

Navios Maritime Acquisition CORP

Form 6-K

November 14, 2012

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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: November 14, 2012**

**Commission File No. 001-34104**

# **NAVIOS MARITIME ACQUISITION CORPORATION**

**85 Akti Miaouli Street, Piraeus, Greece 185 38**

**(Address of Principal Executive Offices)**

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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       Form 40-F

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

Yes       No

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

Yes       No

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

Yes       No

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

N/A

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This Report on Form 6-K is hereby incorporated by reference into the Navios Maritime Acquisition Corporation Registration Statements on Form F-3, File Nos. 333-151707, 333-169320 and 333-170896.

### **Operating and Financial Review and Prospects**

The following is a discussion of the financial condition and results of operations for the three month and nine month periods ended September 30, 2012 and 2011 of Navios Maritime Acquisition Corporation (referred to herein as *we*, *us* or *Navios Acquisition*). All of the financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ( *U.S. GAAP* ). You should read this section together with the consolidated financial statements and the accompanying notes included in Navios Acquisition's 2011 Annual Report filed on Form 20-F with the Securities and Exchange Commission.

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

### ***Recent Developments and History***

#### **Dividend Policy**

On November 9, 2012, the Board of Directors declared a quarterly cash dividend in respect of the third quarter of 2012 of \$0.05 per common share payable on January 4, 2013 to stockholders of record as of December 19, 2012. The declaration and payment of any further dividends remains subject to the discretion of the Board and will depend on, among other things, Navios Acquisition's cash requirements as measured by market opportunities and restrictions under its credit agreements and other debt obligations and such other factors as the Board may deem advisable.

#### **Delivery of Nave Aquila**

On November 9, 2012, Navios Acquisition took delivery of the Nave Aquila, a 49,991 dwt MR2 product tanker, from a South Korean shipyard. The vessel is chartered-out at net daily charter rate of \$13,331 per day for a period of three years plus two one year options with 50% profit sharing, calculated monthly and based in a formula incorporating \$1,000 premium above the relevant index. Base rate for the first optional year is \$14,566 (net) plus profit sharing and for the second optional year \$15,553 (net) plus profit sharing, both being charterer's option.

#### **Delivery of Nave Cetus**

On October 30, 2012, Navios Acquisition took delivery of the Nave Cetus, a 74,581 dwt LR1 product tanker, from a South Korean shipyard. The vessel is chartered-out at net daily charter rate of \$11,850 per day for a period of one year plus 50% profit sharing. The charterer has the option to extend the charter for another six months at the same terms.

#### **Delivery of Nave Cassiopeia**

On August 31, 2012, Navios Acquisition took delivery of the Nave Cassiopeia, a 74,711 dwt LR1 product tanker, from a South Korean shipyard for \$43.8 million. The \$43.8 million consisted of: (i) cash paid of \$27.3 million, (ii) the issuance of \$3.0 million of shares Series D Preferred Stock and (iii) \$13.5 million was transferred from vessel deposits. The vessel is chartered-out for one year, at net daily charter rate of \$11,850 per day. The charter contract also provides for 50% profit sharing. The charterer has the option to extend the charter for another six months at the same terms.

#### **Equity Transactions**

Pursuant to an Exchange Agreement entered into March 30, 2011, Navios Maritime Holdings Inc. ( *Navios Holdings* ) exchanged 7,676,000 shares of Navios Acquisition's common stock it held for 1,000 shares of non-voting Series C Convertible Preferred Stock of Navios Acquisition (see Note 13 of the condensed interim financial statement included herein).

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On August 31, 2012, and October 30, 2012 Navios Acquisition issued 600 shares of its authorized Series D Redeemable Convertible Preferred Stock ( Series D Preferred Stock ) to a shipyard, in partial settlement of the purchase price of the newbuild LR1 product tankers, Nave Cassiopeia and Nave Cetus. The Series D Preferred Stock contains a 6% per annum

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dividend payable quarterly, starting one year after delivery of the vessel. The Series D Preferred Stock will mandatorily convert into shares of common stock 30 months after issuance at a price per share of common stock equal to \$10.00. The holder of the Series D Preferred Stock shall have the right to convert the shares of Series D Preferred Stock into common stock prior to the scheduled maturity dates at a price of \$7.00 per share of common stock. The Series D Preferred Stock does not have any voting rights. Navios Acquisition is obligated to redeem the Series D Preferred Stock (or converted common shares) at holder's option exercisable beginning on 18 months after issuance redeemable at par at up to 12 equal quarterly installments.

