trucks. Additionally, fees are charged for storage time in excess of contractually specified terms. Storage fee revenue is recognized ratably over the storage period and ends when the product is loaded onto the trucks.

Expenses related to our revenue-generating contracts are recognized as incurred.

**Administrative fee revenue from affiliates:** Administrative fee revenue from affiliates consists of fees earned on the provision of administrative services pursuant to administrative services agreements with our affiliates (Refer to Note 16). Administrative services include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other general and administrative services. These revenues are recognized as the services are provided to affiliates.

The general and administrative expenses incurred on behalf of affiliates are determined based on a combination of actual expenses incurred on behalf of the affiliates as well as a reasonable allocation of expenses that are not affiliate specific but incurred on behalf of all affiliates.

**Deferred Income and Cash Received In Advance:** Deferred voyage revenue primarily relates to cash received from charterers prior to it being earned. These amounts are recognized as revenue over the voyage or charter period.

**Time Charter, Voyage and Logistics Business Expenses:** Time charter, voyage and logistics business expenses comprise all expenses related to each particular voyage, including time charter hire paid and voyage freight paid, bunkers, port charges, canal tolls, cargo handling, agency fees and brokerage commissions. Also included in time charter, voyage and logistics business expenses are charterers' liability insurances, provision for losses on time charters and voyages in progress at year-end, direct port terminal expenses and other miscellaneous expenses. In the transition to ASC 842, the right of use asset will be adjusted for the carrying amount of the liability regarding the provision for losses on time charters and voyages in progress on that date.

**Direct Vessel Expenses:** Direct vessel expenses consist of all expenses relating to the operation of vessels, including crewing, repairs and maintenance, insurance, stores and lubricants and miscellaneous expenses such as communications and amortization of drydocking and special survey costs net of related party management fees.

**Prepaid Voyage Costs:** Prepaid voyage costs relate to cash paid in advance for expenses associated with voyages. These amounts are recognized as expenses over the voyage or charter period.

*(s) Employee benefits:*

**Pension and Retirement Obligations-Crew:** The Company's ship-owning subsidiaries employ the crew on board under short-term contracts (usually up to nine months) and, accordingly, are not liable for any pension or post-retirement benefits.

**Provision for Employees Severance and Retirement Compensation:** The employees in the Company's office in Greece are protected by Greek labor law. According to the law, the Company is required to pay retirement indemnities to employees upon dismissal or upon leaving with an entitlement to a full security retirement pension. The amount of compensation is based on the number of years of service and the amount of remuneration at the date of dismissal or retirement up to a maximum of two years' salary. If the employees remain in the employment of the Company until normal retirement age, they are entitled to retirement compensation which is equal to 40% of the compensation amount that would be payable if they were dismissed at that time. The number of employees that will remain with the Company until retirement age is not known. The Company considers this plan equivalent to a lump sum defined benefit pension plan and accounts for it under relevant guidance on employer's accounting for pensions. The Company is required to annually value the statutory terminations indemnities liability. Management obtains a valuation from independent actuaries to assist in the calculation of the benefits. The Company provides, in full, for the employees termination indemnities liability. This liability amounted to \$1,550 and \$1,336 at December 31, 2018 and 2017, respectively.

**U.S. Retirement Savings Plan:** The Company sponsors a 401(k) retirement savings plan, which is categorized as a defined contribution plan. The plan is available to full time employees who meet the plan's eligibility requirements. The plan permits employees to make contributions up to 15% of their annual salary with the Company matching up to the first 6%. The Company makes monthly contributions (matching contributions) to the plan based on amounts contributed by employees. Subsequent to making the matching contributions, the Company has no further obligations. The Company may make an additional discretionary contribution annually if such a contribution is authorized by the Board of Directors. The plan is administered by an independent professional firm that specializes in providing such services. See also Note 13.

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**Other Post-Retirement Obligations:** The Company has a legacy pension arrangement for certain Bahamian, Uruguayan and former Navios Corporation employees. The entitlement to these benefits is only to these former employees. The expected costs of these benefits are accrued each year, using an accounting methodology similar to that for defined benefit pension plans.

**Stock-Based Compensation:** In December 2018, the Company authorized the grant of restricted common stock. In December 2017, the Company authorized the grant of restricted common stock and restricted stock units. In December 2016, the Company authorized the grant of restricted share units and share appreciation rights. These awards of restricted share units, share appreciation rights, restricted common stock, restricted stock units and stock options are based on service conditions only and vest over three and four years. See also Note 13.

The fair value of share appreciation rights and stock option grants is determined with reference to option pricing model and principally adjusted Black-Scholes models. The fair value of restricted share units, restricted stock and restricted stock units is determined by reference to the quoted stock price on the date of grant. Compensation expense, net of estimated forfeitures, is recognized based on a graded expense model over the vesting period. Compensation expense for the awards that vest upon achievement of the performance criteria is recognized when it is probable that the performance criteria will be met and are being accounted for as equity.

(t) **Financial Instruments:** Financial instruments carried on the balance sheet include cash and cash equivalents, restricted cash, trade receivables and payables, other receivables and other liabilities, long-term debt, capital leases and available-for-sale securities. The particular recognition methods applicable to each class of financial instrument are disclosed in the applicable significant policy description of each item, or included below as applicable.

**Financial Risk Management:** The Company's activities expose it to a variety of financial risks including fluctuations in future freight rates, time charter hire rates, fuel prices and credit and interest rates risk. Risk management is carried out under policies approved by executive management. Guidelines are established for overall risk management, as well as specific areas of operations.

**Credit Risk:** The Company closely monitors its credit exposure to customers and counterparties for credit risk. The Company has policies in place to ensure that it trades with customers and counterparties with an appropriate credit history.

**Liquidity Risk:** Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company monitors cash balances appropriately to meet working capital needs.

**Foreign Exchange Risk:** Foreign currency transactions are translated into the measurement currency at rates prevailing on the dates of the relevant transactions. Foreign exchange gains and losses resulting from the settlement of

such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive (loss)/income.

**(u) (Loss)/Earnings Per Share:** Basic (loss)/earnings per share are computed by dividing net (loss)/income attributable to Navios Holdings common stockholders by the weighted average number of shares of common stock outstanding during the periods presented. Net (loss)/income attributable to Navios Holdings common stockholders is calculated by adding to (if a discount) or deducting from (if a premium) net (loss)/ income attributable to Navios Holdings common stockholders the difference between the fair value of the consideration paid upon redemption and the carrying value of the preferred stock, including the unamortized issuance costs of the preferred stock, and the amount of any undeclared dividend cancelled. Diluted (loss)/earnings per share reflect the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted. Dilution has been computed by the treasury stock method whereby all of the Company's dilutive securities (stock options and warrants) are assumed to be exercised and the proceeds are used to repurchase common shares at the weighted average market price of the Company's common stock during the relevant periods. The incremental shares (the difference between the number of shares assumed issued and the number of shares assumed purchased) are included in the denominator of the diluted (loss)/earnings per share computation. Restricted share units, restricted stock and restricted stock units (vested and unvested) are included in the calculation of the diluted (loss)/earnings per share, based on the weighted average number of restricted share units, restricted stock and restricted stock units assumed to be outstanding during the period. Convertible shares are included in the calculation of the diluted (loss)/earnings per share, based on the weighted average number of convertible shares assumed to be outstanding during the period. See also Note 20.

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(v) **Income Taxes:** The Company is a Marshall Islands corporation. Pursuant to various treaties and the United States Internal Revenue Code, the Company believes that substantially all its operations are exempt from income taxes in the Marshall Islands and the United States of America. The tax expense reflected in the Company's consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 was mainly attributable to its subsidiaries in South America, which are subject to the Argentinean and Paraguayan income tax regimes. The asset and liability method is used to account for future income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Future income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A deferred tax asset is recognized for temporary differences that will result in deductible amounts in future years. A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

On December 29, 2017, the Argentine government enacted the Law 27,430 that made changes to the income tax law in Argentina. The new law modifies the rates for income taxes applicable in beginning on January 1, 2018. In measuring its income tax assets and liabilities, the Company used the rate that is expected to be enacted at the time of the reversal of the asset or liability in the calculation of the deferred tax for the items related to Argentina. An income tax rate of 30% was applied on temporary differences whose reversal is expected to occur in the years before 2020, and a rate of 25% on temporary differences remaining thereafter. During the year ended December 31, 2017, the Company has recorded an income tax benefit of \$2,837 within the caption "Income tax benefit/(expense)" in the consolidated statements of comprehensive (loss)/income related to the change in the rate of the income tax.

(w) **Dividends:** Dividends are recorded in the Company's financial statements in the period in which they are declared. Navios Holdings paid \$0 to its common stockholders during each year ended December 31, 2018, 2017 and 2016, and \$0, \$0 and \$3,681 (\$0, \$0 and \$74.4 per share) to its preferred stockholders during the years ended December 31, 2018, 2017 and 2016, respectively. In November 2015, Navios Holdings announced that the Board of Directors decided to suspend the dividend to its common stockholders. In February 2016, Navios Holdings announced the suspension of payment of quarterly dividends on its preferred stock, including the Series G Cumulative Redeemable Perpetual Preferred Stock (the "Series G") and Series H Cumulative Redeemable Perpetual Preferred Stock (the "Series H"). All inter-company dividends are eliminated upon consolidation.

(x) **Guarantees:** A liability for the fair value of an obligation undertaken in issuing the guarantee is recognized. The recognition of fair value is not required for certain guarantees such as the parent's guarantee of a subsidiary's debt to a third party or guarantees on product warranties. For those guarantees excluded from the above guidance requiring the fair value recognition provision of the liability, financial statement disclosures of their terms are made.

On November 15, 2012, the Company agreed to provide Navios Partners with guarantees against counterparty default on certain existing charters (see also Note 16).

(y) **Leases:** Vessel leases where Navios Holdings or/and Navios Containers is regarded as the lessor are classified as either finance leases or operating leases based on an assessment of the terms of the lease.

For charters classified as finance leases the minimum lease payments are recorded as the gross investment in the lease. The difference between the gross investment in the lease and the sum of the present values of the two components of the gross investment is recorded as unearned income which is amortized to income over the lease term as finance lease interest income to produce a constant periodic rate of return on the net investment in the lease.

For charters classified as operating leases where Navios Holdings or/and Navios Containers is regarded as the lessor, refer to Note 2(r).

For charters classified as operating leases where Navios Holdings or/and Navios Containers is regarded as the lessee, the expense is recognized on a straight line basis over the rental periods of such charter agreements. The expense is included under the line item Time charter, voyage and logistics business expenses . In the transition to ASC 842, the right of use asset will be adjusted for the carrying amount of the straight line liability on that date.

(z) **Treasury Stock:** Treasury stock is accounted for using the cost method. Excess of the purchase price of the treasury stock acquired, plus direct acquisition costs over its par value is recorded in additional paid-in capital.

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- (aa) Trade Accounts Receivable:** The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.
- (ab) Convertible Preferred Stock:** The Company's 2% Mandatorily Convertible Preferred Stock ( Preferred Stock ) is recorded at fair market value on the date of issuance. The fair market value is determined using a binomial valuation model. The model which is used takes into account the credit spread of the Company, the volatility of its stock, as well as the price of its stock at the issuance date. Each preferred share has a par value of \$0.0001. Each holder of Preferred Stock is entitled to receive an annual dividend equal to 2.0% on the nominal value of the Preferred Stock, payable quarterly, until such time as the Preferred Stock converts into common stock. Five years after the issuance date, 30.0% of the then-outstanding shares of Preferred Stock shall automatically convert into shares of common stock at a conversion price equal to \$10.00 per share of common stock with the remaining balance of the then-outstanding shares of Preferred Stock being converted into shares of common stock under the same terms 10 years after their issuance date. At any time following the third anniversary from their issuance date, if the closing price of the common stock has been at least \$20.00 per share, for 10 consecutive business days, the remaining balance of the then-outstanding preferred shares shall automatically convert at a conversion price equal to \$14.00 per share of common stock. The holders of Preferred Stock are entitled, at their option, at any time following their issuance date and prior to their final conversion date, to convert all or any such then-outstanding preferred shares into common stock at a conversion price equal to \$14.00 per common stock. See also Note 17.
- (ac) Cumulative Redeemable Perpetual Preferred Stock:** The Company's 2,000,000 American Depositary Shares, Series G and the 4,800,000 American Depositary Shares, Series H are recorded at fair market value on issuance. Each of the shares represents 1/100th of a share of the Series G, with a liquidation preference of \$2,500.00 per share (\$25.00 per American Depositary Share). Dividends are payable quarterly in arrears on the Series G at a rate of 8.75% per annum and on the Series H at a rate of 8.625% per annum of the stated liquidation preference. At any time on or after January 28, 2019, the Series G may be redeemed at the Company's option and at any time on or after July 8, 2019, the Series H may be redeemed at the Company's option (and the American Depositary Shares can be caused to be redeemed), in whole or in part, out of amounts legally available therefore, at a redemption price of \$2,500.00 per share (equivalent to \$25.00 per American Depositary Share) plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. The Company has accounted for these shares as equity. See also Note 17.
- (ad) Investment in Available-for-Sale Securities:** The Company classifies its existing marketable equity securities as available-for-sale. These securities are carried at fair value, with unrealized gains and losses reflected directly in the consolidated statements of comprehensive (loss)/income at each reporting period. Management evaluates

securities for other-than-temporary impairment ( OTTI ) on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the investee, and (iii) the intent and ability of the Company to retain its investment in the investee for a period of time sufficient to allow for any anticipated recovery in fair value.

***Investment in Equity Securities:*** Navios Holdings evaluates its investments in Navios Acquisition, Navios Partners, Navios Europe I and Navios Europe II for OTTI on a quarterly basis. Consideration is given to (i) the length of time and the extent to which the fair value has been less than the carrying value, (ii) the financial condition and near-term prospects of Navios Partners, Navios Acquisition, Navios Europe I and Navios Europe II, and (iii) the intent and ability of the Company to retain its investment in Navios Acquisition, Navios Partners, Navios Europe I and Navios Europe II, for a period of time sufficient to allow for any anticipated recovery in fair value. If the Company considers any decline to be other-than-temporary , then the Company would write down the carrying amount of the investment to its estimated fair value.

***(ae) Financial Instruments and Fair Value:*** Guidance on Fair Value Measurements provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to unobservable inputs (Level III measurements).

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to guidance on Fair Value Measurements.



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**NAVIOS MARITIME HOLDINGS INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

***(af) Recent Accounting Pronouncements:***

In October 2018, the Financial Accounting Standards Board ( FASB ) issued ASU 2018-17, Consolidation (Topic 810):

Targeted Improvements to Related Party Guidance for Variable Interest Entities ( ASU 2018-17 ). ASU 2018-17 provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE. For Public business entities the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In August 2018, FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans (Topic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans . This update modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for public business entities that are SEC filers beginning in the first quarter of fiscal year 2021, and earlier adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement . This update modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and earlier adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In January 2017, FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350) . This update addresses concerns expressed about the cost and complexity of the goodwill impairment test and simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. The amendments in this ASU are required for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The amendments are effective for public business entities that are SEC filers for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements.

In January 2017, FASB issued ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments-Equity Method and Joint Ventures (Topic 323) . The ASU amends the Codification for SEC staff announcements made at recent Emerging Issues Task Force (EITF) meetings. The SEC guidance that specifically relates to our consolidated financial statements was from the September 2016 meeting, where the SEC staff expressed their expectations about the extent of disclosures registrants should make about the effects of the new FASB guidance as well as any amendments issued prior to adoption, on revenue (ASU 2014-09), leases (ASU 2016-02) and credit losses on financial instruments (ASU 2016-13) in accordance with SAB Topic 11.M. Registrants are required to

disclose the effect that recently issued accounting standards will have on their financial statements when adopted in a future period. In cases where a registrant cannot reasonably estimate the impact of the adoption, then additional qualitative disclosures should be considered. The ASU incorporates these SEC staff views into ASC 250 and adds references to that guidance in the transition paragraphs of each of the three new standards. The adoption of this ASU did not have a material effect on the Company's consolidated financial statements.

In June 2016, FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This standard requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions, and reasonable and supportable forecasts in order to record credit losses in a more timely manner. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted for interim and annual periods beginning after December 15, 2018. In November 2018, FASB issued ASU 2018-19 *Codification Improvements to topic 326, Financial Instruments-Credit Losses*. The amendments in this update clarify that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 will apply to both capital (or finance) leases and operating leases. According to ASU 2016-02, lessees will be required to recognize assets (right of use asset) and liabilities (lease liabilities) on the balance sheet for both types of leases, capital (or finance) leases and operating leases, with terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted.

This guidance requires companies to identify lease and non-lease components of a lease agreement. Lease components relate to the right to use the leased asset and non-lease components relate to payments for goods or services that are transferred separately from the right to use the underlying asset. Total lease consideration is allocated to lease and non-lease components on a relative standalone basis. The recognition of revenues related to lease components will be governed by ASC 842 while revenue related to non-lease components will be subject to ASC 606.

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In July 2018, FASB issued ASU 2018-10, Codification Improvements to Topic 842 Leases ( ASU 2018-10 ). The amendments in ASU 2018-10 affect narrow aspects of the guidance issued in the amendments in ASU 2016-02. The amendments in this update affect the amendments in Update 2016-02, which are not yet effective but for which early adoption upon issuance is permitted. For entities that early adopted Topic 842, the amendments are effective upon issuance of this update, and the transition requirements are the same as those in Topic 842. For entities that have not adopted Topic 842, the effective date and transition requirements will be the same as the effective date and transition requirements in Topic 842.

In addition, in July 2018, FASB issued ASU 2018-11, Targeted Improvements to Topic 842 Leases ( ASU 2018-11). The improvements in ASU 2018-11 provide for (a) an optional new transition method for adoption that results in initial recognition of a cumulative effect adjustment to retained earnings in the year of adoption and (b) a practical expedient for lessors, under certain circumstances, to combine the lease and non-lease components of revenues for presentation purposes.

In December 2018, FASB issued ASU 2018-20, Narrow-Scope Improvements to Topic 842 for Lessors ( ASU 2018-20 ). The improvements in ASU 2018-20 are to clarify guidance for lessors on sales taxes and other similar taxes collected from lessees, certain lessor costs and recognition of variable payments for contracts with lease and non-lease components.

In January 2019, FASB issued ASU 2019-01, Codification Improvements to Topic 842 Leases ( ASU 2019-01 ). The amendments in ASU 2019-01 address (i) the determination of the fair value of the underlying asset by lessors that are not manufacturers or dealers, (ii) the presentation on the Statement of Cash Flows Sales Type and Direct Financing Leases; and (iii) the transition disclosures related to the accounting changes and error corrections (Topic 250).

ASC 842 provides practical expedients that allow entities to not (i) reassess whether any expired or existing contracts are considered or contain leases; (ii) reassess the lease classification for any expired or existing leases; and (iii) reassess initial direct costs for any existing leases.

The Company plans to adopt the standard on January 1, 2019 and expects to elect the use of practical expedients. The Company intends to apply the alternative transition method for adoption as described above. Based on a preliminary assessment, the Company expects the adoption of this guidance to have a material impact on its assets and liabilities due to its charter-in contracts and office rent agreements and the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets although adoption is not expected to significantly change the recognition, measurement or presentation of lease expenses within the statements of comprehensive (loss)/income or cash flows.

In the transition to ASC 842, the Company will measure the right of use asset at an amount equal to the operating liability adjusted for the carrying amount of the straight line liability and the carrying amount of the liability regarding the provision for losses on time charters and voyages in progress on that date. Following the adoption of the new standard, the Company expects to recognize for its charter-in contracts and for its office rent agreements, operating liabilities of \$356,537 and \$12,453, respectively, based on the net present value of the remaining minimum charter-in

and rental payments for existing operating leases. Additionally, the Company expects to recognize for its charter-in contracts relating to charter-in vessels in operation on January 1, 2019 and for its office rent agreements, right of use assets of \$342,353 and \$12,453, respectively.

With regards to the Company's charter-out contracts, the Company is not expecting that the adoption will have a material effect on its consolidated financial statements since the Company is a lessor for these charter-out contracts and the changes are fairly minor. The Company expects to elect the use of practical expedient available to lessors which allows good and services embedded in the charter-out contract that qualify as non-lease components to be combined under a single lease component presentation.

