

Navios Maritime Holdings Inc.
Form 6-K
August 21, 2006
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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF THE
SECURITIES EXCHANGE ACT OF 1934

DATED: AUGUST 21, 2006

Commission File No. 000-51047

NAVIOS MARITIME HOLDINGS INC.

85 AKTI MIAOULI, PIRAEUS, GREECE 185 38
(Address of Principal Executive Offices)

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

Form 20-F X Form 40-F _____

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

Yes _____ No X

NAVIOS MARITIME HOLDINGS INC.

FORM 6-K

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Operating and Financial Review and Prospects

The following is a discussion of Navios Maritime Holdings Inc. as “Successor” to and as “Predecessor” of the acquisition / reincorporation discussed in the following paragraphs and in Note 3 to the Consolidated Financial Statements as of December 31, 2005. Also following is a discussion of the financial condition and results of operations for (a) the Successor company for the three and six month periods ended June 30, 2006 and (b) the Predecessor company for the three and six month periods ended June 30, 2005. All of these financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP). You should read this section together with the consolidated financial statements and the accompanying notes included in Navios’ 2005 annual report filed on Form 20-F with the Securities Exchange Commission.

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’ current expectations and observations. Included among the factors that, in our view, could cause actual results to differ materially from the forward looking statements contained in this report are changes in any of the following: (i) charter demand and/or charter rates, (ii) production or demand for the types of dry bulk products that are transported by Navios’ vessels, (iii) operating costs including but not limited to changes in crew salaries, insurance, provisions, repairs, maintenance and overhead expenses, or (iv) changes in interest rates.

Recent Developments

On June 6, 2006, Navios issued 15,978,280 shares of common stock upon exercise 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 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 to have such registration statement declared effective depending upon certain conditions within 120 days of 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 Navios Gemini S (see note 11 to the June 30, 2006 unaudited consolidated financial statements), Navios had 61,379,134 shares outstanding and 49,571,720 warrants outstanding as of June 30, 2006. The shares outstanding do not include an additional 708,993 shares which were issued to Navios' financial advisors on August 10, 2006.

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Overview

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 its common stock. As a result of this 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 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.

The results of operations of Navios to August 25, 2005 are labeled as "Predecessor" and remain as historically reported. The results of operations from August 26, 2005 forward are labeled as "Successor" and reflect the combined operations of Navios and ISE.

On June 30, 2006 and December 31, 2005, Navios' current assets totaled \$212.8 million and \$114.5 million respectively, while current liabilities totaled \$181.7 million and \$133.6 million respectively, resulting in a positive working capital position of \$31.1 million and a negative working capital position of \$19.1 million, respectively. The working capital at June 30, 2006, includes the net proceeds from the exercise of the warrants discussed above, a portion of which will be utilized to partially finance the South American logistics business. Excluding these proceeds, the negative working capital position at June 30, 2006 is \$32.8 million. Navios' cash forecast indicates that it will be able to generate sufficient cash during 2006 to make the required principal and interest payments on its indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position.

At the time of the August 25, 2005 acquisition, ISE's senior management anticipated implementing a strategic post-acquisition plan for the relocation of Navios' offices in the United States from South Norwalk, Connecticut to New York City and of its existing offices in Piraeus, Greece to larger offices in Piraeus to house Navios' headquarters and the operations of its subsidiaries. Management has commissioned an internal task force to implement this plan. The cost of this relocation plan will include the cost of lease terminations, the write off of leasehold improvements at the offices vacated and severance. On January 21, 2006, the Company moved to its new offices at 85 Akti Miaouli, Piraeus Greece. As a result of this relocation an expense of \$1.4 million for this plan has been included in the December 31, 2005 consolidated financial statements as part of the purchase accounting. Of that amount, \$0.6 million and \$0.7 million remained as an accrual at June 30, 2006 and December 31, 2005, respectively.

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 cooperated 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 ship management expertise that allows it to oversee every step of technical management of the owned fleet including the shipping

operations throughout the life of the vessel and, the superintendence of maintenance, repairs and dry-docking of the operated fleet.