As of November 14, 2012, Navios Acquisition had outstanding: 40,517,413 shares of common stock, 3,000 shares of Series A Convertible Preferred Stock, 540 shares of Series B Convertible Preferred Stock issued in connection with the acquisition of the two LR1 product tankers, 1,000 shares of Series C Convertible Preferred Stock issued to Navios Holdings, 600 Series D Preferred Stock issued in connection with the acquisition of two LR1 product tankers and 6,037,994 public warrants. Included in the number of shares and warrants are 12,752 units (one unit consists of one share of common stock and one warrant).

## **Vessel Deliveries and Acquisitions**

On January 20, 2012, Navios Acquisition took delivery of the Nave Estella, a 75,000 dwt LR1 product tanker, from a South Korean shipyard for \$44.6 million. Cash paid was \$11.0 million and \$33.6 million was transferred from vessel deposits. The vessel is chartered-out at a net daily charter rate of \$11,850 for a period of three years plus two one year options. The charter contract also contains clauses for profit-sharing.

On July 31, 2012, Navios Acquisition took delivery of the Nave Atria, a 49,992 dwt MR2 product tanker, from a South Korean shipyard for \$37.6 million. Cash paid was \$9.0 million and \$28.6 million was transferred from vessel deposits. The vessel is chartered-out at net daily charter rate of \$13,331 per day for a period of three years plus two one year options. The charter contract also provides for 50% profit sharing.

## **Fleet**

Core fleet refers to tanker vessels, including the new buildings to be delivered. The current core fleet consists of 29 vessels totaling 3,319,141 dwt. The 19 vessels in operation aggregate approximately 2,769,141 dwt and have an average age of 5.2 years. Navios Acquisition has currently fixed 100.0%, 83.4% and 55.2% of its 2012, 2013 and 2014 available days, respectively, of its fleet, representing contracted revenues (net of commissions), based on the rates from current charter agreements of \$150.7 million, \$173.8 million and \$140.4 million, respectively. Although these revenues are based on contractual charter rates, any contract is subject to performance by the counterparties and us. Additionally, the level of these revenues would decrease depending on the vessels' off-hire days to perform periodic maintenance. The average contractual daily charter-out rate for the core fleet is \$25,631, \$22,667 and \$25,547 for 2012, 2013 and 2014, respectively.

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Vessels	Type	Built/Delivery Date	DWT	Net Charter Rate <sup>(1)</sup>	Profit Share	Expiration Date <sup>(2)</sup>
<b>Owned Vessels</b>						
Nave Cielo	LR1 Product Tanker	2007	74,671	11,850 <sup>(3,4)</sup>	50%/50%	November 2013
Nave Ariadne	LR1 Product Tanker	2007	74,671	11,751 <sup>(3)</sup>	None	November 2012
				11,850 <sup>(4)</sup>	50%/50%	November 2013
Nave Cosmos	Chemical Tanker	2010	25,130	11,700 <sup>(5)</sup>	60%/40%	February 2013
Nave Polaris	Chemical Tanker	2011	25,145	11,700 <sup>(5)</sup>	60%/40%	January 2013
Shinyo Splendor	VLCC	1993	306,474	38,019	None	May 2014
Shinyo Navigator	VLCC	1996	300,549	42,705	None	December 2016
C. Dream	VLCC	2000	298,570	29,625	50% above \$30,000	March 2019
					40% above \$40,000	
Shinyo Ocean	VLCC	2001	281,395	38,400	50% above \$43,500	January 2017
Shinyo Kannika	VLCC	2001	287,175	38,025	50% above \$44,000	February 2017
Shinyo Saowalak	VLCC	2010	298,000	48,153	35% above \$54,388	June 2025
					40% above \$59,388	
					50% above \$69,388	
Shinyo Kieran	VLCC	2011	297,066	48,153	35% above \$54,388	June 2026
					40% above \$59,388	
					50% above \$69,388	
Buddy	MR2 Product Tanker	2009	50,470	22,490	None	October 2012
				21,503	None	October 2014
Bull	MR2 Product Tanker	2009	50,542	22,490	None	September 2012
				21,503	None	September 2014
Nave Andromeda	LR1 Product Tanker	2011	75,000	12,000 <sup>(6)</sup>	100% up to \$15,000	November 2014
					50% above \$15,000	
Nave Estella	LR1 Product Tanker	2012	75,000		90% up to 15,000	January 2015
				11,850 <sup>(7)</sup>	50% above \$15,000	
Nave Atria	MR2 Product Tanker	2012	49,992	13,331 <sup>(8)</sup>	50% /50%	July 2015
Nave Cassiopeia	LR1 Product Tanker	2012	74,711	11,850 <sup>(9)</sup>	50% /50%	August 2013
Nave Cetus	LR1 Product Tanker	2012	74,581	11,850 <sup>(9)</sup>	50% /50%	October 2013
Nave Aquila	MR2 Product Tanker	2012	49,991	13,331 <sup>(8)</sup>	50% /50%	November 2015
<b>Owned Vessels to be Delivered</b>						
TBN	LR1	Q1 2013	75,000	11,850 <sup>(9)</sup>	50% /50%	
TBN	LR1	Q1 2013	75,000	11,850 <sup>(9)</sup>	50% /50%	
TBN	MR2	Q4 2012	50,000	13,331 <sup>(10)</sup>	50% /50%	
TBN	MR2	Q1 2013	50,000	13,331 <sup>(10)</sup>	50% /50%	
TBN	MR2	Q1 2013	50,000	13,825 <sup>(11)</sup>	100% up to \$15,000	
					50% above \$15,000	
TBN	MR2	Q1 2013	50,000			
TBN	MR2	Q2 2013	50,000			
TBN	MR2	Q2 2014	50,000			
TBN	MR2	Q3 2014	50,000			
TBN	MR2	Q4 2014	50,000			

