Navios Maritime Holdings Inc.
Form 424B3
August 15, 2006
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NAVIOS MARITIME HOLDING INC.

49,571,720 Shares of Common Stock
Issuable Upon Exercise of Outstanding Publicly Traded Warrants

Navios Maritime Holdings Inc. is registering 49,571,720 shares of Common Stock, par value $.0001 per share, which shares are underlying our publicly traded warrants. The shares of Common Stock being registered may be issued by us upon exercise by the holders of our outstanding, publicly traded warrants. The warrants have an exercise price of $5.00 per share and were issued by International Shipping Enterprises, Inc., our legal predecessor, in its initial public offering. To the extent any holder of our publicly traded warrants determines to exercise their warrants, we will receive the payment of the exercise price in connection with any such exercise. The warrants and our shares of common stock are currently traded on the Nasdaq National Market System under the symbols BULKW and BULK, respectively, and on August 11, 2006, the last reported sale prices of the warrants and common stock were $0.47 and $4.58, respectively. We also have a current trading market for our units. One unit consists of one share of our common stock and two warrants with each warrant entitling the holder to purchase one share of common stock at an exercise price of $5.00. Our units also trade on the Nasdaq National Market System under the symbol BULKU.

Investing in our securities involves risks.
See ''Risk Factors'' beginning on page 9.

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

The date of this prospectus is August 14, 2006.

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

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PROSPECTUS SUMMARY

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

Navios is a vertically integrated global seaborne shipping company, specializing in the worldwide carriage, trading, storing, and other related logistics of international dry bulk cargo transportation. For over 50 years, Navios has worked with raw materials producers, agricultural traders and exporters, industrial end-users, ship owners, and charterers. Navios also owns and operates a port/storage facility in Uruguay and has in-house technical ship management expertise. As of the date of this prospectus, the core fleet, the average age of which is approximately 4.4 years, consists of a total of 32 vessels aggregating to approximately 2.1 million deadweight tons or dwt. Navios owns ten modern Ultra-Handymax (50,000-55,000 dwt) and six Panamax (70,000-83,000 dwt) vessels and has sixteen

Panamax and Ultra-Handymax vessels under long-term time charters, nine of which are currently in operation, with the remaining seven scheduled for delivery on various dates up to May 2008. We have options, many of which are ‘‘in the money’’, to acquire nine of the sixteen vessels in our long term charter fleet. The owned vessels have a substantial net asset value, and the vessels controlled under the in-charters are at rates well below the current market. In connection with the acquisition of Navios by ISE and the subsequent downstream merger, we have assigned a portion of the purchase price to our long term charter fleet and ‘‘in the money’’ options based on their fair value at August 25, 2005, the date of the acquisition. The amounts assigned are included in favorable lease terms on the balance sheet. Operationally, we have, at various times over the last two years, deployed over 50 vessels at any one time, including the core fleet.

At this time Navios has executed six exercisable purchase options on its chartered-in fleet out of a total of 15 vessels with purchase options. During September, October and November, 2005, Navios gave notice, to the owners of four Ultra-Handymax vessels and two Panamax vessels, of its intention to exercise the options to purchase the vessels at the option exercise price of approximately $20 million each. The first of the option vessels, the Navios Meridian was delivered to Navios on November 30, 2005, the second, the Navios Mercator on December 30, 2005, the third, the Navios Arc on February 10, 2006, the fourth, the Navios Galaxy I on March 23, 2006, the fifth, the Navios Magellan on March 24, 2006 and the sixth vessel, the Navios Horizon, was delivered on April 10, 2006. The total acquisition cost of these six additional vessels is approximately $115 million. Navios believes that the market value of such six vessels is approximately $200 million.

On December 19, 2005 Navios signed agreements to purchase four panamax vessels from Maritime Enterprises Management S.A. a company affiliated with the family of Angeliki Frangou, our Chairman and Chief Executive Officer. On December 22, 2005, Navios took delivery of the Navios Libra II and the Navios Alegria built in 1995 and 2004 respectively. The third vessel, the Navios Felicity built in 1997, was delivered on December 27, 2005 and the fourth vessel, the Navios Gemini S built in 1994, was delivered on January 5, 2006. The total acquisition cost for the four new vessels, including backlogs, was $119.8 million and was funded (i) with $13.0 million of Navios' available cash, (ii) with $80.3 million from bank financing and (iii) through the issuance of 5,500,854 shares of Navios common stock at $4.96 per share for Navios Alegria (1,840,923 shares) and Navios Libra II (1,227,282 shares), at $4.82 per share for Navios Felicity (1,271,114 shares) and at $4.42 per share for Navios Gemini S (1,161,535 shares). The values per share are based on quoted market prices at the respective delivery dates of the vessels.

On December 21, 2005, Navios entered into a senior secured credit facility with HSH Nordbank AG for $649 million. This facility restructured the balance of Navios’ senior secured credit facility dated July 12, 2005 with HSH Nordbank AG of $435 million while the additional $214 million represented financing for the acquisition of the six vessels through the exercise of purchase options

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and the acquisition of the four additional vessels discussed above. Navios believes that the charter revenue, net of expenses, for these vessels will be sufficient to meet the principal and interest obligations on this new debt and, therefore, Navios' net cash flow will not be negatively impacted. However, the current portion of this new debt will cause current liabilities to exceed current assets.