Following is the current “core fleet” employment profile, including the newbuilds to be delivered. The current “core fleet” consists of 32 vessels totaling 2.1 million deadweight tons. It includes (a) ten modern Ultra-Handymax (52,000-55,000 dwt) and six Panamax (70,000-83,000 dwt) vessels which the Company owns, seven Panamax (70,000-83,000 dwt) and two Ultra-Handymax vessel under long-term time charter and seven long term chartered-in vessels (two Ultra-Handymax and five Panamax) scheduled to be delivered on various dates up to May 2008. The 25 vessels in current operation aggregate approximately 1.61 million deadweight tons and have an average age of 4.5 years. Navios has currently fixed 96.0% and 45.1% of its 2006 and 2007 available days respectively.

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Owned Vessels

Vessels	Type	Built	DWT	Charter-out Rate ⁽¹⁾	Expiration Date ⁽²⁾
Navios Ionian	Ultra Handymax	2000	52,068	15,152	03/03/2007
Navios Apollon	Ultra Handymax	2000	52,073	16,150	09/28/2007
Navios Horizon	Ultra Handymax	2001	50,346	14,725	06/16/2008
Navios Herakles	Ultra Handymax	2001	52,061	15,437	03/28/2007
Navios Achilles	Ultra Handymax	2001	52,063	15,533	12/21/2006
Navios Meridian	Ultra Handymax	2002	50,316	20,045	12/15/2006
				14,250	08/23/2007
Navios Mercator	Ultra Handymax	2002	53,553	21,175	12/15/2006
				19,950	12/15/2008
Navios Arc	Ultra Handymax	2003	53,514	15,438	04/22/2007
Navios Hios	Ultra Handymax	2003	55,180	19,237	11/15/2006
Navios Kypros	Ultra Handymax	2003	55,222	16,844	05/13/2007
Navios Gemini S	Panamax	1994	68,636	16,150	12/06/2006
				19,523	12/21/2008
Navios Libra II	Panamax	1995	70,136	17,385	09/27/2006
Navios Felicity	Panamax	1997	73,857	9,144	04/25/2008
Navios Magellan	Panamax	2000	74,333	14,963	04/01/2007
				19,950	04/01/2008
Navios Galaxy I	Panamax	2001	74,195	24,062	01/25/2008
Navios Alegria	Panamax	2004	76,466	19,475	08/09/2008

Long Term Chartered-in Vessels

Vessels	Type	Built	DWT	Purchase Option ⁽³⁾	Charter-out Rate ⁽¹⁾	Expiration Date ⁽²⁾
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Navios Vector	Ultra Handymax	2002	50,296	No	8,811	10/17/2007
Navios Astra	Ultra Handymax	2006	53,400	Yes	17,100	06/01/2007
Navios Star ⁽⁴⁾	Panamax	2002	76,662	Exercised	15,343	01/13/2007
Navios Cielo	Panamax	2003	75,834	No	16,863	11/14/2006
Navios Hyperion	Panamax	2004	75,500	Yes	15,400	01/05/2007
Navios Orbiter	Panamax	2004	76,602	Yes	16,150	12/31/2006
Navios Aurora	Panamax	2005	75,200	Yes	24,063	07/06/2008
Navios Orion	Panamax	2005	76,000	No	21,175	02/13/2007
Navios Titan	Panamax	2005	82,936	No	20,000	11/24/2007

Long Term Chartered-in Vessels to be delivered

Vessels	Type	Delivery Date	Purchase Option	DWT
Navios Altair	Panamax	09/2006	No	82,300
Navios Sagittarius	Panamax	11/2006	Yes	75,500
Navios TBN	Ultra Handymax	04/2007	Yes	53,500
Navios TBN	Panamax	09/2007	Yes	82,000
Navios TBN	Panamax	11/2007	No	75,200
Navios TBN	Panamax	03/2008	Yes	76,500
Navios TBN	Ultra Handymax	05/2008	No	55,100

(1)Net Time Charter-out Rate per day (net of commissions)

(2)Estimated dates of redelivery by charterers

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

(4)On August 2, 2006, Navios exercised its option to acquire the vessel Navios Star

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At August 25, 2005, Navios had options to purchase 13 vessels of its term chartered-in fleet, including those to be delivered, of which six have been exercised. During November 2005, Navios signed two more charter-in contracts with options to purchase the vessels, bringing the total to 15. As of December 31, 2005, Navios had executed all exercisable purchase options comprising four Ultra Handymax vessels and two Panamax vessels. The first two of the option vessels, the Navios Meridian and Navios Mercator, were delivered to the Company on November 30, 2005 and December 30, 2005, respectively, the third option vessel, the Navios Arc, was delivered on February 10, 2006, the fourth vessel, the Navios Galaxy I, was delivered on March 23, 2006 and the fifth vessel, the Navios Magellan, was delivered 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 was approximately \$115 million. Navios believes that the market value of the six vessels is approximately \$200 million. On August 1, 2006, Navios exercised its option to acquire the Navios Star, the first of the remaining nine option vessels. As a result, the Company has options to acquire four of the remaining eight chartered-in vessels currently in operation and four of the seven long term chartered-in vessels on order.