### **NOTE 3: CONSOLIDATION OF NAVIOS CONTAINERS**

Navios Maritime Containers Inc. was incorporated in the Republic of the Marshall Islands on April 28, 2017 (date of inception) and on November 30, 2018, was converted into a limited partnership. In connection with the conversion, Navios Maritime Containers GP LLC, a Republic of the Marshall Islands limited liability company and wholly-owned subsidiary of Navios Holdings, was admitted as Navios Containers' general partner and holds a non-economic interest that does not provide the holder with any rights to profits or losses of, or distribution by, the partnership. As a result of holding the general partner interest, control was obtained by Navios Holdings due to the fact that the general partner has exclusive management authority over Navios Containers' operations, controls the appointment of three of the seven members of Navios Containers' board of directors and has veto rights over certain significant actions of Navios Containers. The limited partners may not remove the general partner without the affirmative vote of at least 75% of the outstanding units (including units held by the general partner and its affiliates), voting as a single class. In addition, limited partners have no right to participate in the operation, management or control of Navios Containers business or transact any business in Navios Containers' name. The general partner has the power to oversee and direct the partnership's operations and to manage and determine the partnership's strategies and policies on an exclusive basis and therefore, has the power to govern the financial and operating policies of Navios Containers. As of that date, the results of operations of Navios Containers are consolidated under Navios Holdings.

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(Expressed in thousands of U.S. dollars except share data)

Navios Containers accounted for the control obtained as a business combination which resulted in the application of the acquisition method, as defined under ASC 805 Business Combinations, as well as the recalculation of Navios Holdings' equity interest in Navios Containers to its fair value at the date of obtaining control and the recognition of a gain in the consolidated statements of comprehensive (loss)/income. The excess of the fair value of Navios Containers' identifiable net assets of \$229,865 over the total fair value of Navios Containers' total shares outstanding as of November 30, 2018 of \$171,743, resulted in a bargain gain upon obtaining control in the amount of \$58,122. The fair value of the 34,603,100 total Navios Containers' shares outstanding as of November 30, 2018 was determined by using the closing share price of \$4.96, as of that date.

As of November 30, 2018, Navios Holdings' interest in Navios Containers with a carrying value of \$6,078 was remeasured to fair value of \$6,269, resulting in a gain on obtaining control in the amount of \$191 and is presented within Bargain gain upon obtaining control in the consolidated statements of comprehensive (loss)/income.

The results of operations of Navios Containers are included in Navios Holdings' consolidated statements of comprehensive (loss)/income following the completion of the conversion of Navios Maritime Containers Inc. into a limited partnership on November 30, 2018.

If the acquisition had been consummated as of April 28, 2017 (date of inception), Navios Holdings' pro-forma revenues and net loss for the year ended December 31, 2018 would have been \$639,607 and \$(313,971), respectively, and for the year ended December 31, 2017 would have been \$502,237 and \$(107,210), respectively. These pro-forma results include non-recurring items directly related to the business acquisition as follows: (a) the gain on obtaining control in the amount of \$191 and (b) the bargain gain upon obtaining control in the amount of \$58,122.

The unaudited pro forma results are for comparative purposes only and do not purport to be indicative of the results that would have actually been obtained if the control was obtained at the date of inception. The Navios Containers consolidation contributed revenues of \$12,053 and net income of \$752 to Navios Holdings for the year ended December 31, 2018.

The following table summarizes the fair value of Navios Containers outstanding shares, the fair value of assets and liabilities and the fair value of the noncontrolling interest in Navios Containers assumed on November 30, 2018:

|  |                |
|--|----------------|
| <b>Fair value of Navios Containers' outstanding shares:</b>      |                |
| Fair value of Navios Holdings' interest (3.7%)                   | 6,269          |
| Fair value of noncontrolling interest (96.3%)                    | \$ 165,474     |
| <b>Total fair value of Navios Containers' outstanding shares</b> | <b>171,743</b> |
| <b>Fair value of Navios Containers' assets and liabilities:</b>  |                |
| Current assets (including cash and restricted cash of \$24,400)  | 27,705         |

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|  |                |
|--|----------------|
| Vessels  | 376,133        |
| Favorable lease terms                              | 31,342         |
| Long term receivable from affiliate companies      | 7,313          |
| Other long term assets                             | 1,099          |
| Long term debt assumed (including current portion) | (199,000)      |
| Current liabilities                                | (14,727)       |
| <b>Fair value of Navios Containers net assets</b>  | <b>229,865</b> |

**Bargain gain upon obtaining control** **\$ 58,122**

The intangible assets listed below as determined at the date of obtaining control are amortized under the straight line method over the period indicated below:

|                       | <b>Weighted Average<br/>Amortization<br/>(years)</b> | <b>Amortization<br/>per Year</b> |
|-----------------------|--|----------------------------------|
| Favorable lease terms | 1.4  | \$ (22,391)                      |

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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars except share data)

**NOTE 4: CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

Cash and cash equivalents and restricted cash consisted of the following:

|  | December 31,<br>2018 | December 31,<br>2017 |
|--|----------------------|----------------------|
| Cash on hand and at banks                            | \$ 131,432           | \$ 127,625           |
| Short-term deposits and highly liquid funds          | 6,450                | 7                    |
| Restricted cash                                      | 12,892               | 6,558                |
| <b>Cash and cash equivalents and restricted cash</b> | <b>\$ 150,774</b>    | <b>\$ 134,190</b>    |

Short-term deposits and highly liquid funds relate to amounts held in banks for general financing purposes and represent deposits with an original maturity of less than three months.

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 Holdings does maintain cash deposits and equivalents in excess of government provided insurance limits. Navios Holdings reduces exposure to credit risk by dealing with a diversified group of major financial institutions.

See also Note 2(e).

**NOTE 5: ACCOUNTS RECEIVABLE, NET**

Accounts receivable consisted of the following:

|  | December 31,<br>2018 | December 31,<br>2017 |
|--|----------------------|----------------------|
| Accounts receivable                      | \$ 76,376            | \$ 80,037            |
| Less: provision for doubtful receivables | (16,086)             | (19,706)             |
| <b>Accounts receivable, net</b>          | <b>\$ 60,290</b>     | <b>\$ 60,331</b>     |

Changes to the provisions for doubtful accounts are summarized as follows:

|   | <b>Balance at<br/>Beginning of<br/>Period</b> | <b>Charges to<br/>Costs<br/>and<br/>Expenses</b> | <b>Amount<br/>Utilized</b> | <b>Balance<br/>at<br/>End of<br/>Period</b> |
|---|---|--|----------------------------|---|
| <b>Allowance for doubtful receivables</b> |   |  |                            |   |
| Year ended December 31, 2016              | \$ (18,278)                                   | \$ (1,304)                                       | \$ 145                     | \$ (19,437)                                 |
| Year ended December 31, 2017              | \$ (19,437)                                   | \$ (269)   | \$                         | \$ (19,706)                                 |
| Year ended December 31, 2018              | \$ (19,706)                                   | \$ (575)   | \$ 4,195                   | \$ (16,086)                                 |

Concentration of credit risk with respect to accounts receivable is limited due to the Company's large number of customers, who are internationally dispersed and have a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables. For the year ended December 31, 2018, two customers accounted for 12.8% and 11.4%, respectively, of the Company's revenue and are the same customers who accounted for 14.7% and 13.1%, respectively, of the Company's revenue in the year ended December 31, 2016. For the year ended December 31, 2017, no customers accounted for more than 10% of the Company's revenue. For the year ended December 31, 2016, two customers accounted for 14.7% and 13.1%, respectively, of the Company's revenue.



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## NAVIOS MARITIME HOLDINGS INC.

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**NOTE 6: PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consisted of the following:

|  | December 31,<br>2018 | December 31,<br>2017 |
|--|----------------------|----------------------|
| Prepaid voyage and operating costs                     | \$ 9,261             | \$ 8,022             |
| Claims receivable                                      | 22,224               | 12,307               |
| Prepaid other taxes                                    | 2,682                | 4,520                |
| Advances for working capital purposes                  | 18                   | 18                   |
| Other  | 6,005                | 2,516                |
| <b>Total prepaid expenses and other current assets</b> | <b>\$ 40,190</b>     | <b>\$ 27,383</b>     |

Claims receivable mainly represents claims against vessels insurance underwriters in respect of damages arising from accidents or other insured risks, as well as claims under charter contracts including off-hires. While it is anticipated that claims receivable will be recovered within one year, such claims may not all be recovered within one year due to the attendant process of settlement. Nonetheless, amounts are classified as current as they represent amounts currently due to the Company. All amounts are shown net of applicable deductibles.

As of December 31, 2018, claims receivable include an insurance claim of \$11,571 related to the fire incident at the iron ore port terminal in Nueva Palmira, Uruguay.

**NOTE 7: VESSELS, PORT TERMINALS AND OTHER FIXED ASSETS, NET**

| Vessels                          | Cost                | Accumulated<br>Depreciation | Net Book<br>Value   |
|----------------------------------|---------------------|-----------------------------|---------------------|
| <b>Balance December 31, 2015</b> | <b>\$ 1,841,140</b> | <b>\$ (447,688)</b>         | <b>\$ 1,393,452</b> |
| Additions                        | 60,115              | (73,847)                    | (13,732)            |
| Transfers                        | 29,695              |                             | 29,695              |
| <b>Balance December 31, 2016</b> | <b>1,930,950</b>    | <b>(521,535)</b>            | <b>1,409,415</b>    |
| Additions                        |                     | (73,017)                    | (73,017)            |
| Impairment losses                | (104,157)           | 58,034                      | (46,123)            |
| Disposals                        | (11,828)            |                             | (11,828)            |

|                                  |                     |                     |                   |
|----------------------------------|---------------------|---------------------|-------------------|
| <b>Balance December 31, 2017</b> | <b>1,814,965</b>    | <b>(536,518)</b>    | <b>1,278,447</b>  |
| Additions                        | 398                 | (66,405)            | (66,007)          |
| Vessel impairment                | (411,265)           | 212,399             | (198,866)         |
| Disposals                        | (101,717)           |                     | (101,717)         |
| Vessel acquisition               | 22,385              | (458)               | 21,927            |
| <b>Balance December 31, 2018</b> | <b>\$ 1,324,766</b> | <b>\$ (390,982)</b> | <b>\$ 933,784</b> |

| <b>Port Terminals (Navios Logistics)</b>                                      | <b>Cost</b>       | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
|---|-------------------|-------------------------------------|---------------------------|
| <b>Balance December 31, 2015</b>  | <b>\$ 108,686</b> | <b>\$ (23,898)</b>                  | <b>\$ 84,788</b>          |
| Additions   | 2,051             | (3,493)                             | (1,442)                   |
| Transfers   | (1,513)           |                                     | (1,513)                   |
| <b>Balance December 31, 2016</b>  | <b>109,224</b>    | <b>(27,391)</b>                     | <b>81,833</b>             |
| Additions   | 5,060             | (5,237)                             | (177)                     |
| Transfers from deposits for vessels, port terminals<br>and other fixed assets | 137,357           |                                     | 137,357                   |
| <b>Balance December 31, 2017</b>  | <b>251,641</b>    | <b>(32,628)</b>                     | <b>219,013</b>            |
| Additions   | 2,530             | (7,284)                             | (4,754)                   |
| Transfers from oil storage plant and port facilities<br>for liquid cargoes    | (629)             |                                     | (629)                     |
| Transfers to other long-term assets   | (26)              |                                     | (26)                      |
| Disposals   | (156)             | 137                                 | (19)                      |
| <b>Balance December 31, 2018</b>  | <b>\$ 253,360</b> | <b>\$ (39,775)</b>                  | <b>\$ 213,585</b>         |

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## NAVIOS MARITIME HOLDINGS INC.

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(Expressed in thousands of U.S. dollars except share data)

|  | Cost              | Accumulated<br>Depreciation | Net Book<br>Value |
|--|-------------------|-----------------------------|-------------------|
| <b>Tanker vessels, barges and pushboats (Navios Logistics)</b>                 |                   |                             |                   |
| <b>Balance December 31, 2015</b>   | <b>\$ 470,944</b> | <b>\$ (131,144)</b>         | <b>\$ 339,800</b> |
| Additions  | 738               | (18,894)                    | (18,156)          |
| Transfers  | 3,696             |                             | 3,696             |
| <b>Balance December 31, 2016</b>   | <b>475,378</b>    | <b>(150,038)</b>            | <b>325,340</b>    |
| Additions  | 5,531             | (17,603)                    | (12,072)          |
| Disposals  | (3,585)           | 3,585                       |                   |
| Revaluation of vessels due to termination of capital lease obligation          | (5,243)           |                             | (5,243)           |
| <b>Balance December 31, 2017</b>   | <b>472,081</b>    | <b>(164,056)</b>            | <b>308,025</b>    |
| Additions  | 3,581             | (18,528)                    | (14,947)          |
| Transfers  | 629               |                             | 629               |
| Transfers from deposits for vessels, port terminal and other fixed assets, net | 49,421            |                             | 49,421            |
| <b>Balance December 31, 2018</b>   | <b>\$ 525,712</b> | <b>\$ (182,584)</b>         | <b>\$ 343,128</b> |
|  |                   |                             |                   |
| <b>Containerships (Navios Containers)</b>                                      |                   |                             |                   |
| <b>Balance December 31, 2017</b>   | <b>\$</b>         | <b>\$</b>                   | <b>\$</b>         |
| Vessels upon obtaining control   | 376,133           | (882)                       | 375,251           |
| Vessel acquisition   | 24,763            | (35)                        | 24,728            |
| <b>Balance December 31, 2018</b>   | <b>\$ 400,896</b> | <b>\$ (917)</b>             | <b>\$ 399,979</b> |
|  |                   |                             |                   |
| <b>Other fixed assets</b>  |                   |                             |                   |
| <b>Balance December 31, 2015</b>   | <b>\$ 13,869</b>  | <b>\$ (7,948)</b>           | <b>\$ 5,921</b>   |
| Additions  | 2,250             | (1,475)                     | 775               |
| Transfers  | (2,183)           |                             | (2,183)           |
| <b>Balance December 31, 2016</b>   | <b>13,936</b>     | <b>(9,423)</b>              | <b>4,513</b>      |
| Additions  | 531               | (1,257)                     | (726)             |
| Disposals  | (75)              | 28                          | (47)              |
| Write offs   | (32)              | 32                          |                   |

|                                  |                  |                    |                 |
|----------------------------------|------------------|--------------------|-----------------|
| <b>Balance December 31, 2017</b> | <b>14,360</b>    | <b>(10,620)</b>    | <b>3,740</b>    |
| Additions                        | 5,845            | (1,572)            | 4,273           |
| Write offs                       | (329)            | 295                | (34)            |
| <b>Balance December 31, 2018</b> | <b>\$ 19,876</b> | <b>\$ (11,897)</b> | <b>\$ 7,979</b> |

| <b>Total</b>   | <b>Cost</b>         | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
|--|---------------------|-------------------------------------|---------------------------|
| <b>Balance December 31, 2015</b>   | <b>\$ 2,434,639</b> | <b>\$ (610,678)</b>                 | <b>\$ 1,823,961</b>       |
| Additions  | 65,154              | (97,709)                            | (32,555)                  |
| Transfers  | 29,695              |                                     | 29,695                    |
| <b>Balance December 31, 2016</b>   | <b>2,529,488</b>    | <b>(708,387)</b>                    | <b>1,821,101</b>          |
| Additions  | 11,122              | (97,114)                            | (85,992)                  |
| Impairment losses  | (104,157)           | 58,034                              | (46,123)                  |
| Disposals  | (15,488)            | 3,613                               | (11,875)                  |
| Write offs   | (32)                | 32                                  |                           |
| Revaluation of vessels due to termination of capital lease obligation      | (5,243)             |                                     | (5,243)                   |
| Transfers from deposits for vessels, port terminals and other fixed assets | 137,357             |                                     | 137,357                   |
| <b>Balance December 31, 2017</b>   | <b>2,553,047</b>    | <b>(743,822)</b>                    | <b>1,809,225</b>          |

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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars except share data)

| <b>Total</b>   | <b>Cost</b>         | <b>Accumulated<br/>Depreciation</b> | <b>Net Book<br/>Value</b> |
|--|---------------------|-------------------------------------|---------------------------|
| Vessels upon obtaining control   | 376,133             | (882)                               | 375,251                   |
| Additions  | 12,354              | (93,789)                            | (81,435)                  |
| Vessel acquisition   | 47,148              | (493)                               | 46,655                    |
| Vessel impairment  | (411,265)           | 212,399                             | (198,866)                 |
| Vessel disposals   | (101,717)           |                                     | (101,717)                 |
| Disposals  | (156)               | 137                                 | (19)                      |
| Write offs   | (329)               | 295                                 | (34)                      |
| Transfers from deposits for vessels, port terminals and other fixed assets | 49,421              |                                     | 49,421                    |
| Transfers to other long-term assets  | (26)                |                                     | (26)                      |
| <b>Balance December 31, 2018</b>   | <b>\$ 2,524,610</b> | <b>\$ (626,155)</b>                 | <b>\$ 1,898,455</b>       |

*Deposits for Vessels and Port Terminals Acquisitions*

During the third quarter of 2018, a river and estuary tanker was delivered to Navios Logistics. As of December 31, 2018, a total of \$17,389 had been transferred to Vessels, port terminals and other fixed assets, net in the consolidated balance sheets of which capitalized interest amounted to \$628. As of December 31, 2017, Navios Logistics had paid \$6,141 for the construction of the river and estuary tanker (including supervision cost).

During the first quarter of 2018, three new pushboats were delivered to Navios Logistics. As of December 31, 2018, a total of \$32,032 had been transferred to Vessels, port terminals and other fixed assets, net in the consolidated balance sheets of which capitalized interest amounted to \$3,874. As of December 31, 2017, Navios Logistics had paid \$30,708 for the construction of the three new pushboats.

During the second quarter of 2017, Navios Logistics substantially completed the expansion of its dry port in Uruguay. As of December 31, 2017, a total of \$137,357 had been transferred to Vessels, port terminals and other fixed assets, net in the consolidated balance sheets of which capitalized interest amounted to \$9,971.

*Impairment losses*

During the year ended December 31, 2018, Navios Holdings recorded an impairment loss of \$179,186 for four of its dry bulk vessels.

In December 2018, Navios Holdings completed the sale to an unrelated third party, of the Navios Magellan, a 2000-built Panamax vessel of 74,333 dwt, for a total net sale price of \$6,950 paid in cash. The loss due to the sale amounted to \$5,402 (including \$726 remaining carrying balance of dry dock and special survey costs) and is included in the consolidated statements of comprehensive (loss)/income under Impairment losses .

In August 2018, Navios Holdings completed the sale to its affiliate, Navios Partners, of the Navios Mars, a 2016-built, 181,259 dwt vessel, and of the Navios Sphera, a 2016-built, 84,872 dwt vessel, for a total sale price of \$79,000. The loss due to the sale amounted to \$2,759 and is included in the consolidated statements of comprehensive (loss)/income under Impairment losses .

In July 2018, Navios Holdings completed the sale to an unrelated third party of the Navios Achilles, a 2001-built, 52,063 dwt vessel, for a total net sale price of \$8,085 paid in cash. The impairment loss recognized due to the sale amounted to \$6,595 (including \$584 remaining carrying balance of dry dock and special survey costs).

In March 2018, Navios Holdings completed the sale to an unrelated third party of the Navios Herakles, a 2001-built, 52,061 dwt vessel, for a total net sale price of \$7,682 paid in cash. The impairment loss due to the sale amounted to \$6,715 (including \$481 remaining carrying balance of dry dock and special survey costs).

During the year ended December 31, 2017, Navios Holdings recorded an impairment loss of \$32,930 for one of its dry bulk vessels.

On June 16, 2017, Navios Holdings completed the sale to an unrelated third party of the Navios Ionian, a 2000 built Japanese dry bulk vessel of 52,067 dwt, for a total net sale price of \$5,280 paid in cash. As of December 31, 2017, Navios Holdings total impairment loss recognized due to the sale amounted to \$9,098 (including \$551 remaining carrying balance of dry dock and special survey costs).

On July 13, 2017 Navios Holdings completed the sale to an unrelated third party of the Navios Horizon, a 2001 built Japanese dry bulk vessel of 50,346 dwt, for a total net sale price of \$6,548 paid in cash. As of December 31, 2017, Navios Holdings total impairment loss recognized due to the sale amounted to \$5,141 (including \$495 remaining carrying balance of dry dock and special survey costs).

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**NAVIOS MARITIME HOLDINGS INC.**

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(Expressed in thousands of U.S. dollars except share data)

*Vessel Acquisitions*

In November 2018, Navios Holdings took delivery of the Navios Primavera, a 2007-built, 53,464 dwt, a previously chartered-in vessel, for a total acquisition cost of \$12,130, of which \$10,980 was paid in cash.

In February 2018, Navios Holdings acquired from an unrelated third party, a previously chartered-in vessel, Navios Equator Prosper, a 2000-built, 171,191 dwt vessel, for a total acquisition cost of \$10,255 which was paid in cash.

On January 12, 2016, Navios Holdings took delivery of the Navios Sphera, a 2016-Japanese built 84,872 dwt Panamax vessel, and Navios Mars, a 2016-Japanese built 181,259 dwt Capesize vessel, for an acquisition cost of \$34,352 and \$55,458, respectively, of which \$49,910 was paid in cash and \$39,900 was financed through a loan. As of December 31, 2016, deposits of \$29,695, relating to the acquisition of Navios Sphera and Navios Mars, had been transferred to vessels cost.