On December 21, 2005, and in connection with the secured credit facility discussed above, Navios entered into an ISDA (International Swap Dealer Association, Inc.) Agreement with HSH Nordbank AG (dated October 3, 2005), providing for (a) interest rate swaps whereby Navios exchanges LIBOR with a fixed rate of 4.74% (this contract applies for the period March 2006 to March 2007 on notional amounts starting at $171.0 million and de-escalating down to $100.5 million in accordance with a loan repayment schedule), and (b) an interest rate collar with a cap of 5.00% and a floor of 4.45% (this contract applies for the period from March 2007 to June 2008 on notional amounts starting at $82 million and de-escalating down to $13.25 million following the loan repayment schedule).

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

On June 6, 2006, Navios issued 15,978,280 shares of common stock upon exercise of 15,978,280 of its 65,550,000 outstanding warrants. Under a warrant exercise agreement entered into with certain qualifying shareholders the exercise price of the previously outstanding warrants was reduced from $5.00 to $4.10 per share. This warrant exercise agreement was a new agreement and no prior understandings or arrangements existed with respect to the reduction of the warrant exercise price. The warrant exercise agreement solely provided for the reduced exercise price and the execution of a registration rights agreement as discussed below. The gross proceeds from the exercise of warrants were approximately $65.5 million. To comply with securities laws, including the tender offer rules and securities laws which might otherwise have required an effective registration statement to be in place before the warrant exercise transaction could be consummated, the transaction was limited to certain institutional holders and Navios' Chairman and principal stockholder.

Ms. Angeliki Frangou, Navios chairman and principal stockholder, participated in this transaction and paid approximately $27.3 million to the Company to exercise 6,666,280 warrants. Ms. Angeliki Frangou's unregistered shares will not be registered in the registration statement referred to below.

Pursuant to a registration rights agreement, Navios has agreed to file a registration statement registering the resale of such common stock by August 25, 2006 and have such registration statement declared effective depending upon certain conditions within 120 days of the filing, subject to certain penalties for failure to meet this deadline.

It is intended that a portion of the proceeds from the warrant exercise transaction will be used to partially finance Navios' previously announced intent to build a South American logistics business by acquiring and building assets complementary to Navios' port terminal and storage facilities in Nueva Palmira in Uruguay. Navios intends to initially focus on the area extending from Brazil to Uruguay on the Paraguay and Parana rivers. Navios intends to expand the capacities and capabilities of its existing port terminal and storage facilities. Navios' strategy is to capitalize on the region's growing agricultural and mineral exports, the cost effectiveness of river transport as compared to available alternatives and Navios' existing transportation infrastructure.

Giving effect to the warrant exercise transaction and the 1,161,535 shares issued in connection with the acquisition of vessel Gemini S (see notes 17 and 23 to the December 31, 2005 consolidated financial statements), Navios currently has 62,088,127 shares of common stock outstanding and 49,571,720 warrants outstanding. The shares outstanding include 708,993 shares of common stock which Navios issued to Navios' financial advisors. These shares will be included in the registration statement described above.

As used above and throughout this prospectus, our core fleet means vessels owned or chartered-in on a long term basis: (1) the ten Ultra-Handymax and the six Panamax vessels that we

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own, (2) the seven Panamax and two Ultra-Handymax vessel that we, as a charterer, employ commercially under long-term charters, which are charters of more than 12 months in duration and (3) the two Ultra-Handymax and five Panamax long term chartered-in vessels to be delivered on various dates up to May 2008. We also time charter-in vessels for periods of less than 12 months and charter-out vessels for various periods. Time chartered vessels are vessels that are placed at the charterers' disposal for a set period of time during which the charterer uses the vessels in return for the payment of a daily specified hire. Under time charters, operating costs such as crew, maintenance and insurance are typically paid by the owner of the vessel and fuel and port costs are paid by the time charterer.

On August 25, 2005, pursuant to a Stock Purchase Agreement dated February 28, 2005, as amended, by and among International Shipping Enterprises, Inc.(‘‘ISE’’), Navios and all the shareholders of Navios, ISE acquired Navios through the purchase of all of the outstanding shares of its common stock. As a result of such acquisition, Navios became a wholly-owned subsidiary of ISE. In addition, on August 25, 2005, simultaneously with the acquisition of Navios, ISE effected a reincorporation from the State of Delaware to the Republic of the Marshall Islands through a downstream merger with and into its newly acquired wholly-owned subsidiary, whose name was and continued to be Navios. As a result of the reincorporation, ISE transitioned from a shell company to an operating business and the operations of Navios became those of a publicly traded company. Navios files its publicly available reports and is subject to the rules and regulations of the Securities and Exchange Commission pursuant to the rules for Foreign Private Issuers.