(1) Net time charter-out rate per day (net of commissions).

(2) Estimated dates assuming midpoint of redelivery of charterers.

(3) On October 28, 2011, the charter contracts for the Nave Cielo and the Nave Ariadne were terminated prior to their original expiration in June 2013. Navios Acquisition entered into certain settlement agreements with the charterers that provide for an amount of approximately \$5.0 million to compensate for the early termination of the charters and to cover any outstanding receivables, out of which \$2.0 million will be settled in installments through June 2015.

(4) Charterer's option to extend the charter for 6 months at same rate.

(5) Charterer's option to extend for additional 6 months at \$12,188 (net) plus 60%/40% profit sharing.

(6)

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- Charterer's option to extend the charter for 1+1 years at \$13,000 (net) 1st optional year plus 100% profit up to \$16,000 plus 50/50% profit sharing above \$16,000; \$14,000 (net) 2nd optional year plus 100% profit up to \$17,000 plus 50/50% profit sharing above \$17,000. Profit sharing formula is calculated monthly and incorporates \$2,000 premium above the relevant index.
- (7) Charterer's option to extend the charter for 1+1 years at \$11,850 (net) 1st optional year plus 90% profit up to \$16,000 plus 50/50% profit sharing above \$16,000; \$11,850 (net) 2nd optional year plus 90% profit up to \$17,000 plus 50/50% profit sharing above \$17,000. Profit sharing formula is calculated monthly and incorporates \$2,000 premium above the relevant index.
  - (8) Charter duration three years. Charterer's option to extend the charter for 1+ 1 years at \$14,566 (net) 1st optional year plus profit sharing; \$15,553 (net) 2<sup>nd</sup> optional year plus profit sharing. The profit sharing will be calculated monthly and profits will be split equally between each party. Profit sharing formula incorporates \$1,000 premium above the relevant index.
  - (9) Charter duration one year. Charterer's option to extend the charter for another 6 months at \$11,850 (net) plus 50% profit sharing.
  - (10) Charter duration three years. Charterer's option to extend the charter for 1 year at \$14,813 (net) plus profit sharing. The charterers will receive 100% of the first \$1,000 in profits above the base rate and the owners will receive 100% of the next \$1,000. Thereafter, all profits will be split equally to each party.
  - (11) Charter duration three years. Charterer's option to extend the charter for 1 year at \$15,306 (net) plus profit sharing. The charterers will receive 100% of the first \$1,000 in profits above the base rate and the owners will receive 100% of the next \$1,000. Thereafter, all profits will be split equally to each party.