In July 2006, and in connection with the secured credit facility with HSH Nordbank AG, Navios entered into a second ISDA (International Swap Dealer Association, Inc.) agreement with HSH Nordbank AG, whereby it exchanges LIBOR with a fixed rate of 5.52%. This contract applies for the period from December 31, 2007 to September 30, 2009, for a notional amount of \$79.3 million at redemptions in accordance with the repayment schedule of the secured facility as above. The ISDA Agreement is bound by the same securities as the secured credit facility discussed above.

Factors Affecting Navios' Results of Operations:

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

- **Market Exposure:** Navios manages the size and composition of its fleet, by chartering and owning vessels, to adjust to anticipated changes in market rates. Navios aims at achieving an appropriate balance between owned vessels and long and short term chartered in vessels and controls approximately 2.1 million dwt in dry bulk tonnage. Navios' options to extend the duration of vessels it has under long-term time charter (durations of over 12 months) and its purchase options on chartered vessel (see separate table) permits Navios to adjust the cost and the fleet size to correspond to market conditions.
- **Available days:** Available days is the number of the operating days less the aggregate number of days that the vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.
- **Operating days:** Operating days is the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.
- **Fleet utilization:** Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.
- **Time Charter Equivalents rates ("TCE"):** TCE rates are defined as voyage and time charter revenues plus gains or losses on FFA less voyage expenses during a period divided by the number of available days during the period. Navios includes the gains or losses on FFA in the determination of TCE rates as neither voyage and time charter revenues nor gains or losses

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on FFA are evaluated in isolation. Rather, the two are evaluated together to determine total earnings per day. The TCE rate is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts, while charter hire rates for vessels on time charters generally are expressed in such amounts.

Voyage and Time Charter

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

- the duration of the charters;
- the level of spot market rates at the time of charter
- decisions relating to vessel acquisitions and disposals;
- the amount of time spent positioning vessels;
- the amount of time that vessels spend in dry-dock undergoing repairs and upgrades;
- the age, condition and specifications of the vessels; and
- the aggregate level of supply and demand in the dry bulk shipping industry.

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

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

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

The cost to maintain and operate a vessel increases with the age of the vessel. Older vessels are less fuel efficient, cost more to insure and require upgrades from time to time to comply with new regulations. The average age of Navios' owned fleet is 5.79 years. But as such fleet ages or if Navios expands its fleet by acquiring previously owned and older vessels the cost per vessel would be expected to rise and, assuming all else, including rates, remains constant, vessel profitability would be expected to decrease.

Spot Charters, Contracts of Affreightment (COAs), and Forward Freight Agreements (FFAs)

Navios enhances vessel utilization and profitability through a mix of voyage charters, short term charter-out contracts, COA's and strategic backhauls cargo contracts, as follows:

- The operation of voyage charters or spot charter-out fixtures for the carriage of a single cargo from load port to discharge port

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- The use of COAs, under which Navios contracts to carry a given quantity of cargo between certain load and discharge ports within a stipulated time frame; and
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The use of FFA both as economic hedges in reducing market risk on specific vessels, freight commitments or the overall fleet and in order to increase or reduce the size of its exposure to the dry bulk shipping market.

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

Contracts of Affreightment (COAs) and Forward Freight Agreements (FFAs)

Navios enters into COAs with major industrial end users of bulk products, primarily in the steel, energy and grain sectors. These contracts are entered into not only with a view to making profit but also as a means of maintaining relationships, obtaining market information and continuing a market presence in this market segment. Navios has adopted a strategy of entering into COAs to carry freight into known loading areas, such as the US Gulf and the Gulf of St. Lawrence, where subsequent spot or voyage charters can be obtained.