In accordance with Generally Accepted Accounting Principles in the United States of America, (GAAP), ISE is treated as the accounting acquiror and Navios is treated as the acquiree. This transaction was recorded in two steps. In step one, ISE recorded the $594.4 million total cash purchase price, plus $14.2 million in allocable transaction costs, by allocating such cost to the net assets acquired in accordance with their fair market value on the acquisition date. The excess of the purchase price over the fair value of the assets acquired was recorded as goodwill. In step two, which immediately followed, ISE effected a ‘‘downstream merger’’ with and into Navios. The assets and liabilities of ISE, which reflected the acquisition of Navios, became the assets and liabilities of Navios. The stockholders’ equity of ISE became the stockholders’ equity of Navios. The results of operations of Navios to August 25, 2005, are labeled as ‘‘Predecessor’’ and remain as historically reported. The results of operations from August 26, 2005 forward are labeled a ‘‘Successor’’ and reflect the combined operations of Navios and ISE.

The financial statements included in this prospectus are for the three month period ended March 31, 2006 (successor), for the periods August 26, 2005 to December 31, 2005 (successor), January 1, 2005 to August 25, 2005 (predecessor), for the three month period ended March 31, 2005 (predecessor) and for the years ended December 31, 2004 and 2003 (predecessor). The purchase of the assets of Navios, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE with and into Navios, took place on August 25, 2005. Accordingly, the December 31, 2005 historical balance sheet included in this prospectus reflects the acquisition and downstream merger. In addition, an unaudited pro forma consolidated statement of operations for the year ended December 31, 2005 which gives effect to the purchase and related financing of Navios by ISE as if it had occurred on January 1, 2005, is included in this prospectus.

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

Our executive offices are located at 85 Akti Miaouli, Piraeus Greece 185 38 and our telephone number is (011) +30-210-459-5000. Our website is located at http://www.navios.com. The information contained on our website is not intended to be a part of this prospectus.

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The Offering

Shares of Common Stock which may be issued by us	49,571,720 shares of Common Stock issuable upon exercise of our currently outstanding, publicly traded warrants.
Shares of Common Stock outstanding after the offering	62,088,127 shares of Common Stock, excluding 49,571,720 shares of Common Stock issuable upon effectiveness of the registration statement of which this prospectus forms a part and upon exercise of the outstanding, publicly traded warrants.
Use of proceeds	Upon exercise of the publicly traded warrants, if any, if at all, Navios will receive the exercise price of $5.00 per share in proceeds from the sales described in this prospectus. If all of the outstanding publicly traded warrants were exercised Navios would receive proceeds upon such exercise of $247,858,600. However, Navios cannot predict the timing or the amount of the exercise of the warrants. Accordingly, we have not allocated any portion of the potential proceeds to any particular use and any proceeds received will be added to working capital. The company will pay the costs related to the registration of the issuance of the shares of common stock underlying our publicly traded warrants.
Nasdaq National Market Symbol of Common Stock	BULK
Nasdaq National Market Symbol of Warrants	BULKW
Nasdaq National Market Symbol of Units	BULKU

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

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

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

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Summary Consolidated Financial Data

The Navios historical successor information is derived from the unaudited consolidated financial statements as of and for the three month period ended March 31, 2006 and from the audited consolidated financial statements of Navios as of December 31, 2005 and for the period from August 26, 2005 to December 31, 2005. The Navios historical predecessor information is derived from the unaudited consolidated financial statements for the three month period ended March 31, 2005 and from the audited consolidated financial statements as of December 31, 2004 and for the period from January 1, 2005 to August 25, 2005 and for each of the two years in the period ended December 31, 2004 included elsewhere in this prospectus. Navios' balance sheet data as of December 31, 2003, 2002, and 2001, and the historical information for the two years ended December 31, 2002 is derived from the financial statements which are not included in this prospectus. The purchase of the net assets of Navios by ISE, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE with and into Navios took place on August 25, 2005. On December 11, 2002, Navios Corporation completed a business combination with Anemos Maritime Holdings Inc. (Anemos) and Anemos was considered the accounting acquirer in the business combination. The financial statements for the two year period January 1, 2001 to December 31, 2002 include the accounts of Anemos and its wholly-owned subsidiaries for the full year and Navios Corporation for December 11, 2002 through December 31, 2002. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes, to the extent contained elsewhere herein.

The historical successor and predecessor results included below and elsewhere in this prospectus are not necessarily indicative of the future performance of Navios.

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	Successor Three Month Period ended March 31, 2006	Predecessor Three Month Period ended March 31, 2005	Pro Forma Combined Year ended December 31, 2005	Successor August 26, 2005 to December 31, 2005	Predecessor January 1, 2005 to August 25, 2005	Year ended December 31, (Predecessor 2004	2003	2002	2001
	(Expressed in thousands of US Dollars – except per share data)								
	(unaudited)	(unaudited)	(unaudited)						(unaudit
Statement of Operations Data									
Revenue	49,169	61,365	235,006	76,376	158,630	279,184	179,734	26,759	21,45
Gains and (losses) from forward freight agreements	1,662	(4,567)	103	(2,766)	2,869	57,746	51,115	494	
Time charter, voyage and port terminal	(20,767)	(37,469)	(131,336)	(39,530)	(91,806)	(180,026)	(136,551)	(6,139)	(1,77