*Navios Logistics*

On November 12, 2018, Navios Logistics acquired approximately 3.5 hectares of undeveloped land located in Port Murtinho region, Brazil. Navios Logistics plans to develop this land for its port operations. As of December 31, 2018, Navios Logistics had paid \$1,097 for the land acquisition.

On September 4, 2017, Navios Logistics signed an agreement for the construction of covers for dry barges for a total consideration of \$1,115. As of December 31, 2018, Navios Logistics had paid the whole amount (as of December 31, 2017, Navios Logistics had paid \$629).

On May 18, 2017, Navios Logistics acquired two product tankers, Ferni H (16,871 DWT) and San San H (16,871 DWT) for \$11,239 which were previously leased with an obligation to purchase in 2020. Following the acquisition of the two product tankers, the remaining capital lease obligation was terminated and the carrying value of the tankers was adjusted for the difference between the purchase price and the carrying value.

In February 2017, two self-propelled barges of the Navios Logistics fleet, Formosa and San Lorenzo, were sold for a total amount of \$1,109, to be paid in cash. Sale price will be received in installments in the form of lease payments through 2023. The barges may be transferred at the lessee's option, at no cost, at the end of the lease period. As of December 31, 2018 and 2017, the current portion of the outstanding receivable amounted to \$174 and \$318, respectively and is included in Prepaid expenses and other current assets and the non-current portion of the outstanding receivable amounted to \$428 and \$500, respectively and is included in Other long-term assets in the consolidated balance sheets. During the year ended December 31, 2017 gain on sale of assets of \$1,075 was included in the statement of comprehensive (loss)/income within the caption of Gain on sale of assets.

*Navios Containers*

On December 17, 2018, Navios Containers purchased from an unrelated third party the Bermuda, a 2010-built 4,360 TEU containership, for an acquisition cost of approximately \$11,098 (including \$398 capitalized expenses).

On December 7, 2018, Navios Containers purchased from an unrelated third party the Bahamas, a 2010-built 4,360 TEU containership, for an acquisition cost of approximately \$13,422 (including \$522 capitalized expenses).

**NOTE 8: INTANGIBLE ASSETS/LIABILITIES OTHER THAN GOODWILL**

**Net Book Value of Intangible Assets other than Goodwill as at December 31, 2018**

|                                | <b>Acquisition<br/>Cost</b> | <b>Accumulated<br/>Amortization</b> | <b>Transfer/<br/>Write<br/>off</b> | <b>Net Book Value<br/>December 31,<br/>2018</b> |
|--------------------------------|-----------------------------|-------------------------------------|------------------------------------|---|
| Trade name                     | \$ 100,420                  | \$ (47,966)                         | \$                                 | \$ 52,454                                       |
| Port terminal operating rights | 53,152                      | (11,838)                            |                                    | 41,314  |
| Customer relationships         | 35,490                      | (19,520)                            |                                    | 15,970  |
| Favorable lease terms(*)       | 32,492                      | (2,143)                             | (1,150)                            | 29,199  |
| <b>Total Intangible assets</b> | <b>\$ 221,554</b>           | <b>\$ (81,467)</b>                  | <b>\$ (1,150)</b>                  | <b>\$ 138,937</b>                               |



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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars except share data)

## Net Book Value of Intangible Assets other than Goodwill as at December 31, 2017

|                                | Acquisition<br>Cost | Accumulated<br>Amortization | Write<br>off       | Net Book Value<br>December 31,<br>2017 |
|--------------------------------|---------------------|-----------------------------|--------------------|--|
| Trade name                     | \$ 100,420          | \$ (45,156)                 | \$                 | \$ 55,264                              |
| Port terminal operating rights | 53,152              | (10,889)                    |                    | 42,263                                 |
| Customer relationships         | 35,490              | (17,745)                    |                    | 17,745                                 |
| Favorable lease terms(*)       | 11,548              |                             | (10,398)           | 1,150                                  |
| <b>Total Intangible assets</b> | <b>\$ 200,610</b>   | <b>\$ (73,790)</b>          | <b>\$ (10,398)</b> | <b>\$ 116,422</b>                      |

- (\*) During the year ended December 31, 2018, acquisition costs of \$1,150 of favorable lease terms were capitalized as part of the cost of one vessel due to the exercise of the purchase option (See also Note 2(n)). As of December 31, 2018, intangible assets associated with the favorable lease terms included an amount of \$31,342 associated with the favorable lease terms of certain charter out contracts of Navios Containers which were recognized as of November 30, 2018 (see Note 3). As of December 31, 2017, intangible assets associated with the favorable lease terms included an amount of \$1,150 related to purchase option for a vessel. During the year ended December 31, 2017, acquisition costs of \$10,398 and accumulated amortization of \$7,001 of favorable lease terms were considered impaired and were written off resulting in a loss of \$3,397 included in the statement of comprehensive (loss)/income within the caption of Impairment losses .

|                                | Amortization<br>Expense<br>and<br>Write Offs<br>Year<br>Ended<br>December 31,<br>2018 | Amortization<br>Expense<br>and<br>Write Offs<br>Year<br>Ended<br>December 31,<br>2017 | Amortization<br>Expense<br>and<br>Write Offs<br>Year<br>Ended<br>December 31,<br>2016 |
|--------------------------------|---|---|---|
| Trade name                     | \$ 2,811  | \$ 3,853  | \$ 3,902  |
| Port terminal operating rights | 950   | 727   | 706   |
| Customer relationships         | 1,774   | 1,775   | 1,775   |
| Favorable lease terms          | 2,143   | 4,038   | 17,260  |
| Unfavorable lease terms        |   |   | (7,526)   |

**Total** **\$ 7,678** **\$ 10,393** **\$ 16,117**

The remaining aggregate amortization of acquired intangibles as of December 31, 2018 was as follows:

| <b>Description</b>             | <b>Within one</b> |                  |                   |                  |                  |                   | <b>Total</b>      |
|--------------------------------|-------------------|------------------|-------------------|------------------|------------------|-------------------|-------------------|
|                                | <b>year</b>       | <b>Year Two</b>  | <b>Year Three</b> | <b>Year Four</b> | <b>Year Five</b> | <b>Thereafter</b> |                   |
| Trade name                     | \$ 2,811          | \$ 2,818         | \$ 2,811          | \$ 2,811         | \$ 2,811         | \$ 38,392         | \$ 52,454         |
| Port terminal operating rights | 995               | 995              | 995               | 995              | 995              | 36,339            | 41,314            |
| Customer relationships         | 1,775             | 1,775            | 1,775             | 1,775            | 1,775            | 7,095             | 15,970            |
| Favorable lease terms          | 21,923            | 7,276            |                   |                  |                  |                   | 29,199            |
| <b>Total amortization</b>      | <b>\$ 27,504</b>  | <b>\$ 12,864</b> | <b>\$ 5,581</b>   | <b>\$ 5,581</b>  | <b>\$ 5,581</b>  | <b>\$ 81,826</b>  | <b>\$ 138,937</b> |

#### **NOTE 9: INVESTMENTS IN AFFILIATES AND INVESTMENTS IN AVAILABLE FOR-SALE SECURITIES**

##### **Navios Partners**

On August 7, 2007, Navios Holdings formed Navios Partners under the laws of Marshall Islands. 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 a 2.0% general partner interest.

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On March 17, 2017, Navios Holdings transferred to Navios Partners its participation in the Navios Revolving Loans I and the Navios Term Loans I, both as defined herein, and relating to Navios Europe I, for a consideration of \$33,473, comprised of \$4,050 in cash and 13,076,923 newly issued common units of Navios Partners with a fair value of \$29,423 (based on Navios Partners trading price as of the closing of the transaction). Concurrently, Navios Holdings acquired 266,876 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$468. See also Note 16.

On March 20, 2017, Navios Partners announced that it has closed an offering of 47,795,000 common units at \$2.10 per common unit. Navios Holdings acquired 975,408 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$2,048.

During the first quarter of 2017, Navios Partners also issued 2,040,000 of common units to certain Navios Partners directors and/or officers, and 1,200,442 common units pursuant to Navios Partners Continuous Offering Program Sales Agreement. Concurrently, Navios Holdings acquired 66,131 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$110.

In September 2017, Navios Holdings acquired 7,376 common units in Navios Partners in order to maintain its 2% general partner interest for a cash consideration of \$12.

During the first quarter of 2018, Navios Partners also issued 1,370,044 of common units to Navios Partners directors and/or officers. Concurrently, Navios Holdings acquired 27,960 common units in Navios Partners in order to maintain its 2.0% general partner interest for a cash consideration of \$64.

On February 21, 2018, Navios Partners closed an offering of 18,422,000 common units which includes the sale of \$5,000 of common units to Navios Holdings. In addition, Navios Holdings paid \$714 to retain its 2.0% general partnership interest.

In December 2018, Navios Partners also issued 1,464,494 of restricted common units to Navios Partners directors and/or officers. Concurrently, Navios Holdings acquired 29,888 common units in Navios Partners in order to maintain its 2.0% general partner interest for a cash consideration of \$27.

As of December 31, 2018, Navios Holdings held a total of 31,053,233 common units and 3,450,091 general partners units, representing a 20.0% interest in Navios Partners, including the 2.0% general partner interest, and the entire investment in Navios Partners is accounted for under the equity method.

As of December 31, 2018 and 2017, the pre-OTTI unamortized difference between the carrying amount of the investment in Navios Partners and the amount of the Company's underlying equity in net assets of Navios Partners was \$80,484 and \$98,608, respectively. The Company will need to recompute this difference which is amortized through Equity in net (losses)/earnings of affiliated companies over the remaining life of Navios Partners tangible and intangible assets.

As of December 31, 2018 and 2017, the carrying amount of the investment in Navios Partners was \$29,328 and \$66,773, respectively. During the years ended December 31, 2018, 2017 and 2016, the Company recognized an OTTI loss of \$55,524, \$0 and \$83,596, respectively relating to its investment in Navios Partners and the amounts were included in Equity in net (losses)/earnings of affiliated companies .

Total pre-OTTI equity method income/(loss) and amortization of deferred gain of \$16,171, \$12,570 and \$(5,979) were recognized in Equity in net (losses)/earnings of affiliated companies for the years ended December 31, 2018, 2017 and 2016, respectively.

Dividends received during the years ended December 31, 2018, 2017 and 2016 were \$2,068, \$0 and \$0, respectively.

As of December 31, 2018, the market value of the investment in Navios Partners was \$29,328.

#### **Acropolis Chartering & Shipping Inc. ( Acropolis )**

On December 6, 2018, Navios Holdings completed the sale of its investment in Acropolis for a cash consideration of \$1,000 resulting in a gain of \$866 which is included in Other income . The amount of \$500 of the cash consideration was received in December 2018 and the remaining amount is scheduled to be received within one year from the date of the sale. Navios Holdings, until the sale of its investment, had a 50% interest in Acropolis, a brokerage firm for freight and shipping charters. Although Navios

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Holdings owned 50% of Acropolis stock, Navios Holdings agreed with the other shareholder that the earnings and amounts declared by way of dividends would be allocated 35% to the Company with the balance to the other shareholder. As of December 31, 2018 and 2017, the carrying amount of the investment was \$0 and \$228, respectively. Dividends received for each of the years ended December 31, 2018, 2017 and 2016 were \$170, \$55 and \$85, respectively.

**Navios Acquisition**

In February 2018, the Board of Directors of Navios Acquisition authorized a stock repurchase program for up to \$25,000 of Navios Acquisition's common stock, for two years. Stock repurchases will be made from time to time for cash in open market transactions at prevailing market prices or in privately negotiated transactions. As of December 31, 2018, Navios Acquisition has repurchased 670,962 shares of common stock.

On November 9, 2018, the Stockholders of Navios Acquisition approved a one-for-15 reverse stock split of all outstanding common stock shares of Navios Acquisition, which was effected on November 14, 2018.

On December 13, 2018, Navios Acquisition completed the merger contemplated by the previously announced Agreement and Plan of Merger (the Merger Agreement), dated as of October 7, 2018, by and among Navios Acquisition, its direct wholly-owned subsidiary NMA Sub LLC (Merger Sub), Navios Maritime Midstream Partners L.P. (Navios Midstream) and Navios Midstream Partners GP LLC. Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition.

As of December 31, 2018, Navios Holdings had a 32.8% voting and a 35.8% economic interest in Navios Acquisition.

As of December 31, 2018 and 2017, the unamortized difference between the carrying amount of the investment in Navios Acquisition and the amount of the Company's underlying equity in net assets of Navios Acquisition was \$87,500 and \$113,597, respectively, and is amortized through Equity in net (losses)/earnings of affiliated companies over the remaining life of Navios Acquisition tangible and intangible assets.

As of December 31, 2018 and 2017, the carrying amount of the investment in Navios Acquisition was \$50,374 and \$99,590, respectively. As of December 31, 2018, the market value of the investment in Navios Acquisition was \$15,812.

Based on Company's evaluation of the duration and magnitude of the fair value decline, Navios Acquisition's financial condition and near-term prospects, and Company's intent and ability to hold its investment in Navios Acquisition until recovery, the Company concluded that the decline in fair value of its investment in Navios Acquisition below its carrying value is temporary and, therefore, no impairment was recorded. During the year ended December 31, 2016, the Company recognized an OTTI loss of \$144,430 relating to its investment in Navios Acquisition and the amount was included in Equity in net (losses)/earnings of affiliated companies.

Total pre-OTTI equity method (loss)/income of \$(43,378), \$(9,875) and \$29,801 were recognized in Equity in net (losses)/earnings of affiliated companies for the years ended December 31, 2018, 2017 and 2016, respectively.

Dividends received for each of the years ended December 31, 2018, 2017 and 2016 were \$5,838, \$14,595 and \$14,595, respectively.

### **Navios Europe I**

On December 18, 2013, Navios Europe I acquired ten vessels for aggregate consideration consisting of (i) cash (which was funded with the proceeds of senior loan facilities (the Senior Loans I ) and loans aggregating to \$10,000 from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe I) (collectively, the Navios Term Loans I ) and (ii) the assumption of a junior participating loan facility (the Junior Loan I ). In addition to the Navios Term Loans I, Navios Holdings, Navios Acquisition and Navios Partners will also make available to Navios Europe I revolving loans up to \$24,100 to fund working capital requirements (collectively, the Navios Revolving Loans I ). The Navios Term Loans I will be repaid from the future sale of vessels owned by Navios Europe I. In December 2018, the amount of the Navios Revolving Loans I increased by \$30,000.

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On an ongoing basis, Navios Europe I is required to distribute cash flows (after payment of operating expenses and amounts due pursuant to the terms of the Senior Loans I) according to a defined waterfall calculation.

Navios Holdings evaluated its investment in Navios Europe I under ASC 810 and concluded that Navios Europe I is a VIE and that it is not the party most closely associated with Navios Europe I and, accordingly, is not the primary beneficiary of Navios Europe I.

Navios Holdings further evaluated its investment in the common stock of Navios Europe I under ASC 323 and concluded that it has the ability to exercise significant influence over the operating and financial policies of Navios Europe I and, therefore, its investment in Navios Europe I is accounted for under the equity method.

The initial amount provided for in Navios Europe I of \$4,750 at the inception included the Company's share of the basis difference between the fair value and the underlying book value of the assets of Navios Europe I, which amounted to \$6,763. This difference is amortized through Equity in net (losses)/earnings of affiliated companies over the remaining life of Navios Europe I. As of December 31, 2018 and December 31, 2017, the unamortized basis difference of Navios Europe I was \$3,357, and \$4,034, respectively.

As of December 31, 2018 and 2017, the estimated maximum potential loss by Navios Holdings in Navios Europe I would have been \$35,069 and \$23,838, respectively, which represents the Company's carrying value of its investment and balance of Navios Term Loans I of \$8,994 and \$7,924, respectively, including accrued interest, plus the Company's balance of the Navios Revolving Loans I of \$26,075 and \$15,914, respectively, including accrued interest, and does not include the undrawn portion of the Navios Revolving Loans I.

(Loss)/income of \$0, \$(1,089) and \$1,303 was recognized in Equity in net (losses)/earnings of affiliated companies for the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018 and 2017, the carrying amount of the investment in Navios Europe I and the balance of Navios Term Loans I was \$4,750 for both periods.

**Navios Europe II**

On February 18, 2015, Navios Holdings, Navios Acquisition and Navios Partners established Navios Europe II. From June 8, 2015 through December 31, 2015, Navios Europe II acquired 14 vessels for aggregate consideration consisting of: (i) cash (which was funded with the proceeds of a senior loan facility (the Senior Loans II) and loans aggregating to \$14,000 from Navios Holdings, Navios Acquisition and Navios Partners (in each case, in proportion to their economic interests in Navios Europe II) (collectively, the Navios Term Loans II) and (ii) the assumption of a junior participating loan facility (the Junior Loan II). In addition to the Navios Term Loans II, Navios Holdings, Navios Acquisition and Navios Partners will also make available to Navios Europe II revolving loans up to \$43,500 to fund working capital requirements (collectively, the Navios Revolving Loans II). The Navios Term Loans II will be repaid from the future sale of vessels owned by Navios Europe II. In March 2017, the amount of the Navios Revolving Loans

II increased by \$14,000.

On an ongoing basis, Navios Europe II is required to distribute cash flows (after payment of operating expenses, amounts due pursuant to the terms of the Senior Loans II) according to a defined waterfall calculation.

Navios Holdings evaluated its investment in Navios Europe II under ASC 810 and concluded that Navios Europe II is a VIE and that it is not the party most closely associated with Navios Europe II and, accordingly, is not the primary beneficiary of Navios Europe II.

Navios Holdings further evaluated its investment in the common stock of Navios Europe II under ASC 323 and concluded that it has the ability to exercise significant influence over the operating and financial policies of Navios Europe II and, therefore, its investment in Navios Europe II is accounted for under the equity method.

The initial amount provided for in Navios Europe II of \$6,650, at the inception included the Company's share of the basis difference between the fair value and the underlying book value of the assets of Navios Europe II, which amounted to \$9,419. This difference is amortized through Equity in net (losses)/earnings of affiliated companies over the remaining life of Navios Europe II. As of December 31, 2018 and December 31, 2017, the unamortized basis difference of Navios Europe II was \$6,069 and \$7,011, respectively.



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As of December 31, 2018 and 2017, the estimated maximum potential loss by Navios Holdings in Navios Europe II would have been \$29,370 and \$22,463, respectively, which represents the Company's carrying value of its investment and balance of Navios Term Loans II of \$12,432 and \$10,400, respectively, plus the Company's balance of the Navios Revolving Loans II of \$16,938 and \$12,063, respectively, including accrued interest, and does not include the undrawn portion of the Navios Revolving Loans II.

Income/(loss) of \$2,032, \$2,456 and \$(14) was recognized in Equity in net (losses)/earnings of affiliated companies for the years ended December 31, 2018, 2017 and 2016, respectively.

As of December 31, 2018 and December 31, 2017, the carrying amount of the investment in Navios Europe II and the balance of Navios Terms Loans II was \$6,650 for both periods.

**Navios Containers (Consolidated since November 30, 2018)**

On June 8, 2017, Navios Maritime Containers Inc. closed a private placement of 10,057,645 shares of its common stock at a subscription price of \$5.00 per share resulting in gross proceeds of \$50,288. Navios Holdings invested \$5,000, and Navios Partners invested \$30,000 in Navios Maritime Containers Inc. Each of Navios Holdings and Navios Partners also received warrants for the purchase of an additional 1.7% and 6.8%, respectively, of the equity of Navios Maritime Containers Inc.

On March 13, 2018, Navios Maritime Containers Inc. closed an additional private placement in which Navios Holdings invested \$500.

On November 30, 2018, Navios Maritime Containers Inc. was converted into a limited partnership. All of the warrants described above issued to Navios Partners and Navios Holdings expired. On December 3, 2018, Navios Partners distributed approximately 2.5% of the outstanding equity of Navios Containers to the unitholders of Navios Partners in connection with the listing of Navios Containers on the Nasdaq Global Select Market.

Navios Holdings until November 30, 2018 evaluated its investment in the common stock of Navios Containers under ASC 323 and concluded that it had the ability to exercise significant influence over the operating and financial policies of Navios Maritime Containers Inc. and, therefore, its investment in Navios Maritime Containers Inc. was accounted for under the equity method.

As of December 31, 2018, and following the above mentioned placements and the conversion of Navios Maritime Containers Inc. into a limited partnership, Navios Holdings owned 3.7% of the equity of Navios Containers.

Total equity method income of \$417 and \$161 were recognized in Equity in net (losses)/earnings of affiliated companies for the period from January 1, 2018 to November 30, 2018 (date of obtaining control) and for the year ended December 31, 2017, respectively.

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As of December 31, 2017, the carrying amount of the investment in Navios Containers was \$5,161.

Following the results of the significant tests performed by the Company, it was concluded that two affiliates met the significant threshold requiring summarized financial information of all affiliated companies being presented.