Navios may enter into FFAs as economic hedges relating to identifiable ship and/or cargo positions and as economic hedges of transactions that Navios expects to carry out in the normal course of its shipping business. By using FFAs, Navios manages the financial risk associated with fluctuating market conditions. The effectiveness of a hedging relationship is assessed at its inception and then throughout the period of its designation as a hedge. If an FFA qualifies for hedge accounting, any gain or loss on the FFA is first recognized when measuring the profit or loss of the related transaction. Effective April and May 2006, six FFAs qualified for hedge accounting and the changes in fair values of the effective portion representing unrealized gains or losses at June 30, 2006, were recorded in "Accumulated Other Comprehensive Income/(Loss)" in the stockholders' equity while the unrealized gains or losses of the remaining FFAs not qualifying for hedge accounting together with the ineffective portion of those qualifying for hedge accounting of \$0.5 million, were recorded in the statement of operations under "Gain/(Loss) on Forward Freight Agreements". The gains/(losses) included in "Accumulated Other Comprehensive Income/(Loss)" will be reclassified to earnings under "Revenue" in the statement of operations in the same period or periods during which the hedged forecasted transaction affects earnings. The reclassification to earnings will extend until December 31, 2007, depending on the period or periods during which the hedged forecasted transactions will affect earnings and will commence in the third quarter of 2006. The amount of losses included in "Accumulated Other Comprehensive Income/(Loss)" as of June 30, 2006, which is expected to be reclassified to earnings during the next twelve months is estimated to be \$5.5 million. As of June 30, 2006 there were no gains/(losses) included in "Accumulated Other Comprehensive Income/(Loss)" that had been reclassified to earnings. At December 31, 2005, none of the open FFAs qualified for hedge accounting and, accordingly, all unrealized gains or losses were recorded in the statement of operations.

FFAs cover periods generally ranging from one month to one year and are based on time charter rates or freight rates on specific quoted routes. FFAs are executed either over-the-counter, between two parties, or through NOS ASA, a Norwegian clearing house. FFAs are settled in cash monthly based on publicly quoted indices. NOS ASA requires both base and margin collaterals. Certain portions of these collateral funds may be restricted at any given time, as determined by NOS ASA. On June 30, 2006 and December 31, 2005, Navios restricted cash with NOS ASA was \$12.0 million and \$1.0 million, respectively.

At the end of each calendar quarter, the fair value of FFAs traded over-the-counter are determined from an index published in London, United Kingdom, and the fair value of those FFAs traded with NOS ASA are determined from the NOS valuation.

Statement of Operations Breakdown by Segment

Navios reports financial information and evaluates its operations by charter revenues and not by vessel type, length of ship employment, customers or type of charter. Navios does not have discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, Navios reviews operating results solely by revenue per day and operating results of the owned and chartered-in fleet and, thus, the Company has determined that it has two reportable segments, Vessel Operations and Port Terminal. The reportable segments reflect the internal organization of Navios and strategic businesses that offer different products and services. The Vessel Operations business consists of transportation and handling of bulk cargoes through ownership, operation, and trading of vessels, freight and FFAs. The Port Terminal business consists of operating a port and transfer station terminal. Navios measures segment performance based on net income. For further segment information, please see the footnotes to the Consolidated Financial Statements.

Recent Accounting Pronouncements

In March 2006, the Financial Accounting Standard Board issued Statement of Financial Accounting Standards No. 156 (SFAS 156) “Accounting for Servicing of Financial Assets – an amendment of FASB Statements No. 140”. SFAS 156 amends SFAS 140 requiring that all separately recognized servicing assets and servicing liabilities be measured at fair value, if practicable. SFAS 156 also permits, but does not require, the subsequent measurement of servicing assets and servicing liabilities. SFAS 156 is effective for the first fiscal year that begins after September 15, 2006. The adoption of this Accounting Standard is not expected to have an effect on the consolidated financial statements. This statement will be effective for the Company for the fiscal year beginning on January 1, 2007.

Critical Accounting Policies

The Navios’ consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or US GAAP. The preparation of these financial statements requires Navios 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 has described below what it believes is its additional most critical accounting policies that involve a high degree of judgment and the methods of their application not yet discussed in its 2005 annual report. For a description of all of Navios’ significant accounting policies, see Note 2 to the Consolidated Financial Statements included in Navios’ 2005 annual report filed on Form 20-F with the Securities Exchange Commission.