expense									
Direct vessel expense	(4,164)	(2,110)	(8,787)	(3,137)	(5,650)	(8,224)	(10,447)	(8,192)	(7,43
General and administrative expense	(3,596)	(3,644)	(14,842)	(4,582)	(9,964)	(12,722)	(11,628)	(2,263)	(1,23
Depreciation and amortization expense	(10,120)	(1,489)	(31,029)	(13,582)	(3,872)	(5,925)	(8,857)	(6,003)	(5,27
Gain (loss) on sale of assets	—	—	—	—	—	61	(2,367)	(127)	(43
Interest income	468	302	2,513	1,163	1,350	789	134	41	19
Interest expense	(9,206)	(475)	(28,195)	(11,892)	(1,677)	(3,450)	(5,278)	(3,950)	(6,10
Other income	1,425	971	1,478	52	1,426	374	1,102	72	24
Other expense	(43)	(222)	(1,162)	(226)	(757)	(1,438)	(553)	(6,070)	(2,77
Income (loss) before minority interest	4,828	12,622	23,749	1,876	50,549	126,369	56,404	(5,378)	(3,12
Minority interest	—	—	—	—	—	—	(1,306)	(324)	
Equity in net earnings of affiliate companies	154	302	1,073	285	788	763	403	68	9
Net income (loss)	4,982	12,964	24,822	2,161	51,337	127,132	55,501	(5,634)	(3,03
Basic earnings per share	0.11	14.82	0.62	0.05	58.70	139.83	55.70	(5.63)	(4.3
Diluted earnings per share	0.11	14.82	0.59	0.05	58.70	139.83	55.70	(5.63)	(4.3
Balance Sheet Data (at period end)									
Current assets, including cash	88,966			114,539		187,944	179,403	31,020	4,72
Total assets	831,665			789,383		333,292	361,533	215,800	161,61
Current liabilities, including current portion of long-term debt	114,199			133,604		103,527	136,902	38,460	12,20
Total long-term debt, including current portion	556,342			493,400		50,506	98,188	129,615	115,97
Mandatory redeemable preferred stock, including current portion	—			—		—	15,189	9,435	
Shareholders' equity	214,851			207,758		174,791	96,292	41,641	38,27

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	Successor Three Month Period ended March 31, 2006	Predecessor Three Month Period ended March 31, 2005	Successor August 26, 2005 to December 31,	Predecessor January 1, 2005 to August 25, 2005	Year ended December 31, (Predecessor) 2004	2003	2002	2001

			2005					
	(Expressed in thousands of US Dollars – except per share data)							
	(unaudited)	(unaudited)						(unaudited)
Other Financial Data								
Net cash provided by operating activities	8,697	18,177	24,371	71,945	137,218	21,452	2,219	7,826
Net cash (used in) provided by investing activities	(74,579)	(1,656)	(119,447)	(4,264)	(4,967)	26,594	(3,682)	(72,616)
Net cash provided by (used in) financing activities	59,919	(250)	68,880	(50,506)	(111,943)	(29,416)	5,474	61,976
Book value per common share	4.73	214.68	4.70	5.67	192.25	96.63	41.64	55.29
Cash dividends per common share	0.0666	—	—	—	43.99	—	—	—
Cash paid for common stock dividend declared	3,024	—	—	—	40,000	—	—	—
EBITDA(1)	24,597	14,688	26,537	55,696	135,967	70,376	4,750	11,091

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

	Successor	Predecessor	Successor	Predecessor	Year ended December 31, (Predecessor)			
	Three Month Period ended March 31, 2006	Three Month Period ended March 31, 2005	August 26, 2005 to December 31, 2005	January 1, 2005 to August 25, 2005	2004	2003	2002	2001
	(Expressed in thousands of US Dollars – except per share data)							
	(unaudited)	(unaudited)						(unaudited)
Net Cash from Operating Activities	8,697	18,177	24,371	71,945	137,218	21,452	2,219	7,826
Net (decrease) increase in operating assets	(4,932)	10,339	5,864	(14,525)	(7,195)	20,406	1,915	(9)
Net decrease (increase) in operating liabilities	9,112	1,770	1,720	21,407	3,104	(18,112)	289	(1,805)
Payments for drydock and special survey costs	1,132	-	1,710	—	—	—	—	—

Net interest cost	8,738	173	9,476	(98)	1,888	5,144	3,909	8,541
Impairment loss	—	—	—	—	—	—	—	(400)
Deferred finance charges	(653)	(13)	—	—	—	—	—	—
Provision for losses on accounts receivable	—	912	(411)	880	573	(1,021)	(101)	—
Gain/loss on sale of property, plant and investments	—	—	—	—	61	(2,367)	(127)	(430)
Unrealized gain/loss on derivatives, foreign exchange contracts, fuel swaps and interest rate swaps	2,804	(16,490)	(16,478)	(23,728)	254	45,855	(3,098)	(2,632)
Undistributed earnings in affiliates	(301)	(180)	285	(185)	64	325	68	—
Minority interest	—	—	—	—	—	(1,306)	(324)	—
EBITDA	24,597	14,688	26,537	55,696	135,967	70,376	4,750	11,091

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ISE HISTORICAL FINANCIAL INFORMATION

The ISE historical information is derived from the unaudited financial statements of ISE for the period January 1, 2005 to August 25, 2005, and the audited financial statements of ISE as of December 31, 2004, and for the period from September 17, 2004 (inception) to December 31, 2004. The information is only a summary and should be read in conjunction with the company's historical consolidated financial statements and related notes, to the extent contained elsewhere herein.