Summarized financial information of the affiliated companies is presented below:

| Balance Sheet  | December 31, 2018 |                    |                 |                  |                 | December 31, 2017  |                 |                  |                   |
|--|-------------------|--------------------|-----------------|------------------|-----------------|--------------------|-----------------|------------------|-------------------|
|  | Navios Partners   | Navios Acquisition | Navios Europe I | Navios Europe II | Navios Partners | Navios Acquisition | Navios Europe I | Navios Europe II | Navios Containers |
| Cash and cash equivalents, including restricted cash | \$ 61,455         | \$ 46,609          | \$ 19,160       | \$ 27,544        | \$ 29,933       | \$ 86,458          | \$ 19,185       | \$ 16,882        | \$ 14,501         |
| Current assets                                       | 111,112           | 103,978            | 22,732          | 33,479           | 60,306          | 119,733            | 22,417          | 28,403           | 21,371            |
| Non-current assets                                   | 1,203,021         | 1,523,406          | 139,955         | 195,805          | 1,244,996       | 1,453,048          | 145,940         | 195,784          | 245,440           |
| Current liabilities                                  | 52,333            | 92,159             | 83,059          | 39,150           | 54,247          | 74,618             | 21,284          | 25,805           | 49,559            |
| Long-term debt including current portion, net        | 507,485           | 1,205,837          | 64,818          | 99,153           | 493,463         | 1,065,369          | 75,472          | 109,223          | 119,033           |
| Non-current liabilities                              | 485,047           | 1,154,873          | 61,035          | 168,195          | 483,345         | 1,035,688          | 125,283         | 164,276          | 76,534            |

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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars except share data)

|   | December 31, 2018  |                 |                  |                 | December 31, 2017  |                 |                  |            | December 31, 2016 |                    |                 |                  |
|---|--------------------|-----------------|------------------|-----------------|--------------------|-----------------|------------------|------------|-------------------|--------------------|-----------------|------------------|
| Navios Partners   | Navios Acquisition | Navios Europe I | Navios Europe II | Navios Partners | Navios Acquisition | Navios Europe I | Navios Europe II | Containers | Navios Partners   | Navios Acquisition | Navios Europe I | Navios Europe II |
| 231,361   | \$ 187,946         | \$ 34,885       | \$ 49,870        | \$ 211,652      | \$ 227,288         | \$ 37,468       | \$ 38,633        | \$ 39,188  | \$ 190,524        | \$ 290,245         | \$ 40,515       | \$ 40,515        |
| (13,081)  | \$ (82,233)        | \$ (22,881)     | \$ (12,899)      | \$ (15,090)     | \$ (75,153)        | \$ (20,778)     | \$ 22,749        | \$ 2,638   | \$ (52,549)       | \$ 59,715          | \$ (2,115)      | \$ (2,115)       |
| (13,081)  | \$ (82,233)        | \$ (3,197)      | \$ (12,169)      | \$ (15,090)     | \$ (75,153)        | \$ 9,762        | \$ (9,086)       | \$ 2,638   | \$ (52,549)       | \$ 59,715          | \$ 16,115       | \$ 16,115        |
| <b>Available-for-sale securities ( AFS Securities )</b> |                    |                 |                  |                 |                    |                 |                  |            |                   |                    |                 |                  |

During the year ended December 31, 2017, the Company received shares of Pan Ocean Co. Ltd ( STX ) as partial compensation for the claims filed under the Korean court for all unpaid amounts in respect of the employment of the Company's vessels. The shares were recorded at fair value upon their issuance and subsequent changes in market value are recognized within accumulated other comprehensive income/(loss) or since January 1, 2018, when the Company adopted ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities, within consolidated statement of comprehensive (loss)/income. The unrealized holding gain was \$2 as of December 31, 2017.

The shares received from STX were accounted for under the guidance for AFS Securities. The Company has no other types of AFS Securities.

During the year ended December 31, 2013, the Company received shares of Korea Line Corporation ( KLC ), and during the year ended December 31, 2015, the Company received shares of STX. During the third quarter of 2016, the Company sold all its KLC and STX securities it held at the time for a total consideration of \$5,303.

As of December 31, 2018 and 2017, the carrying amount of the AFS Securities related to STX was \$192 and \$238, respectively and was recorded under Other long-term assets in the consolidated balance sheet. During the year ended December 31, 2018, the unrealized holding losses related to these AFS Securities included in Other (expense)/income, net was \$46. During the year ended December 31, 2016, the Company considered the decline in fair value of the KLC shares as other-than-temporary and therefore, recognized a loss out of accumulated other comprehensive income/(loss) of \$345. The respective losses were included within the caption Other expense in the accompanying consolidated statement of comprehensive (loss)/income.

**NOTE 10: ACCRUED EXPENSES AND OTHER LIABILITIES**

Accrued expenses and other liabilities as of December 31, 2018 and 2017 consisted of the following:

|  | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|------------------------------|------------------------------|
| Payroll  | \$ 15,264                    | \$ 18,889                    |
| Accrued interest   | 40,903                       | 32,555                       |
| Accrued voyage expenses                                      | 3,643                        | 4,843                        |
| Accrued running costs  | 42,212                       | 23,812                       |
| Provision for estimated losses on vessels under time charter | 1,604                        | 2,631                        |
| Audit fees and related services                              | 292                          | 364                          |
| Accrued taxes  | 6,268                        | 5,376                        |
| Professional fees  | 1,251                        | 2,236                        |
| Other accrued expenses                                       | 12,215                       | 4,153                        |
| <b>Total accrued expenses</b>                                | <b>\$ 123,652</b>            | <b>\$ 94,859</b>             |

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**NOTE 11: BORROWINGS**

Borrowings as of December 31, 2018 and 2017 consisted of the following:

|  | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|------------------------------|------------------------------|
| <i>Navios Holdings borrowings</i>        |                              |                              |
| HSH Nordbank (\$15,300)                  | 13,005                       | 14,535                       |
| Loan Facility Credit Agricole (\$28,745) | 26,415                       |                              |
| Loan Facility Credit Agricole (\$40,000) |                              | 17,674                       |
| Loan Facility Credit Agricole (\$23,000) | 12,031                       | 14,074                       |
| Loan Facility Credit Agricole (\$23,000) | 12,350                       | 14,450                       |
| Loan Facility DVB Bank SE (\$72,000)     | 45,741                       | 50,140                       |
| Loan Facility DVB Bank SE (\$41,000)     |                              | 33,816                       |
| Loan Facility Credit Agricole (\$22,500) |                              | 15,188                       |
| Loan Facility DVB Bank SE (\$40,000)     | 15,333                       | 18,254                       |
| Loan Facility Alpha Bank (\$31,000)      | 23,800                       | 25,600                       |
| Loan Facility Alpha Bank (\$16,125)      | 15,125                       | 16,125                       |
| 2022 Senior Secured Notes                | 305,000                      | 305,000                      |
| 2022 Notes                               | 614,339                      | 650,000                      |
| Total Navios Holdings borrowings         | \$ 1,083,139                 | \$ 1,174,856                 |

|                                       | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---------------------------------------|------------------------------|------------------------------|
| <i>Navios Logistics borrowings</i>    |                              |                              |
| 2022 Logistics Senior Notes           | \$ 375,000                   | \$ 375,000                   |
| Navios Logistics Notes Payable        | 26,875                       | 31,109                       |
| Navios Logistics BBVA Loan Facility   | 19,300                       | 23,250                       |
| Navios Logistics Alpha Bank Loan      | 11,900                       | 13,300                       |
| Navios Logistics Term Loan B Facility | 99,000                       | 100,000                      |
| Navios Logistics Credit Agreement     | 5,909                        |                              |
| Other long-term loans                 | 184                          | 253                          |
| Total Navios Logistics borrowings     | \$ 538,168                   | \$ 542,912                   |

| <i>Navios Containers borrowings</i>               | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|---|------------------------------|------------------------------|
| ABN AMRO Bank N.V. (\$50,000)                     | \$ 50,000                    | \$                           |
| BNP Paribas (\$25,000)                            | 23,611                       |                              |
| BNP Paribas (\$24,000)                            | 29,464                       |                              |
| HSH (\$36,000)                                    | 32,000                       |                              |
| Navios Containers Financial liability (\$119,000) | 87,530                       |                              |
| <br>Total Navios Containers borrowings            | <br>\$ 222,605               | <br>\$                       |

| <i>Total</i>                                   | <b>December 31,<br/>2018</b> | <b>December 31,<br/>2017</b> |
|--|------------------------------|------------------------------|
| Total borrowings                               | \$ 1,843,912                 | \$ 1,717,768                 |
| Less: current portion, net                     | (69,051)                     | (33,885)                     |
| Less: deferred finance costs and discount, net | (27,905)                     | (35,280)                     |
| <br><b>Total long-term borrowings</b>          | <br><b>\$ 1,746,956</b>      | <br><b>\$ 1,648,603</b>      |

*Navios Holdings loans**Senior Secured Notes*

On November 21, 2017, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. (together with the Company, the Co-Issuers ) issued \$305,000 of 11.25% Senior Notes due 2022 (the 2022 Senior Secured Notes ), at a price of 97%.

The 2022 Senior Secured Notes are secured by a first priority lien on the capital stock owned by certain of the subsidiary guarantors of Navios Holdings in each of Navios Maritime Partners L.P., Navios GP L.L.C., Navios Maritime Acquisition Corporation, Navios South American Logistics Inc. and Navios Maritime Containers Inc. The 2022 Senior Secured Notes are unregistered and guaranteed by all of the Company's direct and indirect subsidiaries, except for certain subsidiaries designated as unrestricted subsidiaries, including Navios South American Logistics Inc. The subsidiary guarantees are full and unconditional, except that the indenture provides for an individual subsidiary's guarantee to be automatically released in certain customary circumstances, such as when a subsidiary is sold or all of the assets of the subsidiary are sold, the capital stock is sold, when the

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subsidiary is designated as an unrestricted subsidiary for purposes of the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Senior Secured Notes. The net proceeds of the offering were used to complete a cash tender offer for its outstanding 8.125% Senior Notes due 2019 described below (the 2019 Notes ) and to redeem notes not purchased in the tender offer, including the payment of related fees and expenses and any redemption premium. The effect of this transaction was the recognition of a \$2,695 extinguishment loss in the consolidated statements of comprehensive (loss)/income under Gain/(loss) on bond and debt extinguishment .

The Co-Issuers have the option to redeem the 2022 Senior Secured Notes in whole or in part, at any time on or after November 21, 2017 at a fixed price of 108.438%, which price declines ratably until it reaches par in November 2019.

The 2022 Senior Secured Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering in transactions with affiliates, merging or consolidating or selling all or substantially all of the Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The Co-Issuers were in compliance with the covenants as of December 31, 2018.

*Senior Notes*

On January 28, 2011, the Company and its wholly owned subsidiary, Navios Maritime Finance II (US) Inc. completed the sale of \$350,000 of 2019 Notes. During July, August and October 2016, the Company repurchased \$58,906 of its 2019 Notes for a cash consideration of \$30,671 resulting in a gain on bond extinguishment of \$27,670, net of deferred fees written-off. On November 21, 2017, Co-Issuers completed the sale of 2022 Senior Secured Notes. The net proceeds of the offering of the 2022 Senior Secured Notes have been used: (i) to repay, in full, the outstanding amount of the 2019 Notes; and (ii) for general corporate purposes.

*Ship Mortgage Notes*

On November 29, 2013, the Co-Issuers completed the sale of \$650,000 of its 2022 Notes. During September 2018, the Company repurchased \$35,661 of its 2022 Notes for a cash consideration of \$28,796 resulting in a gain on bond extinguishment of \$6,464, net of deferred fees written-off.

The 2022 Notes are senior obligations of Navios Holdings and Navios Maritime Finance II (US) Inc. (the 2022 Co-Issuers ) and were originally secured by first priority ship mortgages on 23 dry bulk vessels owned by certain subsidiary guarantors and certain other associated property and contract rights. In June 2017, Navios Ionian and Navios Horizon were released from the 2022 Notes and replaced by the Navios Galileo. In March 2018, Navios Herakles was released from the 2022 Notes and replaced by the Navios Equator Prosper. In July 2018, Navios Achilles was released from the 2022 Notes and replaced by the Navios Primavera. In December 2018, Navios Magellan was released from the 2022 Notes and the proceeds of \$7,000 was restricted in an escrow account and

considered as a cash collateral. The 2022 Notes are unregistered and fully and unconditionally guaranteed, jointly and severally by all of the Company's direct and indirect subsidiaries that guarantee the 2019 Notes and Navios Maritime Finance II (US) Inc. The guarantees of the Company's subsidiaries that own mortgaged vessels are senior secured guarantees and the guarantees of the Company's subsidiaries that do not own mortgaged vessels are senior unsecured guarantees. In addition, the 2022 Co-Issuers have the option to redeem the 2022 Notes in whole or in part, at any time on or after January 15, 2017, at a fixed price of 105.531%, which price declines ratably until it reaches par in January 2020.

Upon occurrence of certain change of control events, the holders of the 2022 Notes may require the 2022 Co-Issuers to repurchase some or all of the 2022 Notes at 101% of their face amount. The 2022 Notes contain covenants, which among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of the 2022 Co-Issuers' properties and assets and creation or designation of restricted subsidiaries. The indenture governing the 2022 Notes includes customary events of default. The 2022 Co-Issuers were in compliance with the covenants as of December 31, 2018.

*Secured credit facilities*

*Credit Agricole (formerly Emporiki) Facilities:* In December 2012, the Emporiki Bank of Greece's facilities were transferred to Credit Agricole Corporate and Investment Bank.



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In September 2010, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$40,000 in order to partially finance the construction of one newbuilding Capesize vessel. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain financial covenants. As of December 31, 2018 the facility was refinanced and repaid in full and there was no outstanding amount.

In August 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23,000 in order to partially finance the construction of one Panamax vessel. As of December 31, 2018, the facility is repayable in one quarterly installment of \$681, followed by six semi-annual equal installments of \$681, with a final balloon payment of \$7,264 on the last payment date. The loan bears interest at a rate of LIBOR plus 275 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the outstanding amount under this facility was \$12,031.

In December 2011, Navios Holdings entered into a facility agreement with Emporiki Bank of Greece for an amount of up to \$23,000 in order to partially finance the construction of one newbuilding bulk carrier. As of December 31, 2018, the outstanding amount under the loan facility was repayable in one quarterly installment of \$700 after the drawdown date, followed by six semi-annual equal installments of \$700, with a final balloon payment of \$7,450 on the last payment date. The loan bears interest at a rate of LIBOR plus 325 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the outstanding amount under this facility was \$12,350.

On December 20, 2013, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$22,500 in two equal tranches, in order to finance the acquisition of two Panamax vessels. The two tranches bear interest at a rate of LIBOR plus 300 basis points. In December 2017, the Company agreed to extend the last payment date to August 2021. The loan facility requires compliance with certain financial covenants. As of December 31, 2018 the facility was refinanced and repaid in full and there was no outstanding amount.

On February 14, 2018, Navios Holdings entered into a facility with Credit Agricole Corporate and Investment Bank for an amount of up to \$28,745 in three advances to be drawn simultaneously for the purpose of a) to repay all amounts outstanding under the facility agreement dated September 2010 and b) to repay all amounts outstanding under the facility agreement dated December 20, 2013. The loan bears interest at a rate of LIBOR plus 280 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the first tranche drawn amount is \$15,245 and is repayable in six semi-annual installments of \$1,205 with a final balloon payment of \$6,810 on the last payment date, the second tranche drawn amount is \$6,750 and is repayable in six semi-annual installments of \$563 with a final balloon payment of \$2,813 on the last payment date and the third tranche drawn amount is \$6,750 and is repayable in six semi-annual installments of \$563 with a final balloon payment of \$2,813 on the last payment date. As of December 31, 2018, the total outstanding amount under this facility was \$26,415. The loan bears interest at a rate of LIBOR plus 280 basis points. The loan facility requires compliance with certain financial covenants.

*Commerzbank Facility:* In June 2009, Navios Holdings entered into a facility agreement for an amount of up to \$240,000 (divided into four tranches of \$60,000) with Commerzbank AG in order to partially finance the acquisition

of a Capesize vessel and the construction of three Capesize vessels. Following the delivery of two Capesize vessels, Navios Holdings cancelled two of the four tranches and in October 2010 fully repaid their outstanding loan balances of \$53,600 and \$54,500, respectively. During October 2016, the Company fully prepaid the third tranche of the facility, which had an outstanding balance of \$15,319, using \$13,802 of cash, thus achieving a \$1,517 benefit to nominal value. During May 2017, the Company fully repaid the fourth tranche of the facility, which had an outstanding loan balance of \$17,322, using \$15,607 of cash, thus achieving a \$1,715 benefit to nominal value.

*HSH Nordbank Facility:* On May 23, 2017, Navios Holdings entered into a facility agreement with HSH Nordbank AG for an amount of up to \$15,300 in order to partially refinance the fourth tranche of the Commerzbank facility. As of December 31, 2018, the facility is repayable in 11 quarterly equal installments of \$383, with a final balloon payment of \$8,798 on the last payment date. The loan bears interest at a rate of LIBOR plus 300 basis points. The loan facility requires compliance with certain covenants. As of December 31, 2018, the outstanding amount under this facility was \$13,005.

*DVB Bank SE Facilities:* On March 23, 2012, Navios Holdings entered into a facility agreement with a syndicate of banks led by DVB Bank SE for an amount of up to \$42,000 in two tranches: (i) the first tranche is for an amount of up to \$26,000 in order to finance the acquisition of a Handysize vessel; and (ii) the second tranche is for an amount of up to \$16,000 to refinance the outstanding debt of an Ultra-Handymax vessel. The two tranches bear interest at a rate of LIBOR plus 285 and 360 basis points, respectively. On June 27, 2014, Navios Holdings refinanced the existing facility, adding a new tranche for an amount of \$30,000 in order to finance the acquisition of a Capesize vessel, which was delivered in June 2014. The new tranche bears interest at a rate of LIBOR plus 275 basis points. As of December 31, 2018, the first tranche is repayable in five quarterly installments of \$363, with a

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final balloon payment of \$14,400 on the last repayment date, the second tranche is repayable in six quarterly installments of \$269, with a final balloon payment of \$6,354 on the last repayment date and the third tranche is repayable in six quarterly installments of \$469, with a final balloon payment of \$18,750 on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the total outstanding amount was \$45,741.

In September 2013, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$40,000 in order to finance the acquisition of four Panamax vessels, delivered in August and September 2013. The facility bore interest at a rate of LIBOR plus 325 basis points. During 2017, Navios Holdings prepaid the indebtedness originally maturing in the third quarter of 2018 and released from collateral one Panamax vessel. In December 2017, Navios Holdings entered into a facility agreement with DVB Bank SE in order to extend the maturity of the outstanding balance originally due by September 2018 for three years, to September 2021. As of December 31, 2018, the facility is repayable in 11 quarterly installments of \$730, with a final balloon payment of \$7,302 payable on the last repayment date. The loan facility requires compliance with certain financial covenants. In December 2015, one newbuilding Panamax vessel and one newbuilding Capesize vessel were added as collateral to this facility. As of December 31, 2018, the outstanding amount was \$15,333.

In January 2016, Navios Holdings entered into a facility agreement with DVB Bank SE for an amount of up to \$41,000 to be drawn in two tranches, to finance the acquisition of one newbuilding Panamax vessel and one newbuilding Capesize vessel. The facility bears interest at a rate of LIBOR plus 255 basis points. The total amount drawn under the facility was \$39,900. During August 2018, the Company completed the sale of the two vessels and fully prepaid the two tranches of the facility, which had a total outstanding balance of \$31,769.

*Alpha Bank A.E.:* On November 6, 2014, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$31,000 in order to finance part of the acquisition of a Capesize vessel. The loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2018, the facility is repayable in 16 quarterly installments of \$450, with a final balloon payment of \$16,600 on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the outstanding amount was \$23,800.

On November 3, 2016, Navios Holdings entered into a facility agreement with Alpha Bank A.E. for an amount of up to \$16,125 in order to refinance one Capesize vessel. The facility bears interest at a rate of LIBOR plus 300 basis points. The facility is repayable in 16 quarterly installments of \$275 each, with a final balloon payment of \$10,725 payable on the last repayment date. The loan facility requires compliance with certain financial covenants. As of December 31, 2018, the outstanding amount was \$15,125.

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

The credit facilities contain a number of restrictive covenants that limit Navios Holdings and/or certain of its subsidiaries from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; charging, pledging or encumbering the vessels securing such facilities; changing the flag, class, management or

ownership of certain Navios Holdings vessels; changing the commercial and technical management of certain Navios Holdings vessels; selling or changing the ownership of certain Navios Holdings vessels; and subordinating the obligations under the credit facilities to any general and administrative costs relating to the vessels. The credit facilities also require the vessels to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. Additionally, the credit facilities require compliance with the covenants contained in the indentures governing the 2022 Senior Secured Notes and the 2022 Notes. Among other events, it will be an event of default under the credit facilities if the financial covenants are not complied with or if Angeliki Frangou and her affiliates, together, own less than 20% of the outstanding share capital of Navios Holdings.