Accounting for derivative financial instruments and hedge activities: The Company enters into dry bulk shipping FFAs as economic hedges relating to identifiable ship and or cargo positions and as economic hedges of transactions the Company expects to carry out in the normal course of its shipping business. By utilizing certain derivative instruments, including dry bulk shipping FFAs, the Company manages the financial risk associated with fluctuating market conditions. In entering into these contracts, the Company has assumed the risk that might arise from the possible inability of counterparties to meet the terms of their contracts.

The Company also trades dry bulk shipping FFAs with NOS ASA, a Norwegian clearing house. NOS ASA calls for both base and margin collaterals, which are funded by Navios, and which in turn substantially eliminates counterparty risk. Certain portions of these collateral funds may be restricted at any given time as determined by NOS ASA.

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At the end of each calendar quarter, the fair value of dry bulk shipping FFAs traded over-the-counter are determined from an index published in London, United Kingdom and the fair value of those FFAs traded with NOS ASA are determined from the NOS valuation.

Pursuant to SFAS 133, the Company records its derivative financial instruments and hedges as economic hedges except for those qualifying for hedge accounting. Gains or losses of instruments qualifying for hedge accounting are reflected under "Accumulated Other Comprehensive Income/(Loss)" in stockholders' equity while those instruments that do not meet the criteria for hedge accounting are reflected in the statement of operations. Effective April and May 2006, six FFAs qualified for hedge accounting and the changes in fair values of the effective portion representing unrealized gains or losses at June 30, 2006, were recorded in "Accumulated Other Comprehensive Income/(Loss)" in the stockholders' equity while the unrealized gains or losses of the remaining FFAs not qualifying for hedge accounting together with the ineffective portion of those qualifying for hedge accounting of \$0.5 million, were recorded in the statement of operations under "Gain/(Loss) on Forward Freight Agreements". The gains/(losses) included in "Accumulated Other Comprehensive Income/(Loss)" will be reclassified to earnings under "Revenue" in the statement of operations in the same period or periods during which the hedged forecasted transaction affects earnings. The reclassification to earnings will extend until December 31, 2007, depending on the period or periods during which the hedged forecasted transactions will affect earnings and will commence in the third quarter of 2006. The amount of losses included in "Accumulated Other Comprehensive Income/(Loss)" as of June 30, 2006, which is expected to be reclassified to earnings during the next twelve months is estimated to be \$5.5 million. As of June 30, 2006 there were no gains/(losses) included in "Accumulated Other Comprehensive Income/(Loss)" that had been reclassified to earnings. At December 31, 2005, none of the FFAs, foreign exchange contracts or interest rate swaps qualified for hedge accounting and, accordingly, all unrealized gains or losses were recorded in the statement of operations.

For the Three Month Period ended June 30, 2006 compared to Three Month Period ended June 30, 2005

The following table presents consolidated revenue and expense information for the three month periods ended June 30, 2006 and 2005. This information was derived from the unaudited consolidated revenue and expense accounts of Navios as predecessor for the second quarter of 2005 and as successor for the same period in 2006. The successor period in the consolidated statement of operations is not directly comparable to the predecessor period because it includes the effects of the fair value purchase accounting adjustments.

	Successor June 30, 2006 (unaudited)	Predecessor June 30, 2005 (unaudited)
Revenue	\$ 52,862	\$ 65,960
Gain on Forward Freight Agreements	1,665	3,768
Time charter, voyage and port terminal expenses	(22,622)	(38,463)

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Direct vessel expenses	(5,047)	(2,245)
General and administrative expenses	(4,042)	(3,104)
Depreciation and amortization	(9,024)	(1,493)
Interest income	661	559
Interest expense and finance cost, net	(10,787)	(515)
Other income	1,215	(125)
Other expense	(99)	(372)
Income before equity in net earnings of affiliate companies	4,782	23,970
Equity in net Earnings of Affiliated Companies	142	337
Net income	\$ 4,924	\$ 24,307

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Set forth below are selected historical and statistical data for Navios as predecessor (2005) and successor (2006), that the Company believes may be useful in better understanding the Company's financial position and results of operations.