(In thousands, except per share)	Period from January 1, 2005 to August 25, 2005	Period from September 17, 2004 (inception) to December 31, 2004
Income statement data		
Loss from operations	$ (414)	$ (77)
Interest income	2,864	93
Income before provision for income taxes	2,450	16
Provision for income taxes	(859)	(7)
Net income	$ 1,591	$ 9
Weighted average number of common shares outstanding	39,900	12,744
Net income per share basic and diluted	$ 0.04	$ 0.00

	August 25, 2005	December 31, 2004
Balance sheet data		
Cash	$ 102,259	$ 2,032
Investments held in trust	—	180,691
Investment in Navios	593,764	—
Total assets	720,035	182,825
Total liabilities	535,783	170
Common stock subject to possible conversion	—	36,097
Total stockholders' equity	184,252	146,558
Total liabilities and stockholders' equity	$ 720,035	$ 182,825

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RISK FACTORS

This offering involves a high degree of risk. You should carefully consider the following risks together with the other information in this prospectus before deciding to exercise your publicly traded warrants and invest in our common stock. If any of the following risks relating to our business and operations actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Associated with the Shipping Industry

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

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

- global and regional economic conditions;
- developments in international trade;
- changes in seaborne and other transportation patterns, such as port congestion and canal closures;
- weather and crop yields;
- armed conflicts and terrorist activities;
- political developments; and
- embargoes and strikes.

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

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

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

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

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

Factors that influence vessel values include:

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

If the market values of Navios' owned vessels decrease, Navios may breach some of the covenants contained in the financing agreements relating to its indebtedness. If Navios does breach such covenants and is unable to remedy any relevant breach, its lenders could accelerate its debt and foreclose on the collateral, including Navios' vessels. Any loss of vessels would significantly decrease the ability of Navios to generate revenue and income. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, Navios would incur a loss that would reduce earnings.

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

Navios periodically employs its vessels on a spot basis. The spot charter market is highly competitive and freight rates within this market are highly volatile, while longer-term time charters provide income at pre-determined rates over more extended periods of time. There can be no assurance that Navios will be successful in keeping its vessels fully employed in these short-term markets, or that future spot rates will be sufficient to enable such vessels to be operated profitably. A significant decrease in spot market charter rates or the inability of Navios to fully employ its vessels by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and adversely affect results of operations, including Navios' profitability and cash flows, with the result that its ability to pay debt service and dividends could be impaired.

Maritime claimants could arrest Navios' vessels, which could interrupt its cash flow

Crew members, suppliers of goods and services to a vessel, shippers of cargo, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages against such vessel. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of Navios' vessels could interrupt its cash flow and require it to pay large sums of funds to have the arrest lifted. Navios is not currently aware of the existence of any such maritime lien on its vessels.

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

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

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the United Nations Safety of Life at Sea Convention. Navios' owned fleet is currently enrolled with Lloyd's Register of Shipping, the American Bureau of Shipping, Nippon Kaiji Kiokai and Bereau Veritas.

A vessel must undergo Annual Surveys, Intermediate Surveys, and Special Surveys. In lieu of a Special Survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Navios' vessels are on Special Survey cycles for hull inspection and continuous survey cycles for machinery inspection. Every vessel is also required to be drydocked every two to three years for inspection of the underwater parts of such vessel.

If any vessel fails any Annual Survey, Intermediate Survey, or Special Survey, the vessel may be unable to trade between ports and, therefore, would be unemployable, potentially causing a negative impact on Navios' revenues due to the loss of revenues from such vessel until it was able to trade again.

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

The shipping business and vessel operation are materially affected by government regulations in the form of international conventions, national, state, and local laws, and regulations in force in the jurisdictions in which vessels operate, as well as in the country or countries of their registration. Because such conventions, laws, and regulations are often revised, Navios cannot predict the ultimate cost of complying with such conventions, laws, and regulations, or the impact thereof on the resale price or useful life of Navios' vessels. Additional conventions, laws, and regulations may be adopted which could limit Navios' ability to do business or increase the cost of its doing business, which may materially adversely affect its operations, as well as the shipping industry generally. Navios is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, and certificates with respect to its operations.

The operation of vessels is also affected by the requirements set forth in the International Safety Management, or ISM, Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive ''Safety Management System'' that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe vessel operation and describing procedures for dealing with emergencies. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports. Currently, each of the vessels in Navios' owned fleet is ISM Code-certified. However, there can be no assurance that such certification will be maintained indefinitely.

Although the United States is not a party thereto, many countries have ratified and follow the liability scheme adopted by the International Maritime Organization, or IMO, and set out in the International Convention on Civil Liability for Oil Pollution Damage, 1969, as amended, or the CLC,

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and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Under these conventions, a vessel's registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain defenses. Many of the countries that have ratified the CLC have increased the liability limits through a 1992 Protocol to the CLC. The liability limits in the countries that have ratified this Protocol are currently approximately $4 million, plus approximately $566 per gross registered ton above 5,000 gross tons, with an approximate maximum of $80.5 million per vessel and an exact amount tied to a unit of account which varies according to a basket of currencies. The right to limit liability is forfeited under the CLC where the spill is caused by the owner's actual fault or privity and, under the 1992 Protocol, where the spill is caused by the owner's intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC.