The majority of the Company's senior secured credit facilities require compliance with maintenance covenants, including (i) value-to-loan ratio covenants, based on charter-free valuations, ranging from over 120% to 135%, (ii) minimum liquidity up to a maximum of \$30,000, and (iii) net total debt divided by total assets, as defined in each senior secured credit facility, ranging from a maximum of 75% to 80%. Certain covenants in our senior secured credit facilities have been amended for a specific period to increase the covenant levels for the applicable net total debt divided by total assets maintenance covenants, as defined in each senior secured credit facility, to a maximum of 90%.

As of December 31, 2018, the Company was in compliance with all of the covenants under each of its credit facilities.

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*Navios Acquisition Loan*

On November 3, 2017, the Company prepaid in full the outstanding amount of \$55,132 under its secured loan facility of up to \$70,000 with Navios Acquisition entered into in September 2016. The prepayment amount consisted of the \$50,000 drawn under the facility and \$5,132 of accrued interest. Please see also Note 16.

*Navios Logistics loans*

*2022 Logistics Senior Notes*

On April 22, 2014, Navios Logistics and its wholly-owned subsidiary Navios Logistics Finance (US) Inc. ( Logistics Finance and, together with Navios Logistics (the Logistics Co-Issuers ) issued \$375,000 in aggregate principal amount of its Senior Notes due on May 1, 2022 (the 2022 Logistics Senior Notes ), at a fixed rate of 7.25%. The 2022 Logistics Senior Notes are unregistered are fully and unconditionally guaranteed, jointly and severally, by all of Navios Logistics direct and indirect subsidiaries except for Horamar do Brasil Navegação Ltda ( Horamar do Brasil ), Naviera Alto Parana S.A. ( Naviera Alto Parana ) and Terra Norte Group S.A. ( Terra Norte ), which are deemed to be immaterial, and Logistics Finance, which is the co-issuer of the 2022 Logistics Senior Notes. The subsidiary guarantees are full and unconditional except that the indenture provides for an individual subsidiary s guarantee to be automatically released in certain customary circumstances, such as in connection with a sale or other disposition of all or substantially all of the assets of the subsidiary, in connection with the sale of a majority of the capital stock of the subsidiary, if the subsidiary is designated as an unrestricted subsidiary in accordance with the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Logistics Senior Notes.

The Logistics Co-Issuers have the option to redeem the 2022 Logistics Senior Notes in whole or in part, at their option, at any time on or after May 1, 2017, at a fixed price of 105.438%, which price declines ratably until it reaches par in 2020. In addition, upon the occurrence of certain change of control events, the holders of the 2022 Logistics Senior Notes will have the right to require the Logistics Co-Issuers to repurchase some or all of the 2022 Logistics Senior Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

The indenture governing the 2022 Logistics Senior Notes contains covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into transactions with affiliates, merging or consolidating or selling all or substantially all of Navios Logistics properties and assets and creation or designation of restricted subsidiaries.

The indenture governing the 2022 Logistics Senior Notes include customary events of default.

In addition, there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 2022 Logistics Senior Notes to obtain funds by dividend or loan from any of their

subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

The Logistics Co-Issuers were in compliance with the covenants as of December 31, 2018.

*Navios Logistics Notes Payable*

In connection with the purchase of mechanical equipment for the expansion of its dry port terminal, Corporacion Navios S.A. ( CNSA ) entered into an unsecured export financing line of credit for a total amount of \$41,964, including all related fixed financing costs of \$5,949, available in multiple drawings upon the completion of certain milestones ( Drawdown Events ). CNSA incurs the obligation for the respective amount drawn by signing promissory notes ( Navios Logistics Notes Payable ). Each drawdown is repayable in 16 consecutive semi-annual installments, starting six months after the completion of each Drawdown Event. Together with each Note Payable, CNSA shall pay interest equal to six-month LIBOR. The unsecured export financing line is fully and unconditionally guaranteed by Ponte Rio S.A. As of December 31, 2018, Navios Logistics had drawn the total available amount and the outstanding balance of Notes Payable was \$26,875.

*Navios Logistics BBVA Loan Facility*

On December 15, 2016, Navios Logistics entered into a \$25,000 facility with Banco Bilbao Vizcaya Argentaria Uruguay S.A. ( BBVA ), for general corporate purposes. The loan bears interest at a rate of LIBOR (180 days) plus 325 basis points. The loan is repayable in 20 quarterly installments, the first payment of which was due on June 19, 2017, and secured by assignments of certain receivables. As of December 31, 2018, the outstanding amount of the loan was \$19,300.

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Navios Logistics was in compliance with the covenants set forth in the Navios Logistics BBVA Loan Facility as of December 31, 2018.

*Navios Logistics Alpha Bank Loan*

On May 18, 2017, Navios Logistics entered into a \$14,000 term loan facility in order to finance the acquisition of two product tankers ( Navios Logistics Alpha Bank Loan ). The Navios Logistics Alpha Bank Loan bears interest at a rate of LIBOR (90 days) plus 315 basis points and is repayable in 20 quarterly installments with a final balloon payment of \$7,000 on the last repayment date. As of December 31, 2018, the outstanding amount of the loan was \$11,900.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics Alpha Bank Loan as of December 31, 2018.

*Navios Logistics Credit Agreement*

On August 17, 2018, Navios Logistics entered into a \$7,091 ( 6,200) credit agreement in order to finance the 50% of the purchase price of a river and estuary tanker. The credit agreement bears interest at a fixed rate of 675 basis points and is repayable in 24 monthly installments with the final repayment in August 17, 2020. As of December 31, 2018, the outstanding amount of the credit agreement was \$5,909.

Navios Logistics was in compliance with the covenants set forth in the Navios Logistics Credit Agreement as of December 31, 2018.

*Navios Logistics Term Loan B Facility*

On November 3, 2017, Navios Logistics and Navios Logistics Finance (US) Inc., as co-borrowers, completed the issuance of a new \$100,000 Term Loan B Facility (the Term Loan B Facility ). The Term Loan B Facility bears an interest rate of LIBOR plus 475 basis points and has a four year term with 1.0% amortization per annum. The Term Loan B Facility is fully and unconditionally guaranteed jointly and severally, by all of Navios Logistics direct and indirect subsidiaries except for Horamar do Brasil, Naviera Alto Parana and Terra Norte, which are deemed to be immaterial, and Logistics Finance, which is the co-borrower of the Term Loan B Facility. The subsidiary guarantees are full and unconditional, except that the credit agreement governing the Term Loan B Facility provides for an individual subsidiary s guarantee to be automatically released in certain circumstances. The Term Loan B Facility is secured by first priority mortgages on five tanker vessels servicing our cabotage business as well as by assignments of the revenues arising from certain time charter contracts, and an iron ore port contract.

The Term Loan B Facility contains restrictive covenants including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, including change of control.

As of December 31, 2018, a balance of \$99,000 was outstanding under the Term Loan B Facility.

Navios Logistics was in compliance with the covenants set forth in the Term Loan B Facility as of December 31, 2018.

*Navios Logistics Other indebtedness*

In connection with the acquisition of Hidronave S.A. on October 29, 2009, Navios Logistics assumed a \$817 loan facility that was entered into by Hidronave S.A. in 2001, in order to finance the construction of the pushboat Nazira. As of December 31, 2018, the outstanding loan balance was \$184 (\$253 as of December 31, 2017). The loan facility bears interest at a fixed rate of 600 basis points. The loan is repayable in monthly installments of \$6 each and the final repayment must occur prior to August 10, 2021.

*Navios Containers loans*

*ABN AMRO Bank N.V.*

On July 27, 2017, Navios Containers entered into a facility agreement with ABN AMRO for an amount of up to \$21,000 to finance part of the purchase price of seven containerships. This loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers has drawn the entire amount. On December 1, 2017, Navios Containers extended the facility dated July 27, 2017, for an



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additional amount of \$50,000 to finance part of the purchase price of four containerships. Pursuant to the supplemental agreement dated June 29, 2018, the additional loan bears interest at a rate of LIBOR plus 400 basis points. Navios Containers had drawn the entire amount under the additional loan. On December 6, 2018, Navios Containers fully prepaid the July 27, 2017 credit facility. As of December 31, 2018, there was no outstanding amount under this facility.

On December 3, 2018, Navios Containers entered into a facility agreement with ABN AMRO BANK N.V. for an amount of up to \$50,000 divided in two tranches: (i) the first tranche is for an amount of up to \$41,200 in order to refinance the outstanding debt of four containerships and to partially finance the acquisition of one containership and (ii) the second tranche is for an amount of \$8,800 in order to partially finance the acquisition of one containership. This loan bears interest at a rate of LIBOR plus 350 basis points. Navios Containers drew the entire amount under this facility, net of the loan's discount of \$500 in the fourth quarter of 2018. The facility is repayable in 16 consecutive quarterly installments, the first four in the amount of \$4,000, the fifth in the amount of \$3,375 and the subsequent 11 installments each in the amount of \$1,650 along with a final balloon payment of \$12,475 payable together with the last installment falling due in December 2022. The outstanding loan amount under this facility as of December 31, 2018 was \$50,000.

*BNP Paribas*

On May 25, 2018, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$25,000, to finance part of the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. As of December 31, 2018, the Company had drawn \$25,000 under this facility. As of December 31, 2018, the outstanding loan amount under this facility was \$23,611 and is repayable in 18 equal consecutive quarterly installments, each in the amount of \$695 along with a final balloon payment of \$11,110 payable together with the last installment, falling due in May 2023.

On December 20, 2017, Navios Containers entered into a facility agreement with BNP Paribas for an amount of up to \$24,000 (divided in four tranches of up to \$6,000 each) to finance part of the purchase price of four containerships. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount under this facility. As of December 31, 2018, the outstanding loan amount of the three tranches under this facility was \$15,428 and is repayable in 16 equal consecutive quarterly installments, each in the amount of \$643 along with a final balloon payment of \$5,142 payable together with the last installment, falling due on December 22, 2022. The outstanding loan amount of the fourth tranche is \$5,357 and is repayable in 17 equal consecutive quarterly installments each in the amount of \$214 along with a final balloon payment of \$1,714 payable together with the last installment due on February 28, 2023.

In September 2018, Navios Containers entered into a facility agreement with BNP Paribas to extend the facility dated December 20, 2017, for an additional amount of \$9,000 to partially finance the purchase price of one containership. This loan bears interest at a rate of LIBOR plus 300 basis points. Navios Containers drew the entire amount. As of December 31, 2018, the outstanding loan amount of the additional tranche is \$8,679 and is repayable in 19 quarterly

consecutive installments of \$322 each plus a balloon installment of \$2,570 payable together with the last installment. The additional tranche matures in September 2023.

*HSH*

On June 28, 2018, Navios Containers entered into a facility agreement with HSH Nordbank AG and Alpha Bank A.E. for an amount of up to \$36,000 to finance part of the purchase price of two containerships. This loan bears interest at a rate of LIBOR plus 325 basis points. Navios Containers drew the entire amount. The facility bears interest at a rate of LIBOR plus 325 basis points per annum. The facility is repayable in 14 consecutive quarterly installments each in an amount of \$1,200 plus a final balloon payment of \$15,200 payable together with the last installment falling due in June 2022. As of December 31, 2018, the outstanding loan amount under the facility was \$32,000.

On November 9, 2018, Navios Containers entered into a facility agreement with HSH Nordbank AG divided into four tranches of up to \$31,800 each to finance part of the purchase price of up to four 10,000 TEU containerships. This loan bears interest at a rate of LIBOR plus 325 basis points and commitment fee of 0.75% per annum on the undrawn loan amount. Each tranche of the facility is repayable in 19 consecutive quarterly installments each in an amount of \$678 together with a final balloon payment of \$18,918 payable together with the last installment falling due in July 2023. No amount had been drawn under this facility as of December 31, 2018.

*Navios Containers Financial liability*

On May 25, 2018, Navios Containers entered into a \$119,000 sale and leaseback transaction with Minsheng Financial Leasing Co. Ltd in order to refinance the outstanding balance of the existing facilities of 18 containerships. Navios Containers has a purchase obligation to acquire the vessels at the end of the lease term and under ASC 842-40, the transfer of the vessels was

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determined to be a failed sale. In accordance with ASC 842-40, Navios Containers did not derecognize the respective vessels from its balance sheet and accounted for the amounts received under the sale and leaseback transaction as a financial liability. From June 29, 2018 until November 9, 2018, Navios Containers completed the sale and leaseback of 14 vessels for \$90,200. Navios Containers does not intend to proceed with the sale and leaseback transaction of the four remaining vessels. Navios Containers is obligated to make 60 monthly payments in respect of all 14 vessels of approximately \$1,097 each. Navios Containers also has an obligation to purchase the vessels at the end of the fifth year for \$45,100. As of December 31, 2018, the outstanding balance under the sale and leaseback transaction was \$87,530.

As of December 31, 2018, Navios Containers was in compliance with all of the covenants under all of its credit facilities and its agreements governing its financial liabilities.

During the year ended December 31, 2018, the Company paid \$94,298, of which \$39,969 related to scheduled repayment installments for the year 2018, \$54,329 related to prepayments of indebtedness originally maturing the first quarter of 2022 and the fourth quarter of 2019.

The annual weighted average interest rates of the Company's total borrowings were 7.78%, 7.11% and 6.87% for the years ended December 31, 2018, 2017 and 2016, respectively.

The maturity table below reflects the principal payments for the next five years and thereafter of all borrowings of Navios Holdings (including Navios Logistics and Navios Containers) outstanding as of December 31, 2018, based on the repayment schedules of the respective loan facilities and the outstanding amount due under the debt securities.

|                     |                     |
|---------------------|---------------------|
| <b>Year</b>         |                     |
| 2019                | \$ 71,424           |
| 2020                | 100,720             |
| 2021                | 180,518             |
| 2022                | 1,413,913           |
| 2023                | 74,812              |
| 2024 and thereafter | 2,525               |
| <b>Total</b>        | <b>\$ 1,843,912</b> |

**NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair value of financial instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Cash and cash equivalents:** The carrying amounts reported in the consolidated balance sheets for interest bearing deposits and money market funds approximate their fair value because of the short maturity of these investments.

**Restricted cash:** The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

**Borrowings:** The book value has been adjusted to reflect the net presentation of deferred financing costs. The outstanding balance of the floating rate loans continues to approximate their fair value, excluding the effect of any deferred finance costs. The 2019 Notes, the 2022 Notes, the 2022 Logistics Senior Notes, the 2022 Senior Secured Notes and two Navios Logistics loans are fixed rate borrowings and their fair value was determined based on quoted market prices.

**Loan receivable from affiliate companies:** The carrying amount of the fixed rate loan approximates its fair value.

**Investments in available-for-sale securities:** The carrying amount of the investments in available-for-sale securities reported in the consolidated balance sheets represents unrealized gains and losses on these securities, which were reflected directly in equity unless an unrealized loss was considered other-than-temporary, in which case it was transferred to the consolidated statements of comprehensive (loss)/income. Since January 1, 2018 the unrealized gains and losses on these securities are reflected in the consolidated statements of comprehensive (loss)/income.

**Long-term payable to affiliate companies:** The carrying amount of long-term payables to affiliate companies approximates their fair value.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars except share data)

The estimated fair values of the Company's financial instruments were as follows:

|  | December 31, 2018 |              | December 31, 2017 |                |
|--|-------------------|--------------|-------------------|----------------|
|  | Book Value        | Fair Value   | Book Value        | Fair Value     |
| Cash and cash equivalents                    | \$ 137,882        | \$ 137,882   | \$ 127,632        | \$ 127,632     |
| Restricted cash                              | \$ 12,892         | \$ 12,892    | \$ 6,558          | \$ 6,558       |
| Investments in available-for-sale-securities | \$ 192            | \$ 192       | \$ 238            | \$ 238         |
| Loan receivable from affiliate companies     | \$ 46,089         | \$ 46,089    | \$ 30,112         | \$ 30,112      |
| Senior and ship mortgage notes, net          | \$ (1,272,108)    | \$ (966,402) | \$ (1,301,999)    | \$ (1,181,838) |
| Long-term debt, including current portion    | \$ (543,899)      | \$ (549,078) | \$ (380,489)      | \$ (389,332)   |
| Long-term payable to affiliate companies     | \$ (67,154)       | \$ (67,154)  | \$ (76,872)       | \$ (76,872)    |

The following table sets forth our assets that are measured at fair value on a recurring basis categorized by fair value hierarchy level. As required by the fair value guidance, assets are categorized in their entirety based on the lowest level of input that is significant to the fair value measurement.

|  | Fair Value Measurements as of December 31, 2018 |  |  |   |
|--|---|--|--|---|
|  | Total   | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
| Investments in available-for-sale-securities | \$ 192  | \$ 192   | \$                                       | \$  |
| <b>Total</b>                                 | <b>\$ 192</b>                                   | <b>\$ 192</b>  | <b>\$</b>                                | <b>\$</b>                                   |

|  | Fair Value Measurements as of December 31, 2017 |  |  |   |
|--|---|--|--|---|
|  | Total   | Quoted Prices in Active Markets for Identical Assets (Level I) | Significant Observable Inputs (Level II) | Significant Unobservable Inputs (Level III) |
| Investments in available-for-sale-securities | \$ 238  | \$ 238   | \$                                       | \$  |
| <b>Total</b>                                 | <b>\$ 238</b>                                   | <b>\$ 238</b>  | <b>\$</b>                                | <b>\$</b>                                   |

The Company's assets measured at fair value on a non-recurring basis were:

## Fair Value Measurements as of December 31, 2018

|  | <b>Total</b> | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level I)</b> | <b>Significant Other<br/>Observable<br/>Inputs<br/>(Level II)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level III)</b> |
|--|--------------|---|---|--|
| Vessels, port terminals and other<br>fixed assets, net | \$ 100,250   | \$  | \$ 100,250  | \$   |
| Investments in affiliates                              | \$ 29,328    | \$ 29,328   | \$  | \$   |

The Company recorded an impairment loss of \$179,186 during the year ended December 31, 2018 for four of its vessels, thus reducing vessels net book value to \$100,250, as at December 31, 2018.

The Company recorded an OTTI loss of \$55,524 on its investment in Navios Partners during the year ended December 31, 2018, thus reducing its total carrying value to \$29,328 as at December 31, 2018.

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**Fair Value Measurements as of December 31, 2017**

|  | <b>Total</b> | <b>Quoted Prices in<br/>Active Markets for<br/>Identical Assets<br/>(Level I)</b> | <b>Significant Other<br/>Observable<br/>Inputs<br/>(Level II)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level III)</b> |
|--|--------------|---|---|--|
| Vessels, port terminals and other<br>fixed assets, net | \$ 16,500    | \$  | \$ 16,500   | \$   |

The Company recorded an impairment loss of \$32,930 during the year ended December 31, 2017 for one of its vessels, thus reducing vessel's net book value to \$16,500, as at December 31, 2017.

**Fair Value Measurements**

The estimated fair value of our financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows:

Level I: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets that the Company has the ability to access. Valuation of these items does not entail a significant amount of judgment.

Level II: Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.

Level III: Inputs that are unobservable.

**Fair Value Measurements at December 31, 2018**

|  | <b>Total</b> | <b>(Level I)</b> | <b>(Level II)</b> | <b>(Level III)</b> |
|--|--------------|------------------|-------------------|--------------------|
| Cash and cash equivalents                                | \$ 137,882   | \$ 137,882       | \$                | \$                 |
| Restricted cash  | \$ 12,892    | \$ 12,892        | \$                | \$                 |
| Investments in available-for-sale-securities             | \$ 192       | \$ 192           | \$                | \$                 |
| Loan receivable from affiliate companies <sup>(2)</sup>  | \$ 46,089    | \$               | \$ 46,089         | \$                 |
| Senior and ship mortgage notes                           | \$ (966,402) | \$ (966,402)     | \$                | \$                 |
| Long-term debt, including current portion <sup>(1)</sup> | \$ (549,078) | \$               | \$ (549,078)      | \$                 |
| Long-term payable to affiliate companies <sup>(2)</sup>  | \$ (67,154)  | \$               | \$ (67,154)       | \$                 |

**Fair Value Measurements at December 31, 2017**

|                           | <b>Total</b> | <b>(Level I)</b> | <b>(Level II)</b> | <b>(Level III)</b> |
|---------------------------|--------------|------------------|-------------------|--------------------|
| Cash and cash equivalents | \$ 127,632   | \$ 127,632       | \$                | \$                 |
| Restricted cash           | \$ 6,558     | \$ 6,558         | \$                | \$                 |

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|  |                |                |              |    |
|--|----------------|----------------|--------------|----|
| Investments in available-for-sale-securities             | \$ 238         | \$ 238         | \$           | \$ |
| Loan receivable from affiliate companies <sup>(2)</sup>  | \$ 30,112      | \$             | \$ 30,112    | \$ |
| Senior and ship mortgage notes                           | \$ (1,181,838) | \$ (1,181,838) | \$           | \$ |
| Long-term debt, including current portion <sup>(1)</sup> | \$ (389,332)   | \$             | \$ (389,332) | \$ |
| Long-term payable to affiliate companies <sup>(2)</sup>  | \$ (76,872)    | \$             | \$ (76,872)  | \$ |

- (1) The fair value of the Company's long-term debt is estimated based on currently available debt with similar contract terms, interest rates and remaining maturities, published quoted market prices as well as taking into account the Company's creditworthiness.
- (2) The fair value of the Company's loan receivable from affiliate companies and long-term payable to affiliate companies is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities as well as taking into account the counterparty's creditworthiness.