	Three month period ended June 30,	
	2006	2005
FLEET DATA		
Available days ^(*)	2,593	2,377
Operating days	2,587	2,373
Fleet utilization	99.76%	99.85%
AVERAGE DAILY RESULTS		
Time Charter Equivalents (including FFAs)	\$ 17,329	\$ 27,834
Time Charter Equivalents (excluding FFAs)	\$ 16,687	\$ 26,249

(*)Navios has currently fixed out (i.e. arranged charters for) 96.0% and 45.1% of its 2006 and 2007 available days, respectively.

During the three month period ended June 30, 2006, there were 216 more available days as compared to the same period of 2005. This was due to the increase in the number of owned vessels resulting in 887 additional days. This increase, however, was mitigated by the redelivery of chartered-in vessels during the second quarter of 2006, following the expiration of their charters, reducing the available days by 671 days. Navios can increase or decrease its fleet's size by chartering-in vessels for long or short-term periods (less than one year). Fleet size and the corresponding "available days" will be decreased if charters are not renewed or replaced.

The average Time Charter Equivalent (TCE) rate excluding FFAs for the three month period ended June 30, 2006 was \$16,687 per day, \$9,562 per day lower than the rate achieved in the same period of 2005. This was primarily due to the decline in the freight market resulting in lower charter-out daily rates in the second quarter of 2006 than those achieved in the second quarter of 2005.

Revenue: Revenue decreased to \$52.9 million for the three month period ended June 30, 2006 as compared to the \$66.0 million for the same period of 2005. Navios earns revenue from both owned and chartered-in vessels, contracts of affreightment and the port terminal operations. Revenues from vessel operations decreased by approximately \$13.1 million or 20.8% to \$50.0 million for the three month period ended June 30, 2006 from \$63.1 million for the same period of 2005. This decrease is mainly attributable to the decline in the market resulting in lower charter-out daily hire rates in the second quarter of 2006 as compared to the same period of 2005.

Revenue from the port terminal was approximately \$2.9 million for both quarters in 2006 and 2005 with a slight decrease in the second quarter of 2006. This is due to the port terminal throughput volume decrease of approximately 1.8% to 697,000 tons for the three month period ended June 30, 2006 from 710,000 tons for the same period in 2005.

Gains and Losses on FFAs: Income from FFAs decreased by \$2.1 million to a gain of \$1.7 million during the three month period ended June 30, 2006 as compared to \$3.8 million gain for the same period in 2005. This is due to six FFAs qualified for hedge accounting, effective April and May 2006. Navios records the change in the fair value of derivatives at each balance sheet date. The changes in fair values of the effective portion of six FFAs qualifying for hedge accounting, representing unrealized gains or losses at June 30, 2006, of \$7.9 million were recorded in "Accumulated Other Comprehensive Income/(Loss)" in the stockholders' equity while the unrealized gains or losses of the remaining FFAs not qualifying for hedge accounting together with the ineffective portion of those qualifying for hedge accounting of \$0.5 million, were recorded in the statement of operations under "Gains/(Loss) on Forward Freight Agreements". The FFAs market has experienced significant volatility in the past few years and, accordingly, recognition of the changes in the fair value

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of FFAs has, and can, cause significant volatility in earnings. The extent of the impact on earnings is dependent on two factors: market conditions and Navios' net position in the market. Market conditions were volatile in both periods. As an indicator of volatility, selected Baltic Exchange Panamax time charter average rates are shown below.

	Baltic Exchange's Panamax Time Charter Average Index
April 14, 2005	\$ 37,412 ^(b)
June 30, 2005	\$ 18,103 ^{(a)(*)}
May 2, 2006	\$ 16,337 ^(c)
June 30, 2006	\$ 24,117 ^{(d)(*)}

(a)Low for Q2 – 2005

(b)High for Q2 – 2005

(c)Low for Q2 – 2006

(d)High for Q2 – 2006

(*)Period end rate

Time Charter, Voyage and Port Terminal Expense: Time charter and voyage expenses decreased by \$15.9 million or 41.3% to \$22.6 million for the three month period ended June 30, 2006 as compared to \$38.5 million for same period in 2005. This was primarily due to (a) the decline in the market which positively affected the charter-in daily hire rate cost from \$19,766 per day in the second quarter of 2005 to \$9,655 per day for the same period of 2006 (b) the redelivery of higher cost chartered-in vessels and the exercise of purchase options that resulted in the expansion of the owned fleet and (c) the reduction of port expenses and fuel consumption cost due to more vessels employed under time charters in the second quarter of 2006, whereas these costs were borne by the charterers, as compared to the same period of 2005.