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

The United States Oil Pollution Act of 1990, or OPA, established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in United States waters, which includes the United States' territorial sea and its 200 nautical mile exclusive economic zone.

Under OPA, vessel owners, operators and bareboat charterers are ‘‘responsible parties’’ and are jointly, severally and strictly liable (unless the spill results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels, including bunkers (fuel).

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

Navios is subject to vessel security regulations and will incur costs to comply with recently adopted regulations and may be subject to costs to comply with similar regulations which may be adopted in the future in response to terrorism

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002, or MTSA, came into effect. To implement certain portions of the MTSA, in July 2003, the US Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to the International Convention for the Safety of Life at Sea, or SOLAS, created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created ISPS Code. Among the various requirements are:

- on-board installation of automatic information systems, or AIS, to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems;
- the development of vessel security plans; and
- compliance with flag state security certification requirements.

The US Coast Guard regulations, intended to be aligned with international maritime security standards, exempt non-US vessels from MTSA vessel security measures, provided such vessels have

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on board, by July 1, 2004, a valid International Ship Security Certificate (ISSC) that attests to the vessel's compliance with SOLAS security requirements and the ISPS Code. Navios will implement the various security measures addressed by the MTSA, SOLAS and the ISPS Code and take measures to ensure that its vessels attain compliance with all applicable security requirements within the prescribed time periods. Although management does not believe these additional requirements will have a material financial impact on Navios' operations, there can be no assurance that there will not be an interruption in operations to bring vessels into compliance with the applicable requirements and any such interruption could cause a decrease in revenues.

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

A government could requisition title or seize Navios' vessels during a war or national emergency. Requisition of title occurs when a government takes a vessel and becomes the owner. A government could also requisition Navios' vessels for hire, which would result in the government's taking control of a vessel and effectively becoming the charterer at a dictated charter rate. Requisition of one or more of Navios' vessels would have a substantial negative effect on Navios as Navios would potentially lose all revenues and earnings from the requisitioned vessels and permanently lose the vessels. Such losses might be partially offset if the requisitioning government compensated Navios for the requisition.

The operation of ocean-going vessels entails the possibility of marine disasters including damage or destruction of the vessel due to accident, the loss of a vessel due to piracy or terrorism, damage or destruction of cargo and similar events that may cause a loss of revenue from affected vessels and damage Navios' business reputation, which may in turn, lead to loss of business

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

- damage or destruction of vessel due to marine disaster such as a collision;
- the loss of a vessel due to piracy and terrorism;
- cargo and property losses or damage as a result of the foregoing or less drastic causes such as human error, mechanical failure and bad weather;
- environmental accidents as a result of the foregoing; and
- business interruptions and delivery delays caused by mechanical failure, human error, war, terrorism, political action in various countries, labor strikes or adverse weather conditions.

Any of these circumstances or events could substantially increase Navios' costs, as for example, the costs of replacing a vessel or cleaning up a spill or lower its revenues by taking vessels out of operation permanently or for periods of time. The involvement of Navios' vessels in a disaster or delays in delivery or damages or loss of cargo may harm its reputation as a safe and reliable vessel operator and cause it to lose business.

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

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

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Trading and complementary hedging activities in freight, tonnage and Forward Freight Agreements (FFAs) subject it to trading risks and Navios may suffer trading losses that reduce earnings

Due to dry bulk shipping market volatility, success in this industry requires constant adjustment of the balance between chartering out vessels for long periods of time and trading them on a spot basis. For example, a long-term contract to charter a vessel might lock Navios into a profitable or unprofitable situation depending on the direction of freight rates over the term of the contract. Navios seeks to manage and mitigate that risk through trading and complementary hedging activities in freight, tonnage and forward freight agreements, or FFAs. However, there is no assurance that Navios will be able at all times to successfully protect itself from volatility in the shipping market. Navios may not successfully mitigate its risks, leaving it exposed to unprofitable contracts and may suffer trading losses that reduce earnings.

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

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

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

Navios' exposure to operating risks of vessel breakdown and accidents mainly arises in the context of its 16 owned vessels. The rest of its core fleet is chartered-in under time charters and, as a result, most operating risks relating to these time chartered vessels reside with their head owners. If Navios pays hire on a chartered-in vessel at a lower rate than the rate of hire it receives from a sub-charterer to whom Navios has chartered out the vessel, a breakdown or loss of the vessel due to an operating risk suffered by the head owner will, in all likelihood, result in Navios' loss of the positive spread between the two rates of hire. Although Navios will have in force a time charterer's interest policy to cover it against the loss of such spread through the sinking or other similar loss of a chartered-in vessel, Navios cannot assure you that it will be covered under all circumstances. In addition, Navios is party to long-term contracts with four commodity houses, ADM, Multigranos, Louis Dreyfus and Gargill that will cover a substantial portion of its silo capacity in the Uruguayan terminal for the next several years, and the loss of or a material change to such contracts could have an adverse effect on Navios' financial condition and results of operations. Breakdowns or accidents involving Navios' vessels and losses relating to chartered vessels which are not covered by their insurance would result in a loss of revenue from the affected vessels leading to a reduction in revenues and earnings.