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**NOTE 13: EMPLOYEE BENEFIT PLANS**

**Retirement Saving Plan**

The Company sponsors an employee saving plan covering all of its employees in the United States. The Company's contributions to the employee saving plan during the years ended December 31, 2018, 2017 and 2016, were approximately \$132, \$115 and \$69, respectively, which included a discretionary contribution of \$36, \$22, and \$0, respectively.

**Defined Benefit Pension Plan**

The Company sponsors a legacy unfunded defined benefit pension plan that covers certain Bahamian and Uruguayan nationals and former Navios Corporation employees. The liability related to the plan is recognized based on actuarial valuations. The current portion of the liability is included in accrued expenses and the non-current portion of the liability is included in other long-term liabilities. There are no pension plan assets.

The Greek office employees are protected by the Greek Labor Law. According to the law, the Company is required to pay retirement indemnities to employees on dismissal, or on leaving with an entitlement to a full security retirement pension. Please refer to Note 2(s).

**Stock Plan**

The Company has awarded restricted share units, shares of restricted common stock and restricted stock units to its employees, officers and directors. The restriction lapses in two, three or four equal tranches, over the requisite service periods, of one, two, three and four years from the grant date. The Company has also awarded share appreciation rights and stock options to its officers and directors only, based on service conditions, which vest in three equal tranches over the requisite service periods of one, two and three years from the grant date. Each option expires seven years after its grant date. Please refer to Note 2(s).

During the years ended December 31, 2018, 2017 and 2016, the Company did not award any restricted stock, restricted stock units or stock options, which vest upon achievement of certain performance conditions.

The fair value of all share appreciation rights awards and stock option awards has been calculated based on the modified Black-Scholes method. A description of the significant assumptions used to estimate the fair value of the stock option awards is set out below:

*Expected term:* The Company began granting stock options in October 2007. The first stock option exercise was in 2010 and the number of options exercised (adjusted to reflect the Reverse Stock Split) during each of

the years ended December 31, 2014 (14,319), 2013 (15,356), 2012 (2,925), 2011 (13,058) and 2010 (13,058) was small in relation to the total number of options granted. No stock options were exercised during the years ended December 31, 2018, 2017 and 2016. Therefore, due to limited historical share option exercise experience to provide for a reasonable basis upon which to estimate expected term, the Company opted to apply the simplified method.

The simplified method used includes taking the average of the weighted average time to vesting and the contractual term of the share appreciation rights and option awards. The service conditions share appreciation rights and option awards vest over three years at 33.3%, 33.3% and 33.4%, respectively, resulting in a weighted average time to vest of approximately 2 years. The contractual term of the award is 7 years. Utilizing the simplified approach formula, the derived expected term estimate for the Company's service conditions share appreciation rights and option award is 4.5 years.

*Expected volatility:* The historical volatility of Navios Holdings' shares was used in order to estimate the volatility of the share appreciation rights and stock option awards. The final expected volatility estimate, which equals the historical estimate, for the service conditions option awards was 84.71% and 55.17% for 2016 and 2015, respectively.

*Expected dividends:* The expected dividend is based on the current dividend, our historical pattern of dividend changes and the market price of our stock.

*Risk-free rate:* Navios Holdings has selected to employ the risk-free yield-to-maturity rate to match the expected term estimated under the simplified method. For the service conditions share appreciation rights and option awards, the 4.5 year yield-to-maturity rate as of the grant date was 1.81% and 1.46% for 2016 and 2015, respectively.

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The fair value of restricted share unit, restricted stock and restricted stock unit grants excludes dividends to which holders of restricted share units, restricted stock and restricted stock units are not entitled. The expected dividend assumption used in the valuation of restricted share unit, restricted stock and restricted stock units grant is \$0 for 2018, 2017 and 2016.

The weighted average grant date fair value of restricted stock granted during the year ended December 31, 2018 was \$3.0.

The weighted average grant date fair value of restricted units and restricted stock granted during the year ended December 31, 2017 was \$12.7 and \$12.7, respectively.

The weighted average grant date fair value of stock options and restricted stock granted during the year ended December 31, 2016 was \$7.8 and \$12.0, respectively.

The effect of compensation expense arising from the stock-based arrangements described above amounted to \$4,556, \$4,296 and \$3,446 for the years ended December 31, 2018, 2017 and 2016, respectively and it was reflected in general and administrative expenses on the consolidated statements of comprehensive (loss)/income. The recognized compensation expense for the year is presented as an adjustment to reconcile net income to net cash provided by operating activities on the consolidated statements of cash flows.

The summary of stock-based awards is summarized as follows (in thousands except share and per share data which have been adjusted to reflect the Reverse Stock Split):

|  | Shares         | Weighted<br>average<br>exercise<br>price | Weighted<br>average<br>remaining<br>term | Aggregate<br>fair<br>value |
|--|----------------|--|--|----------------------------|
| <b>Options</b>                             |                |  |  |                            |
| <b>Outstanding as of December 31, 2015</b> | <b>664,477</b> | <b>\$ 40.9</b>                           | <b>4.23</b>                              | <b>\$ 8,769</b>            |
| Vested at December 31, 2015                | 73,059         |  |  |                            |
| Exercisable at December 31, 2015           | 73,059         |  |  |                            |
| Forfeited or expired                       | (34,852)       |  |  | (902)                      |
| Granted                                    | 250,000        | 12.0                                     |  | 1,937                      |
| <b>Outstanding as of December 31, 2016</b> | <b>879,625</b> | <b>\$ 32.0</b>                           | <b>4.41</b>                              | <b>\$ 9,804</b>            |
| Vested at December 31, 2016                | 121,082        |  |  |                            |

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|  |                |                |             |                 |
|--|----------------|----------------|-------------|-----------------|
| Exercisable at December 31, 2016                   | 121,082        |                |             |                 |
| Forfeited or expired                               | (89,167)       |                |             | (2,265)         |
| Granted  |                |                |             |                 |
| <b>Outstanding as of December 31, 2017</b>         | <b>790,458</b> | <b>\$ 29.8</b> | <b>3.80</b> | <b>\$ 7,539</b> |
| Vested at December 31, 2017                        | 136,011        |                |             |                 |
| Exercisable at December 31, 2017                   | 136,011        |                |             |                 |
| Forfeited or expired                               | (128,481)      |                |             | (1,843)         |
| Granted  |                |                |             |                 |
| <b>Outstanding as of December 31, 2018</b>         | <b>661,977</b> | <b>\$ 28.2</b> | <b>3.36</b> | <b>\$ 5,696</b> |
| <b>Restricted stock and restricted stock units</b> |                |                |             |                 |
| <b>Non Vested as of December 31, 2015</b>          | <b>372,096</b> | <b>\$</b>      | <b>2.45</b> | <b>\$ 8,186</b> |
| Granted  | 254,000        |                |             | 3,048           |
| Vested   | (175,502)      |                |             | (5,122)         |
| Forfeited or expired                               | (341)          |                |             | (12)            |
| <b>Non Vested as of December 31, 2016</b>          | <b>450,253</b> | <b>\$</b>      | <b>2.55</b> | <b>\$ 6,100</b> |
| Granted  | 435,398        |                |             | 5,530           |
| Vested   | (183,920)      |                |             | (2,571)         |
| Forfeited or expired                               |                |                |             |                 |
| <b>Non Vested as of December 31, 2017</b>          | <b>701,731</b> | <b>\$</b>      | <b>3.09</b> | <b>\$ 9,059</b> |
| Granted  | 287,500        |                |             | 863             |
| Vested   | (279,071)      |                |             | (3,425)         |
| Forfeited or expired                               | (450)          |                |             | (7)             |
| <b>Non Vested as of December 31, 2018</b>          | <b>709,710</b> | <b>\$</b>      | <b>3.11</b> | <b>\$ 6,490</b> |

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The estimated compensation cost relating to service conditions of non-vested (i) share appreciation rights and stock options and (ii) restricted share units, restricted stock and restricted stock unit awards, not yet recognized was \$205 and \$4,150, respectively, as of December 31, 2018 and is expected to be recognized over the weighted average period of 3.13 years.

**NOTE 14: COMMITMENTS AND CONTINGENCIES**

As of December 31, 2018, the Company was contingently liable for letters of guarantee and letters of credit amounting to \$1,577 (December 31, 2017: \$590) issued by various banks in favor of various organizations and the total amount was collateralized by cash deposits, which were included as a component of restricted cash.

In December 2017, the Company agreed to charter-in, under a ten year bareboat contract, from an unrelated third party the Navios Galaxy II, a newbuilding bulk carrier vessel of about 81,600 dwt, expected to be delivered in the first quarter of 2020. The Company has agreed to pay in total \$5,410 representing a deposit for the option to acquire the vessel, of which \$2,705 was paid during the year ended December 31, 2017 and the remaining \$2,705 was paid during April 2019. As of December 31, 2018, the total amount of \$2,953, including expenses and interest, is presented under the caption Other long-term assets .

In January 2018, Navios Holdings agreed to charter-in, under two ten-year bareboat contracts, from an unrelated third party the Navios Herakles I and the Navios Uranus, two newbuilding bulk carriers of about 81,000 dwt and 81,600 dwt, respectively, expected to be delivered in the third and fourth quarter of 2019, respectively. Navios Holdings has agreed to pay in total \$11,140, representing a deposit for the option to acquire these vessels, of which \$8,340 was paid during the period ended December 31, 2018 and the remaining \$2,800 was paid during January 2019. As of December 31, 2018, the total amount of \$8,969, including expenses and interest, is presented under the caption Other long-term assets .

In April 2018, Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Felicity I, a newbuilding bulk carrier of about 81,000 dwt, expected to be delivered in the fourth quarter of 2019. Navios Holdings has agreed to pay in total \$5,590, representing a deposit for the option to acquire this vessel, of which \$2,795 was paid during the period ended December 31, 2018 and the remaining \$2,795 was paid during February 2019. As of December 31, 2018, the total amount of \$3,004, including expenses and interest, is presented under the caption Other long-term assets .

Navios Holdings agreed to charter-in, under one ten-year bareboat contract, from an unrelated third party the Navios Magellan II, a newbuilding bulk carrier of about 81,000 dwt, expected to be delivered in the second quarter of 2020. Navios Holdings has agreed to pay in total \$5,820, representing a deposit for the option to acquire this vessel, of which \$2,910 was paid upon signing of the contract in October 2018. As of December 31, 2018, the total amount of \$3,033, including expenses and interest, is presented under the caption Other long-term assets .

Navios Logistics has issued a guarantee and indemnity letter that guarantees the performance by Petrolera San Antonio S.A. (a consolidated subsidiary) of all its obligations to Vitol S.A. up to \$12,000. This guarantee expires on March 1, 2020.

The Company is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions have been recognized in the financial statements for all such proceedings where the Company believes that a liability may be probable, and for which the amounts can be reasonably estimated, based upon facts known on the date the financial statements were prepared. Although the Company cannot predict with certainty the ultimate resolutions of these matters, in the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's financial position, results of operations or liquidity.

Navios Logistics had a dispute with Vale regarding the termination date of a COA contract, which was under arbitration proceedings in New York. Navios Logistics has received full security for its claim to date. As of December 31, 2017, related to this arbitration, Navios Logistics issued a letter of credit amounting to \$2,900 and the total amount was collateralized by a cash deposit, which was presented as restricted cash in the accompanying balance sheets as of December 31, 2016. On February 10, 2017, the arbitration tribunal ruled in favor of Navios Logistics. Vale has been ordered to pay Navios Logistics \$21,500, compensating for all unpaid invoices, late payment of invoices, and legal fees incurred. An amount of \$1,157 was recorded in the consolidated statements of comprehensive (loss)/income under Other income as part of this compensation. The full amount had been received in March 2017, and the collateralized cash amount of \$2,900, was released.

On August 16, 2018, there was a fire incident at the iron ore port terminal in Nueva Palmira, Uruguay, for which Navios Logistics maintains property and loss of earnings insurance coverage for such types of events (subject to applicable deductibles and other customary limitations). As of December 31, 2018, an insurance claim receivable of \$11,571 was recorded in the Navios Logistics prepaid expenses and other current assets, of which \$9,197 was recorded in the consolidated statements of comprehensive (loss)/income under Other income .

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The Company, in the normal course of business, entered into contracts to time charter-in vessels for various periods through 2030.

**NOTE 15: LEASES*****Chartered-in vessels, barges, pushboats and office space:***

As of December 31, 2018, the Company's future minimum commitments, net of commissions under chartered-in vessels, barges, pushboats and office space were as follows:

|                     | <b>Charter-in<br/>vessels<br/>in operation</b> | <b>Charter-in<br/>vessels<br/>to be delivered</b> | <b>Office space</b> |
|---------------------|--|---|---------------------|
| 2019                | \$ 114,668                                     | \$ 5,165  | \$ 2,652            |
| 2020                | 100,829  | 14,261  | 1,961               |
| 2021                | 72,826   | 15,391  | 1,590               |
| 2022                | 47,695   | 15,119  | 1,750               |
| 2023                | 38,986   | 14,298  | 1,655               |
| 2024 and thereafter | 42,685   | 58,389  | 7,346               |
| <b>Total</b>        | <b>\$ 417,689</b>                              | <b>\$ 122,623</b>                                 | <b>\$ 16,954</b>    |

Charter hire expense for Navios Holdings chartered-in vessels amounted to \$142,968, \$122,668 and \$84,114, for each of the years ended December 31, 2018, 2017 and 2016, respectively. Charter hire expense for logistics business chartered-in vessels amounted to \$114, \$1,564 and \$1,521, for each of the years ended December 31, 2018, 2017 and 2016, respectively. (See also Note 2 (af)).

Rent expense for office space amounted to \$2,876, \$2,648, and \$2,748 for each of the years ended December 31, 2018, 2017 and 2016, respectively. The Company leases office space at 599 Lexington Avenue, New York, New York, pursuant to a lease that expires in November 2029. The Company also leases office space at 85 Akti Miaouli, Piraeus, Greece, pursuant to one lease agreement that continues to be effective until either party terminates the agreement and other lease agreements that expire through 2030. The Company also leases office space in Monaco pursuant to a lease that expires in June 2023. The Company also leases office space in Antwerp, Belgium pursuant to a lease that expires in June 2019. (See also Note 2 (af)).

Navios Logistics' subsidiaries lease various premises in Argentina and Paraguay that expire on various dates through 2023. The above table incorporates the lease commitments on all offices as disclosed above.

Navios Containers leases office space in Monaco pursuant to a lease that expires in June 2023.

***Chartered-out vessels, barges and pushboats:***

The future minimum revenue, net of commissions, (i) for dry bulk vessels, expected to be earned on non-cancelable time charters; (ii) for the Company's logistics business, expected to be earned on non-cancelable time charters, COAs with minimum guaranteed volumes and contracts with minimum guaranteed throughput in Navios Logistics ports; and (iii) for the Company's Containers business, expected to be earned on non-cancelable time charters, are as follows:

|  | <b>Dry bulk<br/>vessels</b> | <b>Logistics<br/>business</b> | <b>Containers<br/>business</b> |
|--|-----------------------------|-------------------------------|--------------------------------|
| 2019   | \$ 45,189                   | \$ 142,508                    | \$ 77,359                      |
| 2020   | 3,728                       | 98,515                        | 23,050                         |
| 2021   |                             | 76,825                        | 9,847                          |
| 2022   |                             | 69,867                        | 2,484                          |
| 2023   |                             | 58,724                        |                                |
| 2024 and thereafter                              |                             | 669,615                       |                                |
| <b>Total minimum revenue, net of commissions</b> | <b>\$ 48,917</b>            | <b>\$ 1,116,054</b>           | <b>\$ 112,740</b>              |



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Revenues from time charters are not generally received when a vessel is off-hire, which includes time required for scheduled maintenance of the vessel.

**NOTE 16: TRANSACTIONS WITH RELATED PARTIES**

**Office Rent:** The Company has entered into lease agreements with Goldland Ktimatiki-Ikodomiki-Touristiki Xenodohiaki Anonimos Eteria and Emerald Ktimatiki-Ikodomiki Touristiki Xenodohiaki Anonimos Eteria, both of which are Greek corporations that are currently majority-owned by Angeliki Frangou, Navios Holdings Chairman and Chief Executive Officer. The lease agreements provide for the leasing of facilities located in Piraeus, Greece to house the operations of most of the Company's subsidiaries. The total annual lease payments are in aggregate 939 (approximately \$1,109) pursuant to one lease agreement that continues to be effective until either party terminates the agreement and other lease agreements that expire through 2030. These payments are subject to annual adjustments, which are based on the inflation rate prevailing in Greece as reported by the Greek State at the end of each year.

**Purchase of Services:** The Company utilized its former affiliate company, Acropolis, as a broker until the sale of its investment on December 6, 2018. Commissions charged from Acropolis for each of the years ended December 31, 2018, 2017 and 2016 were \$0 for all periods. Included in the trade accounts payable at both December 31, 2018 and 2017 was an amount due to Acropolis of \$76 for both periods.

**Vessels Charter Hire:** From 2012, Navios Holdings has entered into charter-in contracts for certain of Navios Partners' vessels, all of which have been redelivered by April 2016.

In 2015, the Company entered into various charters with Navios Partners for the Navios Gemini, Navios Hyperion, Navios Soleil, Navios Harmony, Navios Orbiter, Navios Fantastiks, Navios Alegria, Navios Pollux and Navios Sun. The terms of these charters were approximately nine to twelve months, at a net daily rate of \$7.6, \$12.0, \$12.0, \$12.0, \$12.0, \$12.5, \$12.0, \$11.4 and \$12.0, respectively plus 50/50 profit sharing based on actual earnings at the end of the period.

In November 2016 the Company entered into a charter with Navios Partners for the Navios Fulvia, a 2010-built Capesize vessel. The term of this charter was approximately three months from November 2016, at a net daily rate of \$11.5.

Total charter hire expense for all vessels for the years ended December 31, 2018, 2017 and 2016 was \$0, \$651 and \$1,711, respectively, and was included in the consolidated statements of comprehensive (loss)/income under Time charter, voyage and logistics business expenses.

**Management Fees:** Navios Holdings provides commercial and technical management services to Navios Partners' vessels for a daily fixed fee. This daily fee covers all of the vessels' operating expenses, including the cost of drydock and special surveys. In February 2016, the Company amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4.1 daily rate per Ultra-Handymax vessel; (ii) \$4.2 daily rate per

Panamax vessel; (iii) \$5.25 daily rate per Capesize vessel; (iv) \$6.7 daily rate per container vessel of TEU 6,800; (v) \$7.4 daily rate per container vessel of more than TEU 8,000; and (vi) \$8.75 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2017. In November 2017, the Company further amended its existing management agreement to fix the fees for ship management services of its owned fleet at: (i) \$4.2 daily rate per Ultra-Handymax vessel; (ii) \$4.3 daily rate per Panamax vessel; (iii) \$5.25 daily rate per Capesize vessel; (iv) \$6.7 daily rate per container vessel of TEU 6,800; (v) \$7.4 daily rate per container vessel of more than TEU 8,000; and (vi) \$8.75 daily rate per very large container vessel of more than TEU 13,000 through December 31, 2019. Drydocking expenses will be reimbursed by Navios Partners at cost at occurrence.

Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$68,871, \$62,157 and \$59,209, respectively, and are presented net under the caption Direct vessel expenses .

Navios Holdings provides commercial and technical management services to Navios Acquisition's vessels for a daily fee that was fixed. This daily fee covers all of the vessels' operating expenses, other than certain fees and costs. Actual operating costs and expenses would be determined in a manner consistent with how the initial fixed fees were determined. In May 2014, Navios Holdings extended the duration of its existing management agreement with Navios Acquisition until May 2020 and fixed the fees for ship management services of Navios Acquisition owned fleet for two additional years through May 2016 at \$6.0 per owned MR2 product tanker and chemical tanker vessel, \$7.0 per owned LR1 product tanker vessel and reduced the daily rate to \$9.5 per VLCC vessel. In May 2016, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6.35 per MR2 product tanker and chemical tanker vessel; (ii) \$7.15

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per LR1 product tanker vessel; and (iii) \$9.5 per VLCC through May 2018. In May 2018, Navios Holdings amended its agreement with Navios Acquisition to fix the fees for ship management services of Navios Acquisition owned fleet at a daily fee of (i) \$6.5 per MR2 product tanker and chemical tanker vessel; (ii) \$7.15 per LR1 product tanker vessel; and (iii) \$9.5 per VLCC through May 2020. Drydocking expenses under this agreement will be reimbursed at cost at occurrence for all vessels.

Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the management agreement also covers vessels acquired.

Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$92,993, \$94,973 and \$97,866, respectively, and are presented net under the caption Direct vessel expenses .

Pursuant to a management agreement dated December 13, 2013, Navios Holdings provides commercial and technical management services to Navios Europe I s tanker and container vessels. The term of this agreement is for a period of six years. Management fees under this agreement will be reimbursed at cost at occurrence. Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$22,377, \$21,472 and \$20,855, respectively, and are presented net under the caption Direct vessel expenses .

Pursuant to a management agreement dated November 18, 2014, as further amended in October 2016, Navios Holdings provides commercial and technical management services to Navios Midstream s vessels for a daily fixed fee of \$9.5 per owned VLCC vessel, effective through December 31, 2018. Drydocking expenses under this agreement will be reimbursed at cost at occurrence for all vessels. Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$20,739, \$20,805 and \$20,862, respectively, and are presented net under the caption Direct vessel expenses . From November 30, 2018 (date of obtaining control) until December 31, 2018, Navios Containers management fees amounted to \$5,281 and have been eliminated upon consolidation.

Pursuant to a management agreement dated June 5, 2015, Navios Holdings provides commercial and technical management services to Navios Europe II s dry bulk and container vessels. The term of this agreement is for a period of six years. Management fees under this agreement will be reimbursed at cost at occurrence. Total management fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$22,186, \$22,055 and \$23,527, respectively, and are presented net under the caption Direct vessel expenses .

Pursuant to a management agreement dated June 7, 2017, as amended in November 2017, in April 2018 and in June 2018, Navios Holdings, provides commercial and technical management services to Navios Containers vessels. The term of this agreement is for an initial period of five years with an automatic extension period of five years thereafter unless a notice for termination is received by either party. The fee for the ship management services provided by Navios Holdings is a daily fee of \$6.1 per day for up to 5,500 TEU container vessels, \$6.7 per day for above 5,500 TEU and up to 8,000 TEU container vessels and \$7.4 per day for above 8,000 TEU and up to 10,000 TEU container vessels. Drydocking expenses under this agreement are reimbursed by Navios Containers at cost. Total management fees for the period ended November 30, 2018 (date of obtaining control) and December 31, 2017 amounted to \$48,490

and \$16,702, respectively and are presented net under the caption Direct vessel expenses .

**Navios Partners Guarantee:** In November 2012 (as amended in March 2014), the Company entered into an agreement with Navios Partners (the Navios Partners Guarantee ) to provide Navios Partners with guarantees against counterparty default on certain existing charters, which had previously been covered by the charter insurance for the same vessels, same periods and same amounts. The Navios Partners Guarantee provides for a maximum possible payout of \$20,000 by the Company to Navios Partners. Premiums that are calculated on the same basis as the restructured charter insurance are included in the management fee that is paid by Navios Partners to Navios Holdings pursuant to the management agreement. As of December 31, 2018, Navios Partners has submitted one claim under this agreement to the Company. As at December 31, 2018 and December 31, 2017, the fair value of the claim was estimated at \$18,001 and \$20,000, respectively and was included in Due to affiliate companies and Other long-term liabilities and deferred income , respectively in the consolidated balance sheet. As of December 31, 2018, the amount of \$1,999 was included in Other income within the consolidated statements of comprehensive (loss)/income. The final settlement of the amount due will take place at anytime but in no case later than December 31, 2019, in accordance with a letter of agreement effective as of December 29, 2017.

**General and Administrative Expenses incurred on behalf of affiliates/Administrative fee revenue from affiliates:** Navios Holdings provides administrative services to Navios Partners. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Navios Holdings extended the duration of its existing administrative services agreement with Navios Partners until December 31, 2022, pursuant to its existing terms. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$9,344, \$8,347 and \$7,751, respectively.

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Navios Holdings provides administrative services to Navios Acquisition. Navios Holdings extended the duration of its existing administrative services agreement with Navios Acquisition until May 2020 pursuant to its existing terms. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$8,810, \$9,000 and \$9,427, respectively.

Following the merger of Navios Midstream with Navios Acquisition completed on December 13, 2018, the administrative services agreement also covers vessels acquired.

Navios Holdings provides administrative services to Navios Logistics. In April 2016, Navios Holdings extended the duration of its existing administrative services agreement with Navios Logistics until December 2021 pursuant to its existing terms. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$1,000 for all periods. The general and administrative fees have been eliminated upon consolidation.

Pursuant to an administrative services agreement dated December 13, 2013, Navios Holdings provides administrative services to Navios Europe I's tanker and container vessels. The term of this agreement is for a period of six years. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$1,330, \$1,187 and \$1,300, respectively.

Pursuant to an administrative services agreement dated November 18, 2014, Navios Holdings provides administrative services to Navios Midstream. The term of this agreement is for a period of five years. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees for the years ended December 31, 2018, 2017 and 2016 amounted to \$1,494, \$1,500 and \$1,500, respectively.

Pursuant to an administrative services agreement dated June 5, 2015, Navios Holdings provides administrative services to Navios Europe II's dry bulk and container vessels. The term of this agreement is for a period of six years. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees charged for the year ended December 31, 2018, 2017 and 2016, amounted to \$2,041, \$1,766 and \$1,820, respectively.

Pursuant to the administrative services agreement dated June 7, 2017, Navios Holdings provides administrative services to Navios Containers. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. The term of this agreement is for an initial period of five years with an automatic extension for a period of five years thereafter unless a notice of termination is received by either party. Total general and administrative fees attributable to this agreement for the period ended November 30, 2018 (date of obtaining control) and December 31, 2017, amounted to \$5,373 and \$1,868, respectively.

**Balance due from/to affiliates (excluding Navios Europe I and Navios Europe II):** Balance due to Navios Partners as of December 31, 2018 amounted to \$34,765 (December 31, 2017: \$8,315), and the Long-term payable to Navios Partners amounted to \$17,891 (December 31, 2017: \$14,891). Balance due from Navios Acquisition as of December 31, 2018 amounted to \$11,941 (December 31, 2017: \$2,800 due to Navios Acquisition), and the Long-term payable to Navios Acquisition amounted to \$11,282 (December 31, 2017: \$15,236). Balance due to Navios Midstream as of December 31, 2018 amounted to \$1,828 (December 31, 2017: \$990), and the Long-term payable to Navios Midstream amounted to \$2,565 (December 31, 2017: \$4,554). Balance due to Navios Containers as of December 31, 2017 amounted to \$3,334, and the Long-term payable to Navios Containers amounted to \$7,965. The balances mainly consisted of management fees, administrative fees, drydocking, ballast water treatment system and other expenses prepaid by the affiliates according to our management agreements and other amounts payable to affiliates.

**Omnibus Agreements:** Navios Holdings has entered into an omnibus agreement with Navios Partners (the Partners Omnibus Agreement ) in connection with the closing of Navios Partners IPO governing, among other things, when Navios Holdings and Navios Partners may compete against each other as well as rights of first offer on certain dry bulk carriers. Pursuant to the Partners Omnibus Agreement, Navios Partners generally agreed not to acquire or own Panamax or Capesize dry bulk carriers under time charters of three or more years without the consent of an independent committee of Navios Partners. In addition, Navios Holdings has agreed to offer to Navios Partners the opportunity to purchase vessels from Navios Holdings when such vessels are fixed under time charters of three or more years.

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Navios Holdings entered into an omnibus agreement with Navios Acquisition and Navios Partners (the Acquisition Omnibus Agreement) in connection with the closing of Navios Acquisition's initial vessel acquisition, pursuant to which, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for container vessels and vessels that are primarily employed in operations in South America, without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter dry bulk carriers subject to specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries granted to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its dry bulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels it might own. These rights of first offer will not apply to a (i) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty, or (ii) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

Navios Holdings entered into an omnibus agreement with Navios Midstream, Navios Acquisition and Navios Partners in connection with the Navios Midstream IPO, pursuant to which Navios Acquisition, Navios Holdings, Navios Partners and their controlled affiliates generally have agreed not to acquire or own any VLCCs, crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers under time charters of five or more years without the consent of Navios Midstream. The omnibus agreement contains significant exceptions that will allow Navios Acquisition, Navios Holdings, Navios Partners or any of their controlled affiliates to compete with Navios Midstream under specified circumstances.

Navios Holdings entered into an omnibus agreement with Navios Containers, Navios Acquisition, Navios Midstream and Navios Partners, pursuant to which Navios Acquisition, Navios Holdings and Navios Partners and their controlled affiliates generally have granted a right of first refusal to Navios Containers over any container vessels to be sold or acquired in the future, subject to significant exceptions that would allow Navios Acquisition, Navios Holdings and Navios Partners or any of their controlled affiliates to compete with Navios Containers under specified circumstances.

**Midstream General Partner Option Agreement:** Navios Holdings entered into an option agreement, with Navios Acquisition under which Navios Acquisition, which owns and controls Navios Maritime Midstream Partners GP LLC (Midstream General Partner), granted Navios Holdings the option to acquire a minimum of 25% of the outstanding membership interests in Midstream General Partner and the incentive distribution rights in Navios Midstream representing the right to receive an increasing percentage of the quarterly distributions when certain conditions are met. The option shall expire on November 18, 2024. The purchase price for the acquisition for all or part of the option interest shall be an amount equal to its fair market value. As of December 31, 2018, Navios Holdings had not exercised any part of that option.

**Sale of Vessels and Sale of Rights to Navios Partners:** Upon the sale of vessels to Navios Partners, Navios Holdings recognizes the gain immediately in earnings only to the extent of the interest in Navios Partners owned by third parties and defers recognition of the gain to the extent of its own ownership interest in Navios Partners (the deferred gain).

Subsequently, the deferred gain is amortized to income over the remaining useful life of the vessel. The recognition of the deferred gain is accelerated in the event that (i) the vessel is subsequently sold or otherwise disposed of by Navios Partners or (ii) the Company's ownership interest in Navios Partners is reduced. In connection with the public offerings of common units by Navios Partners, a pro rata portion of the deferred gain is released to income upon dilution of the Company's ownership interest in Navios Partners. As of December 31, 2018 and 2017, the unamortized deferred gain for all vessels and rights sold totaled \$8,126 and \$9,955, respectively. For the years ended December 31, 2018, 2017 and 2016, Navios Holdings recognized \$1,828, \$1,892 and \$1,833 of the deferred gain, respectively, in Equity in net (losses)/earnings of affiliated companies .

**Participation in Offerings of Affiliates:** Refer to Note 9 for Navios Holdings' participation in Navios Acquisition's and Navios Partners' offerings. On February 4, 2015, Navios Holdings entered into a share purchase agreement with Navios Partners pursuant to which Navios Holdings made an investment in Navios Partners by purchasing common units, and general partnership interests, in order to maintain its 20.0% partnership interest in Navios Partners following its equity offering in February 2015. In connection with this agreement, Navios Holdings entered into a registration rights agreement with Navios Partners pursuant to which Navios Partners provided Navios Holdings with certain rights relating to the registration of the common units. Navios Holdings has entered into additional share purchase agreements on December 30, 2016, March 3, 2017, March 23, 2017, March 31, 2017, January 11, 2018, February 21, 2018 and December 20, 2018 for the purchase up to a total of 1,747,206 general partnership interests.

**The Navios Acquisition Credit Facilities:** On September 19, 2016, Navios Holdings entered into a secured credit facility of up to \$70,000 with Navios Acquisition. This credit facility was secured by all of the Company's interest in Navios Acquisition and 78.5% of the Company's interest in Navios Logistics, representing a majority of the shares outstanding of Navios Logistics. This facility was provided for an arrangement fee of \$700. On November 3, 2017, Navios Holdings prepaid in full the outstanding amount under this credit facility with Navios Acquisition and all collateral was released.



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## NAVIOS MARITIME HOLDINGS INC.

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**The Navios Partners Credit Facility:** In May 2015, Navios Partners entered into a credit facility with Navios Holdings of up to \$60,000. The Navios Partners Credit Facility bears an interest of LIBOR plus 300 bps. The final maturity date was January 2, 2017. As of December 31, 2018 and 2017, there was no outstanding amount under this facility. In April 2016, Navios Partners has drawn \$21,000 from the Navios Partners Credit Facility, which was fully repaid during April 2016.

**Balance due from Navios Europe I:** Balance due from Navios Europe I as of December 31, 2018 amounted to \$12,013 (December 31, 2017: \$7,176) which included the net current amount receivable of \$7,769 (December 31, 2017: \$4,002) mainly consisting of management fees, drydocking, ballast water treatment system and other expenses, accrued interest income earned under the Navios Revolving Loans I (as defined in Note 9) and other expenses and the non-current amount of \$4,244 (December 31, 2017: \$3,174) related to the accrued interest income earned under the Navios Term Loans I (as defined in Note 9).

The Navios Revolving Loans I and the Navios Term Loans I earn interest and an annual preferred return, respectively, at 1,270 basis points per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There are no covenant requirements or stated maturity dates.

As of December 31, 2018 and 2017, the outstanding amount relating to Navios Holdings' portion under the Navios Revolving Loans I was \$19,125 and \$11,125, respectively, under the caption "Loan receivable from affiliate companies". During 2018, Navios Holdings funded with \$8,000 Navios Europe I under the Navios Revolving Loans I. As of December 31, 2018, the amount undrawn under the Revolving Loans I was \$12,000, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$12,000.

On March 17, 2017, Navios Holdings transferred to Navios Partners its rights to the Navios Revolving Loans I and the Navios Term Loans I (including the respective accrued receivable interest), with a total carrying value of \$21,384 for a total consideration of \$33,473, comprised of \$4,050 in cash and 13,076,923 newly issued common units of Navios Partners with a fair value of \$29,423 (based on Navios Partners' trading price as of the closing of the transaction). The Company evaluated this transaction in accordance with ASC 860, classifying it as a secured borrowing arrangement. At the date of this transaction, the Company recognized a long-term liability of \$33,473, including a premium of \$12,089 which will be amortized through "Interest income" over the term of the loans until 2023, and is included within "Long-term payable to affiliate companies". Navios Holdings may be required from Navios Partners, under certain conditions, to repurchase the loans after the third anniversary of the date of the transaction based on the then-outstanding balance of the loans. See also Note 9. As of December 31, 2018 and 2017, the balance payable to Navios Partners amounted to \$35,417 and \$34,227, respectively, including the unamortized premium of \$8,359 and \$10,390, respectively.

**Balance due from Navios Europe II:** Balance due from Navios Europe II as of December 31, 2018, amounted to \$5,312 (December 31, 2017: \$2,440), which included the net current payable amount of \$470 (December 31, 2017: \$1,310), mainly consisting of management fees, drydocking, ballast water treatment system and other expenses and

accrued interest income earned under the Navios Revolving Loans II (as defined in Note 9) and other expenses and the non-current receivable amount of \$5,782 (December 31, 2017: \$3,750) related to the accrued interest income earned under the Navios Term Loans II (as defined in Note 9).

The Navios Revolving Loans II and the Navios Term Loans II earn interest and an annual preferred return, respectively, at 1,800 basis points per annum, on a quarterly compounding basis and are repaid from free cash flow (as defined in the loan agreement) to the fullest extent possible at the end of each quarter. There are no covenant requirements or stated maturity dates.

As of December 31, 2018, the outstanding amount relating to Navios Holdings' portion under the Navios Revolving Loans II was \$16,938 (December 31, 2017: \$12,063), under the caption "Loan receivable from affiliate companies." During 2018, Navios Holdings funded with \$4,875 Navios Europe II under the Navios Revolving Loans II. As of December 31, 2018, the amount undrawn from the Navios Revolving Loans II was \$4,503, of which Navios Holdings may be required to fund an amount ranging from \$0 to \$4,503.

**NOTE 17: PREFERRED AND COMMON STOCK**

All issued and outstanding shares of common stock, conversion terms of preferred stock, options to purchase common stock and per share amounts contained in the consolidated financial statements, have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented.

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**NAVIOS MARITIME HOLDINGS INC.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in thousands of U.S. dollars except share data)

*Vested, Surrendered and Forfeited*

During 2018, 85,000 and 825 restricted stock units, issued to the Company's employees in 2016 and 2017, vested.

During 2017, 84,333 restricted stock units, issued to the Company's employees in 2016, vested.

During 2016, 2,497 restricted stock units, issued to the Company's employees in 2014 and 2013, vested.

During the year ended December 31, 2018, 2017 and 2016, 656, 423 and 291 restricted shares of common stock, respectively, were forfeited upon termination of employment.

*Conversion of Preferred Stock*

During the year ended December 31, 2018, there were no conversions of preferred stock.

During the year ended December 31, 2017, 2,436 shares of convertible preferred stock were converted into 174,000 shares of common stock. The shares of convertible preferred stock were converted pursuant to their original terms, which provided the option to the holders of these shares to convert all or any such then-outstanding shares of preferred stock into a number of fully paid and non-assessable shares of common stock determined by dividing the amount of the liquidation preference (\$10,000 per share) by a conversion price equal to \$14.00 per share of common stock. Following this conversion, the Company cancelled the undeclared preferred dividend of the converted shares of \$702, and issued 5,015 shares of common stock with a fair value of \$84 at the date of issuance (See also Note 20).

During the year ended December 31, 2016, there were no conversions of preferred stock.

*Issuance of Cumulative Perpetual Preferred Stock*

The Company's 2,000,000 American Depositary Shares, Series G and the 4,800,000 American Depositary Shares, Series H are recorded at fair market value on issuance. Each of the shares represents 1/100th of a share of the Series G and Series H, with a liquidation preference of \$2,500 per share (\$25.00 per American Depositary Share). Dividends are payable quarterly in arrears on the Series G at a rate of 8.75% per annum and on the Series H at a rate of 8.625% per annum of the stated liquidation preference. The Company has accounted for these shares as equity.

*Series G and Series H American Depositary Shares Exchange Offer*

On April 19, 2017, Navios Holdings announced the completion of the offer commenced on March 21, 2017, to exchange newly issued shares of the Company's common stock for any and all outstanding American Depositary Shares, each representing 1/100th of a share of either Series G or Series H. 360 Series G and 406 Series H shares were validly tendered, representing an aggregate nominal value of approximately \$1,843. Navios Holdings paid for tender offer expenses \$571, and issued a total of 62,582 shares of common stock with a fair value of \$1,127. Following the

completion of the offer, the Company cancelled the undeclared preferred dividend of Series G and Series H of \$270 (See also Note 20).

On November 8, 2016, the Company announced the completion of the offer to exchange cash and/or newly issued shares of common stock for any and all outstanding of its Series G and Series H. A total number of 5,449 Series G and 18,982 Series H were validly tendered in the exchange offer, representing an aggregate book value of \$61,078. The Company paid an aggregate of \$9,323 in cash, which includes tender offer expenses, and issued a total of 758,918 shares of common stock, with a fair value of \$7,893 at the date of the issuance.

In February 2016, Navios Holdings announced the suspension of payment of quarterly dividends on its preferred stock, including the Series G and Series H. Total undeclared preferred dividends as of December 31, 2018 were \$29,934 (net of cancelled dividends).

On July 15, 2017, the Company reached six quarterly dividend payments in arrears relating to its Series G and Series H and as a result the respective dividend rate increased by 0.25%.

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(Expressed in thousands of U.S. dollars except share data)

*Issuances to Employees, Officers and Directors*

On December 10, 2018, pursuant to the stock plan approved by the Board of Directors, 287,500 common stock was granted to Navios Holdings employees, officers and directors and issued on December 27, 2018.

On December 11, 2017, pursuant to the stock plan approved by the Board of Directors, 432,098 common stock was granted to Navios Holdings employees, officers and directors and issued on January 16, 2018.

*Acquisition of Treasury Stock*

In November 2015, the Board of Directors approved a share repurchase program for up to \$25,000 of the Navios Holdings common stock. Share repurchases were made pursuant to a program adopted under Rule 10b5-1 under the Securities Exchange Act. Repurchases were subject to restrictions under the terms of the Company's credit facilities and indenture. The program did not require any minimum purchase or any specific number or amount of shares and may be suspended or reinstated at any time in the Company's discretion and without notice. In particular, Navios Holdings, pursuant to the terms of its Series G and Series H, may not redeem, repurchase or otherwise acquire its common stock or preferred shares, including the Series G and Series H (other than through an offer made to all holders of Series G and Series H) unless full cumulative dividends on Series G and Series H, when payable, have been paid. As of December 31, 2016, 94,858 shares, were repurchased under this program, for a total consideration of \$818. In total, up until February 2016, 114,791 shares were repurchased under this program, for a total consideration of \$1,070. Since that time, this program has been suspended by the Company.

Navios Holdings had outstanding as of December 31, 2018 and 2017, 12,843,414 and 12,038,647 shares of common stock, respectively, and preferred stock 46,302 (14,191 Series G, 28,612 Series H and 3,499 shares of convertible preferred stock) for both periods.