Direct Vessel Expenses: Direct vessel expenses for operation of the owned fleet increased by \$2.8 million to \$5.0 million or 127.3% for the three month period ended June 30, 2006 as compared to \$2.2 million for the same period in 2005. Direct vessel expenses include crew costs, provisions, deck and engine stores, lubricating oils, insurance premiums and maintenance and repairs. The increase resulted primarily from additional costs related to normal usage due to the increase of the owned fleet by ten vessels during the period since Navios' acquisition.

General and Administrative Expenses: General and administrative expenses increased by \$0.9 million to \$4.0 million or 29.0% for the three month period ended June 30, 2006 as compared to \$3.1 million for the same period of 2005. However, excluding the transaction costs of approximately \$0.8 million incurred in connection with the sale of Navios during the second quarter of 2005, general and administrative expenses show an increase of 73.9% in the second quarter of 2006 as compared to the same period of 2005. The increase is mainly attributable to (a) increase in payroll and related costs, (b) increase in professional, legal, and audit fees and traveling due to the additional costs incurred by Navios as a public company, (c) increased office expenses as a result of the Company's move to the new offices and other expenses related to being a public company.

Depreciation and Amortization: Depreciation and amortization are not directly comparable for the predecessor and successor companies. As part of the acquisition of Navios by ISE on August 25, 2005, the dry bulk fleet and port terminal facilities were recorded at their fair market values. The adjusted fixed assets values are being depreciated over the remaining economic useful lives of the individual assets. Amortization for the period from August 26, 2005 onward also includes amortization of the intangible assets recorded on August 25, 2005 as a result of the acquisition of Navios by ISE, with the exception of vessel purchase options and goodwill which are not amortized. For the three month period ended June 30, 2006 the increase in depreciation is attributable to the

acquisition of ten vessels which had a \$3.3 million effect, with the remaining being the effect of the accounting treatment discussed above. See further discussion of Navios' amortization policy under Liquidity and Capital Resources.

Net Interest Expense and Income: Interest expense from August 26, 2005 onward will increase when comparing to periods prior to this date due to the new debt incurred on August 25, 2005 and restructured on December 21, 2005. A substantial portion of the new debt was used to finance the acquisition of Navios by ISE and the acquisition of an additional ten vessels. As a result, interest expense for the three month period ended June 30, 2006 is not directly comparable to the same period of 2005. Interest income increased by \$0.1 million to \$0.7 million for the three month period ended June 30, 2006 as compared to \$0.6 million for the same period of 2005. Although the average cash balances decreased from \$59.6 million in the second quarter of 2005 to \$55.1 million in the same period of 2006 interest was increased as a result of the higher weighted average interest rate which increased to 4.0% in the second

quarter of 2006 from 2.8% in the same period of 2005.

Other Income: Other income increased by \$1.3 million to \$1.2 million for the three month period ended June 30, 2006. This increase is mainly due to favorable marked to market gains realized on the interest rate swaps as the interest rates continue to increase on both the short and long term.

Net Other Expense: Other expense decreased by \$0.3 million to \$0.1 million for the three month period ended June 30, 2006. This change is mainly due to less realized foreign exchange losses from the settlement of payables raised in currencies other than US dollars during the period.

For the Six Month Period ended June 30, 2006 compared to the Six Month Period ended June 30, 2005

The following table presents consolidated revenue and expense information for the six month periods ended June 30, 2006 and 2005. This information was derived from the unaudited consolidated revenue and expense accounts of Navios as predecessor for the first half of 2005 and as successor for the same period in 2006. The successor period in the consolidated statement of operations is not directly comparable to the predecessor period because it includes the effects of the fair value purchase accounting adjustments.

	Successor June 30, 2006 (unaudited)	Predecessor June 30, 2005 (unaudited)
Revenue	\$ 102,031	\$ 127,326
Gain (loss) on Forward Freight Agreements	3,327	(799)
Time charter, voyage and port terminal expenses	(43,390)	(75,933)
Direct vessel expenses	(9,211)	(4,354)
General and administrative expenses	(7,637)	