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

Navios has long-standing relationships with certain Japanese shipowners that give it access to time charters that are currently at very competitive rates and which, in some cases, include options to purchase the vessels at attractive prices relative to the current market. Although Navios has no indication that it may not have such access in the future, Navios cannot assure you that it will have such relationships indefinitely. In addition, there is no assurance that Japanese shipowners will generally make contracts available on the same or substantially similar terms in the future.

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

In the future, Navios may be required to make substantial cash outlays to exercise options to acquire vessels and it will need additional financing to cover all or a portion of the purchase prices. Navios intends to cover the cost of exercising such options with new debt collateralized by the vessels to be acquired, but there can be no assurance that Navios will generate sufficient cash or that debt financing will be available. Moreover, the covenants in Navios' senior secured credit facility may make it more difficult to obtain such financing by imposing restrictions on what Navios can offer as collateral. Additional financings, if any, through the issuance of securities would dilute existing stockholders.

Navios expects to grow its fleet which could increase expenses and losses

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

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

Growing any business by acquisition presents numerous risks such as undisclosed liabilities and obligations, difficulty experienced in obtaining additional qualified personnel, and managing relationships with customers and suppliers and integrating newly acquired operations into existing infrastructures. Navios cannot give any assurance that it will be successful in executing its growth plans or that it will not incur significant expenses and losses in connection therewith.

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

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

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

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

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

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

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

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

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

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

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

Navios is party to a senior secured credit facility with an institutional lender, HSH Nordbank AG for the purpose of financing the Navios acquisition by ISE, the acquisition of four panamax vessels and of the acquisition of vessels through the exercise of purchase options. The terms of the new credit facility contain a number of financial covenants and general covenants that require Navios, among other things, to maintain a certain solvency ratio and minimum equity amounts. Navios may not be permitted to pay dividends under the new credit facility in excess of certain amounts or if it is in default of any of these loan covenants.

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

Navios 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 US dollar denominated. Additionally, Navios' wholly-owned Uruguayan subsidiary transacts a nominal amount of its operations in Uruguayan pesos, whereas Navios' wholly-owned vessel subsidiaries and the vessel

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management subsidiary transact a nominal amount of their operations in Euros; however, all of the subsidiaries' primary cash flows are US dollar denominated. In 2005 approximately 6% of Navios' expenses were incurred in currencies other than US 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 US dollar falls in value can increase, decreasing Navios' income. For example, in the year ended 2005, the value of the US dollar declined by approximately 13% as compared to the Euro. Navios, as part of its overall risk management policy, attempts to hedge these risks of exchange rate fluctuations. Navios may not always be successful in such hedging activities and, as a result, its operating results could suffer as a result of un-hedged losses incurred as a result of exchange rate fluctuations.

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

Navios is an international company and primarily conducts its operations outside the United States. Changing economic, political and governmental conditions in the countries where Navios is engaged in business or where its vessels are registered will affect it. In the past, political conflicts, particularly in the Persian Gulf, resulted in attacks on vessels, mining of waterways and other efforts to disrupt shipping in the area. For example, in October 2002, the vessel Limburg was attacked by terrorists in Yemen. Acts of terrorism and piracy have also affected vessels trading in regions such as the South China Sea. Following the terrorist attack in New York City on September 11, 2001, and the military response of the United States, the likelihood of future acts of terrorism may increase, and Navios' vessels may face higher risks of being attacked in the Middle East region and interruption of operations causing a decrease in revenues and earnings. In addition, future hostilities or other political instability in regions where Navios' vessels trade could affect its trade patterns and adversely affect its operations by causing delays in shipping on certain routes or making shipping impossible on such routes and thereby causing a decrease in revenues and earnings.

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

Navios' corporate affairs are governed by its amended and restated articles of incorporation and by-laws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA resemble provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain United States jurisdictions. Shareholder rights may differ as well. Please see the section entitled ‘‘Marshall Islands Company Considerations’’ beginning on page 95 for a brief discussion of the material differences in shareholder protections under Marshall Island law as compared to Delaware law. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public stockholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling shareholders than would shareholders of a corporation incorporated in the State of Delaware.

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

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

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

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

- the rules under the Exchange Act requiring the filing with the Commission of quarterly reports on Form 10-Q or current reports on Form 8-K;
- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information; and
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any ‘‘short-swing’’ trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer's equity securities within less than six months).

Because of these exemptions, investors are not afforded the same protections or information generally available to investors holding shares in public companies organized in the United States.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

USE OF PROCEEDS

Upon exercise of the publicly traded warrants, if any, if at all, Navios will receive the exercise price of $5.00 per share in proceeds from the sales described in this prospectus. If all of our outstanding publicly traded warrants were exercised Navios would receive proceeds upon such exercise of $247,858,600. However, Navios cannot predict the timing or the amount of the exercise of the warrants. Accordingly, we have not allocated any portion of the potential proceeds to any particular use and any proceeds received will be added to working capital. The company will bear the expenses related to the registration of the issuance of the shares of common stock underlying our publicly traded warrants.