### **Charter Policy and Industry Outlook**

Our core fleet consists of 29 vessels, of which seven VLCCs are chartered out for an average of 6.6 years at approximately \$40,440 net per day, 12 vessels are chartered out for periods ranging from six months to three years and the remaining 10 vessels are still to be delivered. Of the remaining vessels being delivered during the period from the fourth quarter of 2012 through the fourth quarter of 2014, we have chartered out three MR2 tanker vessels and two LR1 tanker vessels for periods ranging from one to three years. As a result, the average charter out period of our entire fleet is 3.1 years. Many of our charters have profit sharing arrangements (see fleet table above). We intend to deploy the open vessels that have not been chartered out to leading charterers in a mix of long, medium and short-term time charters. This chartering strategy is intended to allow us to capture increased profits during strong charter markets, while developing relatively stable cash flows from longer term time charters. We will also seek profit sharing arrangements in our long-term time charters, to provide us with potential incremental revenue above the contracted minimum charter rates.

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We intend to grow our fleet using Navios Holdings' global network of relationships and extensive experience in the marine transportation industry, coupled with our financial resources and financing capability, to make selective acquisitions of young, high quality, modern, double-hulled vessels in the crude oil transportation, product and chemical tanker sectors. Vessel prices in these sectors have been severely affected by the continuing scarcity of debt financing available to shipping industry participants resulting from the recent worldwide financial crisis and because of the depressed charter rates for crude carriers and tankers that have persisted since the fall of 2008.

We believe that developments in the marine transportation industry, particularly in the crude oil transportation, product tanker and chemical tanker sectors as well as the recent financial crisis which continues to adversely affect the availability of credit to shipping industry participants, have created significant opportunities to acquire vessels near historically low (inflation-adjusted) prices and employ them in a manner that will provide attractive returns on capital.

### **Factors Affecting Navios Acquisition s Results of Operations**

We believe the principal factors that will affect our future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. Other key factors that will be fundamental to our business, future financial condition and results of operations include:

the demand for seaborne transportation services;

the ability of Navios Holdings' commercial and chartering operations to successfully employ our vessels at economically attractive rates, particularly as our fleet expands and our charters expire;

the effective and efficient technical management of our vessels;

Navios Holdings' ability to satisfy technical, health, safety and compliance standards of major commodity traders; and

the strength of and growth in the number of our customer relationships, especially with major commodity traders.

In addition to the factors discussed above, we believe certain specific factors will impact our consolidated results of operations. These factors include:

the charter hire earned by our vessels under our charters;

our access to capital required to acquire additional vessels and/or to implement our business strategy;

our ability to sell vessels at prices we deem satisfactory;

our level of debt and the related interest expense and amortization of principal; and

the level of any dividend to our stockholders.



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	Three month period ended September 30,		Nine month period ended September 30,	
	2012 (unaudited)	2011 (unaudited)	2012 (unaudited)	2011 (unaudited)
<b>FLEET DATA</b>				
Available days <sup>(1)</sup>	1,472	1,054	4,107	2,815
Operating days <sup>(2)</sup>	1,468	1,049	4,079	2,768
Fleet utilization <sup>(3)</sup>	99.7%	99.5%	99.3%	98.3%
Vessels operating at period end	17	13	17	13
<b>AVERAGE DAILY RESULTS</b>				
Time Charter Equivalent per day <sup>(4)</sup>	\$ 25,185	29,518	\$ 26,074	\$ 29,223

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

- (1) *Available days*: Available days for the fleet are total calendar days the vessels were in Navios Acquisition's possession for the relevant period after subtracting off-hire days associated with major repairs, drydocking or special surveys. The shipping industry uses available days to measure the number of days in a relevant period during which vessels should be capable of generating revenues.
- (2) *Operating days*: Operating days are the number of available days in the relevant 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 relevant period during which vessels actually generate revenues.
- (3) *Fleet utilization*: Fleet utilization is the percentage of time that Navios Acquisition's vessels were available for generating

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revenue, and is determined by dividing the number of operating days during a relevant period by the number of available days during that period. The shipping industry uses fleet utilization to measure a company's efficiency in finding suitable employment for its vessels.

- (4) *Time Charter Equivalent*: Time Charter Equivalent is defined as voyage and time charter revenues less voyage expenses during a relevant period divided by the number of available days during the period.

### **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 charters;

decisions relating to vessel acquisitions and disposals;

the amount of time spent positioning vessels;

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

the age, condition and specifications of the vessels; and

the aggregate level of supply and demand in the tanker 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 Acquisition uses TCE rates, which are defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period.