**NOTE 18: INTEREST EXPENSE AND FINANCE COST**

Interest expense and finance cost consisted of the following:

|  | <b>For the<br/>Year<br/>Ended<br/>December 31,<br/>2018</b> | <b>For the<br/>Year<br/>Ended<br/>December 31,<br/>2017</b> | <b>For the<br/>Year<br/>Ended<br/>December 31,<br/>2016</b> |
|--|---|---|---|
| Interest expense                                       | \$ 131,131  | \$ 115,099  | \$ 107,787  |
| Amortization and write-off of deferred financing costs | 7,880   | 6,391   | 5,653   |

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| Other                                    | 109               | 121               | 199               |
| <b>Interest expense and finance cost</b> | <b>\$ 139,120</b> | <b>\$ 121,611</b> | <b>\$ 113,639</b> |

**NOTE 19: SEGMENT INFORMATION**

The Company currently has three reportable segments from which it derives its revenues: Dry Bulk Vessel Operations, Logistics Business and Containers Business. The Containers Business is a new reportable segment for the year ended December 31, 2018 as a result of the consolidation of Navios Containers since November 30, 2018 (date of obtaining control) (see also Note 3). The reportable segments reflect the internal organization of the Company and are strategic businesses that offer different products and services. The Dry Bulk Vessel Operations consists of the transportation and handling of bulk cargoes through the ownership, operation, and trading of vessels. The Logistics Business consists of operating ports and transfer station terminals, handling of vessels, barges and pushboats as well as upriver transport facilities in the Hidrovia region.

The Company measures segment performance based on net income/ (loss) attributable to Navios Holdings common stockholders. Inter-segment sales and transfers are not significant and have been eliminated and are not included in the following tables. Summarized financial information concerning each of the Company's reportable segments is as follows:

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(Expressed in thousands of U.S. dollars except share data)

|  | <b>Dry Bulk Vessel<br/>Operations<br/>for the<br/>Year Ended<br/>December 31,<br/>2018</b> | <b>Logistics Business<br/>for the<br/>Year Ended<br/>December 31,<br/>2018</b> | <b>Containers Business<br/>for the<br/>Year Ended<br/>December 31,<br/>2018</b> | <b>Total<br/>for the<br/>Year Ended<br/>December 31,<br/>2018</b> |
|--|--|--|---|---|
| Revenue  | \$ 298,052   | \$ 207,634   | \$ 12,053   | \$ 517,739  |
| Administrative fee revenue from affiliates                             | 28,972   |  | (579)   | 28,393  |
| Interest income  | 8,231  | 517  |   | 8,748   |
| Interest expense and finance cost                                      | (98,247)   | (39,669)   | (1,204)   | (139,120)   |
| Depreciation and amortization  | (70,472)   | (29,307)   | (3,060)   | (102,839)   |
| Equity/ (Loss) in net earnings of affiliated companies                 | (80,205)   |  |   | (80,205)  |
| Net (loss)/ income attributable to Navios Holdings common stockholders | (273,125)  | 4,380  | 27  | (268,718)   |
| Total assets   | 1,558,581  | 677,343  | 446,572   | 2,682,496   |
| Goodwill   | 56,240   | 104,096  |   | 160,336   |
| Capital expenditures   | (25,769)   | (19,879)   | (24,763)  | (70,411)  |
| Investment in affiliates   | 91,111   |  |   | 91,111  |
| Cash and cash equivalents  | 44,452   | 76,472   | 16,958  | 137,882   |
| Restricted cash  | 10,958   |  | 1,934   | 12,892  |
| Long-term debt, net (including current and noncurrent portion)         | \$ 1,063,762   | \$ 530,186   | \$ 222,059  | \$ 1,816,007  |

|  | <b>Dry Bulk Vessel<br/>Operations<br/>for the<br/>Year Ended<br/>December 31,<br/>2017</b> | <b>Logistics Business<br/>for the<br/>Year Ended<br/>December 31,<br/>2017</b> | <b>Total<br/>for the<br/>Year Ended<br/>December 31,<br/>2017</b> |
|--|--|--|---|
| Revenue                                    | \$ 250,433   | \$ 212,616   | \$ 463,049  |
| Administrative fee revenue from affiliates | 23,667   |  | 23,667  |
| Interest income                            | 6,593  | 238  | 6,831   |
| Interest expense and finance cost          | (93,264)   | (28,347)   | (121,611)   |

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|  |              |            |              |
|--|--------------|------------|--------------|
| Depreciation and amortization  | (77,245)     | (26,867)   | (104,112)    |
| Equity/ (Loss) in net earnings of affiliated companies                 | 4,399        |            | 4,399        |
| Net (loss)/ income attributable to Navios Holdings common stockholders | (167,892)    | 1,982      | (165,910)    |
| Total assets   | 1,947,777    | 682,204    | 2,629,981    |
| Goodwill   | 56,240       | 104,096    | 160,336      |
| Capital expenditures   | (347)        | (46,521)   | (46,868)     |
| Investment in affiliates   | 183,160      |            | 183,160      |
| Cash and cash equivalents  | 47,744       | 79,888     | 127,632      |
| Restricted cash  | 6,558        |            | 6,558        |
| Long-term debt, net (including current and noncurrent portion)         | \$ 1,149,742 | \$ 532,746 | \$ 1,682,488 |

|  | <b>Dry Bulk Vessel<br/>Operations<br/>for the<br/>Year Ended<br/>December 31,<br/>2016</b> | <b>Logistics Business<br/>for the<br/>Year Ended<br/>December 31,<br/>2016</b> | <b>Total<br/>for the<br/>Year Ended<br/>December 31,<br/>2016</b> |
|--|--|--|---|
| Revenue  | \$ 199,446   | \$ 220,336   | \$ 419,782  |
| Administrative fee revenue from affiliates                             | 21,799   |  | 21,799  |
| Interest income  | 4,132  | 815  | 4,947   |
| Interest expense and finance cost                                      | (89,399)   | (24,240)   | (113,639)   |
| Depreciation and amortization  | (87,197)   | (26,628)   | (113,825)   |
| Equity/ (Loss) in net earnings of affiliated companies                 | (202,779)  |  | (202,779)   |
| Net (loss)/ income attributable to Navios Holdings common stockholders | (310,306)  | 6,483  | (303,823)   |
| Total assets   | 2,083,526  | 669,369  | 2,752,895   |
| Goodwill   | 56,240   | 104,096  | 160,336   |
| Capital expenditures   | (60,420)   | (91,173)   | (151,593)   |
| Investment in affiliates   | 160,071  |  | 160,071   |
| Cash and cash equivalents  | 70,810   | 65,182   | 135,992   |
| Restricted cash  | 2,486  | 2,900  | 5,386   |
| Long-term debt, net (including current and noncurrent portion)         | \$ 1,223,146   | \$ 427,949   | \$ 1,651,095  |

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(Expressed in thousands of U.S. dollars except share data)

As of December 31, 2018, Navios Containers negative working capital position amounted to \$22,974.

The following table sets out the Company's revenue by geographic region. Dry Bulk Vessel Operations (excluding administrative fee revenue from affiliates), Logistics Business and Containers Business revenue are allocated on the basis of the geographic region in which the customer is located. Dry bulk vessels and container vessels operate worldwide. Logistics Business operates different types of tanker vessels, pushboats, and wet and dry barges for delivering a wide range of products between ports in the Paraná, Paraguay and Uruguay River systems in South America (commonly known as the Hidrovia or the waterway).

Revenues from specific geographic regions which contribute over 10% of revenue are disclosed separately.

**Revenue by Geographic Region**

|               | <b>Year ended<br/>December 31,<br/>2018</b> | <b>Year ended<br/>December 31,<br/>2017</b> | <b>Year ended<br/>December 31,<br/>2016</b> |
|---------------|---|---|---|
| North America | \$ 4,248                                    | \$ 5,513                                    | \$ 6,218                                    |
| Europe        | 142,688                                     | 124,857                                     | 109,267                                     |
| Asia          | 135,614                                     | 91,552                                      | 73,073                                      |
| South America | 208,751                                     | 212,616                                     | 220,336                                     |
| Other         | 26,438                                      | 28,511                                      | 10,888                                      |
| <b>Total</b>  | <b>\$ 517,739</b>                           | <b>\$ 463,049</b>                           | <b>\$ 419,782</b>                           |

Vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries. The total net book value of long-lived assets for dry bulk vessels amounted to \$933,784 and \$1,278,447 at December 31, 2018 and 2017, respectively. For the Logistics Business, all long-lived assets are located in South America. The total net book value of long-lived assets for the Logistics Business amounted to \$556,713 and \$563,887 at December 31, 2018 and 2017, respectively. The total net book value of long-lived assets for the Containers Business amounted to \$399,979.

**NOTE 20: LOSS PER COMMON SHARE**

Loss per share is calculated by dividing net loss attributable to Navios Holdings common stockholders by the weighted average number of shares of Navios Holdings outstanding during the periods presented. Net (loss)/income attributable to Navios Holdings common stockholders is calculated by adding to (if a discount) or deducting from (if a premium) net (loss)/income attributable to Navios Holdings common stockholders the difference between the fair value of the consideration paid upon redemption and the carrying value of the preferred stock, including the

unamortized issuance costs of the preferred stock, and the amount of any undeclared dividend cancelled.

On December 21, 2018 the Company's common stockholders approved a one-for-ten reverse stock split of the Company's outstanding shares of common stock. Following the effectiveness of the reverse stock split, as of January 3, 2019, any historical per share information has been adjusted reflect the Reverse Stock Split.

For the year ended December 31, 2018, 664,709 potential common shares and 349,900 potential shares of convertible preferred stock have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) and are therefore excluded from the calculation of diluted net loss per share.

For the year ended December 31, 2017, 503,316 potential common shares and 456,684 potential shares of convertible preferred stock have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) and are therefore excluded from the calculation of diluted net loss per share.

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## NAVIOS MARITIME HOLDINGS INC.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of U.S. dollars except share data)

For the year ended December 31, 2016, 341,127 potential common shares and 593,500 potential shares of convertible preferred stock have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) and are therefore excluded from the calculation of diluted net loss per share.

|   | Year ended<br>December 31,<br>2018 | Year ended<br>December 31,<br>2017 | Year ended<br>December 31,<br>2016 |
|---|------------------------------------|------------------------------------|------------------------------------|
| <b>Numerator:</b>   |                                    |                                    |                                    |
| Net loss attributable to Navios Holdings common stockholders  | \$ (268,718)                       | \$ (165,910)                       | \$ (303,823)                       |
| Less:   |                                    |                                    |                                    |
| Declared and undeclared dividend on preferred stock and on unvested restricted shares   | (10,241)                           | (10,421)                           | (15,909)                           |
| Plus:   |                                    |                                    |                                    |
| Tender Offer Redemption of preferred stock Series G and H including \$972 and \$5,063 of undeclared preferred dividend cancelled for the year ended December 31, 2017 and December 31, 2016, respectively |                                    | 1,033                              | 46,627                             |
| Loss attributable to Navios Holdings common stockholders, basic and diluted   | \$ (278,959)                       | \$ (175,298)                       | \$ (273,105)                       |
| <b>Denominator:</b>   |                                    |                                    |                                    |
| Denominator for basic and diluted net loss per share attributable to Navios Holdings common stockholders adjusted weighted shares   | 11,958,959                         | 11,667,346                         | 10,736,678                         |
| Basic and diluted net loss per share attributable to Navios Holdings stockholders   | \$ (23.33)                         | \$ (15.02)                         | \$ (25.44)                         |

**NOTE 21: INCOME TAXES**

Marshall Islands, Liberia, Panama and Malta do not impose a tax on international shipping income. Under the laws of Marshall Islands, Malta, Liberia and Panama, the countries of incorporation of the Company and its subsidiaries and the vessels registration, the companies are subject to registration and tonnage taxes which have been included in direct vessel expenses in the accompanying consolidated statements of comprehensive (loss)/income.

Certain of the Company's subsidiaries have registered offices in Greece under Greek Law 27/75 as amended and in force (former law 89/67). These companies are allowed to conduct the specific business activities provided in their license and the provisions of the above legislation. The same law (27/75) provides that these companies are exempted in Greece from any tax, duty, levy, contribution or deduction in respect of income.

In accordance with the currently applicable Greek law, ship owning companies of foreign flagged vessels that are managed by Greek or foreign ship management companies having established an office/branch in Greece under law 27/75 are subject to duties towards the Greek state which are calculated on the basis of the relevant vessel's tonnage. In case that tonnage tax and/or similar taxes/duties are paid by the shipowning companies to the vessel's flag state, these are deducted from the amount of the duty to be paid in Greece by the ship owner. The payment of said duties exhausts the tax liability of the foreign ship owning company against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

In Belgium, taxation on ocean shipping is based on the tonnage of the sea-going vessels from which the profit is obtained ( tonnage tax ).

Pursuant to Section 883 of the Internal Revenue Code of the United States (the Code ), U.S. source income from the international operation of ships is generally exempt from U.S. federal income tax if the company that is treated for U.S. federal income tax purposes as earning such income meets certain requirements set forth in Section 883 of the Code and the U.S. Treasury

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(Expressed in thousands of U.S. dollars except share data)

regulations thereunder. Among other things, in order to qualify for this exemption, each relevant company must be incorporated in a country outside the United States which grants an equivalent exemption from income taxes to U.S. corporations. In addition, either (i) the stock of each relevant company must be treated under Section 883 of the Code and the U.S. Treasury regulations thereunder as primarily traded and regularly traded on an established securities market in the United States or in another country that grants an equivalent exemption or (ii) more than 50% of the value of the stock of each relevant company must be owned, directly or indirectly, by (a) individuals who are residents in countries that grant an equivalent exemption, (b) foreign corporations organized in countries that grant an equivalent exemption and that meet the test described in (i) and/or (c) certain other shareholders described in Section 883 of the Code and the U.S. Treasury regulations thereunder. The management of the Company believes that the Company and each of its relevant subsidiaries qualifies for the tax exemption under Section 883 of the Code, provided that the Company's common stock continues to be listed on the NYSE and represents more than 50% of the total combined voting power of all classes of the Company's stock entitled to vote and of the total value of the Company's stock, and less than 50% of the Company's common stock is owned, actually or constructively under specified stock attribution rules, on more than half the number of days in the relevant year by persons who each own 5% or more of the vote and value of the Company's common stock, but no assurance can be given that the Company will satisfy these requirements or qualify for this exemption.

The income tax benefit / (expense) reflected in the Company's consolidated financial statements for the years ended December 31, 2018, 2017 and 2016 is mainly attributable to Navios Holdings' subsidiaries in South America, which are subject to the Argentinean, Brazilian and Paraguayan income tax regime.

CNSA and Corporacion Navios Granos S.A. are located in a tax free zone and are not liable to income tax. Navios Logistics' operations in Uruguay are exempted from income taxes.

As a result of the tax reforms voted by the Argentinean Parliament in December 2017, the corporate income tax rate has decreased from 35% in 2017 to 30% for the years 2018 and 2019 and will further decrease to 25% from 2020 onwards. Tax rates and tax laws used to assess the income tax liability are those that are effective on the close of the fiscal period. Additionally, until the fiscal year 2018 inclusive, local companies in Argentina had to calculate an assets tax, the Minimum Presumed Income Tax, applying the effective tax rate of 1% over the gross value of the corporate assets (based on tax law criteria). Following the tax reform voted by the Argentinean Parliament in December 2017 and the subsequent resolution in-force since May 2018, this tax will no longer apply as of the fiscal year 2019.

Under the tax laws of Argentina, the subsidiaries of the Company in that country are subject to taxes levied on gross revenues. Rates differ depending on the jurisdiction where revenues are earned for tax purposes. Average rates were approximately 3.0% for the year ended December 31, 2018 (5.0% for both 2017 and 2016, respectively). As a result of the tax reform voted by the Argentinean Parliament in December 2017, this rate will be reduced as of January 2019, from 3.0% to 2.0%.

There are two possible options to determine the income tax liability of Paraguayan companies. Under the first option income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation

authorities, by applying the tax rate of 10% on the fiscal profit and loss. 50% of revenues derived from international freights are considered Paraguayan sourced (and therefore taxed) if carried between Paraguay and Argentina, Bolivia, Brazil or Uruguay. Alternatively, only 30% of revenues derived from international freights are considered Paraguayan sourced. Companies whose operations are considered international freights can choose to pay income taxes on their revenues at an effective tax rate of 1% on such revenues, without considering any other kind of adjustments. Fiscal losses, if any, are neither deducted nor carried forward.

The corporate income tax rate in Brazil and Paraguay is 34% and 10%, respectively, for the year ended December 31, 2018.

The Company's deferred taxes as of December 31, 2018 and 2017, relate primarily to deferred tax liabilities on acquired intangible assets recognized in connection with Navios Logistics.

As of January 1, 2007, the Company adopted the provisions of FASB for Accounting for Uncertainty in Income Taxes. This guidance requires application of a more likely than not threshold to the recognition and derecognition of uncertain tax positions. This guidance permits the Company to recognize the amount of tax benefit that has a greater than 50% likelihood of being ultimately realized upon settlement. It further requires that a change in judgment related to the expected ultimate resolution of uncertain tax positions be recognized in earnings in the quarter of such change. Kleimar's open tax years are 2015 and onwards. Argentinean companies have open tax years ranging from 2011 and onwards and Paraguayan and Brazilian companies have open tax years ranging from 2013 and onwards. In relation to these open tax years, the Company believes that there are no material uncertain tax positions.

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**NAVIOS MARITIME HOLDINGS INC.**

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**NOTE 22: OTHER INCOME OTHER EXPENSE**

During the years ended December 31, 2018, 2017 and 2016, taxes other-than-income taxes of Navios Logistics amounted to \$7,056, \$9,018, and \$9,740, respectively, and were included in the statements of comprehensive (loss)/income within the caption Other expense .

In March 2016, the Company agreed with a charterer for the early redelivery of one of its vessels in exchange for \$13,000 in cash and settlement of outstanding claims payable to the charterer amounting to \$1,871. The total amount of \$14,871 was included in the statement of comprehensive (loss)/income within the caption Other income .

**NOTE 23: SUBSEQUENT EVENTS**

- a) On April 25, 2019, Navios Holdings entered into a secured credit facility of \$50,000 with Navios Logistics to be used for general corporate purposes, including the repurchase of 2022 Notes. This credit facility is secured by (i) any 2022 Notes purchased by Navios Holdings with these funds and (ii) equity interests in five subsidiaries of the Company that have entered into certain bareboat contracts. Each such bareboat contract has a ten-year term for a newbuilding bulk carrier and an option to acquire the related vessel. The credit facility is available in multiple drawings, has an arrangement fee of \$500, a fixed interest rate of 12.75% for the first year and a fixed interest rate of 14.75% for the second year, payable annually. The secured credit facility includes negative covenants substantially similar to the 2022 Notes and customary events of default. The credit facility matures in April 2021. As of April 25, 2019, \$19,000 was drawn under this facility of which \$18,726 was used to acquire the 2022 Notes from Navios Logistics. During March 2019 and as of April 15, 2019, Navios Logistics purchased \$35,500 of the 2022 Notes from unaffiliated third parties in open market transactions for \$17,642 plus accrued interest.
- b) On April 23, 2019, Navios Containers took delivery of a 2011-built 10,000 TEU containership from an unrelated third party for a purchase price of \$52,500. The acquisition of the containership was financed with a: (i) loan of up to \$31,122 from a commercial bank; (ii) \$15,000 credit by the seller; and (iii) cash on balance sheet.
- c) On December 21, 2018, Navios Holdings announced that it commenced an offer to exchange cash and/or newly issued 9.75% Senior Notes due 2024 (the 2024 Notes ) for approximately 66 2/3% of each of the outstanding Series G Depositary Shares and Series H Depositary Shares. As of March 21, 2019, a total of 10,930 Series H were validly tendered in exchange for a total of approximately \$4,188 cash consideration and a total of approximately \$4,747 in aggregate principal amount of 2024 Notes. As of April 18, 2019, a total of 8,841 Series G were validly tendered in exchange for a total of approximately \$4,423 cash

consideration and a total of approximately \$3,879 in aggregate principal amount of 2024 Notes.

- d) In March 2019, Navios Holdings completed the sale to an unrelated third party of the Navios Meridian, a 2002-built Ultra Handymax vessel of 50,316 dwt, for a total net sale price of \$6,790, paid in cash. The loss due to sale amounted to \$5,531.
- e) In February 2019, Navios Holdings funded with \$4,000 Navios Europe I under Navios Revolving Loans I.
- f) In February 2019, Navios Containers announced the exercise of an option to acquire a 2011-built 10,000 TEU containership from an unrelated third party for a purchase price of \$52,500. The acquisition of the containership will be financed with a: (i) loan of up to \$31,800 from a commercial bank; (ii) \$5,000 credit by the seller; and (iii) cash on balance sheet. The containership is expected to be delivered to Navios Containers owned fleet in the third quarter of 2019.