DIVIDEND POLICY

At the present time, Navios intends to retain most of its available earnings generated by operations for the development and growth of the business. In addition, the terms and provisions of our current secured credit facility limit our ability to pay dividends in excess of certain amounts or if certain covenants are not met. (See also Long Term Debt Obligations and Credit Arrangements on page 52.) However, subject to the approval of lenders, Navios' directors may from time to time consider the payment of dividends. On March 13, 2006, Navios paid a quarterly cash dividend of $0.0666 per common share or an aggregate amount of approximately $3.0 million in respect of the fourth quarter of 2005 to the stockholders of record as of February 27, 2006. On June 7, 2006, Navios declared a quarterly cash dividend of $0.0666 per common share or an aggregate amount of approximately $4.1 million in respect of the first quarter of 2006, payable on July 5, 2006 to the stockholders on record as of June 15, 2006.

CURRENT OUTSTANDING SHARE CAPITAL

Navios' authorized capital stock consists of 120,000,000 shares of common stock, par value $.0001 and 1,000,000 shares of preferred stock, par value $.0001. As of August 11, 2006, 62,088,127 shares of common stock were outstanding. There are no shares of preferred stock currently outstanding. In addition, we have warrants outstanding to purchase 49,571,720 shares of our common stock. Each warrant entitles the registered holder to purchase one share of our common stock at a price of $5.00 per share, subject to adjustment. There are currently no outstanding options to purchase our securities nor have any option plans or other equity compensation plans been adopted.

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PRICE RANGE OF OUR SECURITIES

Currently, the principal trading market for our securities, which includes our common stock, warrants and units, is the Nasdaq National Market under the symbols BULK, BULKW and BULKU, respectively. Prior to November 3, 2005, the principal trading market of our securities was the Over-The-Counter Bulletin Board, or the OTCBB.

The following table sets forth, for the periods indicated, the reported high and low quoted closing prices of our common stock, warrants and units on the Nasdaq National Market commencing from November 3, 2005 and prior to such time on the OTC Bulletin Board since December 10, 2004, the date our legal predecessor, ISE, first became a public company. Prior to August 25, 2005, the date ISE acquired us and subsequently merged with and into us, Navios was a privately held company and there was no public trading market for our securities and the information presented below prior to that date reflects the trading activity of ISE, our legal predecessor. The information presented subsequent to August 25, 2005, reflects the trading activity of us for the period subsequent to us becoming a publicly traded company. Prior to December 10, 2004, there was no established public trading market for our common stock.

On August 11, 2006, the closing price of our common stock, warrants and units was $4.58, $0.47 and $5.525, respectively. The quotations listed below reflect inter-dealer prices, without retail markup, markdown or commission, and may not necessarily represent actual transactions:

	Common Stock			Warrants			Units		
Quarter Ended	High	Low	Average Daily Trading Volume	High	Low	Average Daily Trading Volume	High	Low	Average Daily Trading Volume
December 31, 2004	$ —	$ —	—	—	—	—	$ 6.90	$ 6.00	391,166
March 31, 2005	$ 7.04	$ 5.25	175,441	$ 1.96	$ 0.86	478,750	$ 10.75	$ 6.50	118,375
June 30, 2005	$ 6.15	$ 5.46	116,303	$ 1.74	$ 0.67	167,063	$ 9.60	$ 6.55	145,760
September 30, 2005	$ 6.07	$ 5.66	71,806	$ 1.35	$ 0.84	142,815	$ 8.73	$ 7.25	67,140
December 31, 2005	$ 4.83	$ 4.51	56,700	$ 1.25	$ 0.58	69,453	$ 5.96	$ 5.57	109,900
March 31, 2006	$ 5.12	$ 4.34	97,772	$ 0.63	$ 0.42	96,333	$ 6.90	$ 5.26	51,159
June 30, 2006	$ 4.99	$ 3.88	33,344	$ 0.58	$ 0.30	62,604	$ 6.06	$ 4.35	29,790

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SELECTED CONSOLIDATED FINANCIAL DATA

The Navios historical successor information is derived from the unaudited consolidated financial statements as of and for the three month period ended March 31, 2006 and from the audited consolidated financial statements of Navios as of December 31, 2005 and for the period from August 26, 2005 to December 31, 2005. The Navios historical predecessor information is derived from the unaudited consolidated financial statements for the three month period ended March 31, 2005 and from the audited consolidated financial statements as of December 31, 2004 and for the period from January 1, 2005 to August 25, 2005 and for each of the two years in the period ended December 31, 2004 included elsewhere in this prospectus. Navios' balance sheet data as of December 31, 2003, 2002 and 2001, and the historical information for the two years ended December 31, 2002 are derived from the financial statements which are not included in this prospectus. The purchase of the net assets of Navios by ISE, through the purchase of all of its outstanding shares of common stock, and the subsequent downstream merger of ISE with and into Navios took place on August 25, 2005. On December 11, 2002, Navios Corporation completed a business combination with Anemos Maritime Holdings Inc. (Anemos) and Anemos was considered the accounting acquirer in the business combination. The financial statements for the two year period January 1, 2001 to December 31, 2002 include the accounts of Anemos and its wholly-owned subsidiaries for the full year and Navios Corporation for December 11, 2002 through December 31, 2002. The information is only a summary and should be read in conjunction with the historical consolidated financial statements and related notes, to the extent contained elsewhere herein.

The historical successor and predecessor results included below and elsewhere in this prospectus are not necessarily indicative of the future performance of Navios.

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