The TCE rate is a standard shipping industry performance measure used primarily to present the actual daily earnings generated by vessels on various types of charter contracts for the number of available days of the fleet.

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 Acquisition's owned fleet currently in the water, is 5.2 years. But as such fleet ages or if Navios Acquisition 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.

Navios Acquisition reports financial information and evaluates its operations by charter revenues. Navios Acquisition does not use discrete financial information to evaluate operating results for each type of charter. As a result, management reviews operating results solely by revenue per day and operating results of the fleet and thus Navios Acquisition has determined that it operates under one reportable segment.

### **Period over Period Comparisons**

**For the Three Month Period ended September 30, 2012 compared to the Three Month Period ended September 30, 2011**

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The following table presents consolidated revenue and expense information for the three month periods ended September 30, 2012 and 2011. This information was derived from the unaudited consolidated revenue and expense accounts of Navios Acquisition for the respective periods.

	For the Three Months Ended September 30,	For the Three Months Ended September 30,
Expressed in thousands of U.S. dollars	2012 (unaudited)	2011 (unaudited)
Revenue	\$ 37,761	\$ 31,127
Time charter expenses	(678)	(113)
Direct vessel expenses	(789)	(306)
Management fees	(11,813)	(9,768)
General and administrative expenses	(1,168)	(1,197)
Depreciation and amortization	(12,402)	(10,828)
Interest income	100	332
Interest expenses and finance cost, net	(12,308)	(12,134)
Other expense, net	(118)	120
<b>Net loss</b>	<b>\$ (1,415)</b>	<b>\$ (2,767)</b>
<b>EBITDA<sup>(1)</sup></b>	<b>\$ 23,984</b>	<b>\$ 20,169</b>

<sup>(1)</sup> EBITDA is a non-GAAP financial measure. See Reconciliation of EBITDA to Net Cash from Operating Activities and Adjusted EBITDA for a description of EBITDA and a reconciliation of EBITDA to the most comparable measure under US GAAP.

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For the three month period ended September 30, 2012, Navios Acquisition had 1,472 available days. There were 1,054 available days in the comparative period of 2011.

**Revenue:** Revenue for the three month period ended September 30, 2012 increased by \$6.7 million or 21.5% to \$37.8 million, as compared to \$31.1 million for the same period in 2011. The increase was mainly attributable to the acquisition the Bull and the Buddy in July 2011, the Nave Andromeda in November 2011, Nave Estella in January 2012, the Nave Atria and Nave Cassiopeia in July and August 2012 respectively. As a result of the vessel acquisitions, available days of the fleet increased to 1,472 days for the three month period ended September 30, 2012, as compared to 1,054 days for the three month period ended September 30, 2011. Time charter equivalent ( TCE ) decreased to \$25,185 for the three month period ended September 30, 2012, from \$29,518 for the three month period ended September 30, 2011.

**Time charter expenses:** Time charter expenses for the three month period ended September 30, 2012 and September 30, 2011 were \$0.7 million and \$0.1 million, respectively. These expenses primarily related to broker fees and various voyage expenses. The increase is mainly attributable to the increased number of operating vessels and available days.

**Direct vessel expenses:** Direct vessel expenses, comprised of the amortization of drydock and special survey costs of three VLCC vessels that were completed in August 2011, October 2011 and April 2012, respectively, and two LR1 product tankers that were completed in May 2012 and June 2012, respectively, amounting to \$0.8 million for the three month period ended September 30, 2012. Direct vessel expenses for the comparative period in 2011, were \$0.3 million and were related to drydock and special survey costs of one VLCC vessel that was completed in August 2011.

**Management fees:** Management fees for the three month period ended September 30, 2012 increased by \$2.0 million to \$11.8 million from \$9.8 million for the same period of 2011. The increase was attributable to the increased number of operating vessels and available days. Pursuant to a management agreement dated May 28, 2010 (the Management Agreement ), Navios Tankers Management Inc. (the Manager ), a subsidiary of Navios Holdings, provides for five years from the closing of the vessels acquisition, commercial and technical management services to Navios Acquisition s vessels for a daily fee of \$6,000 per owned MR2 product tanker and chemical tanker vessel, \$7,000 per owned LR1 product tanker vessel and \$10,000, per owned VLCC vessel for the first two years. On May 4, 2012, Navios Acquisition amended its existing Management Agreement with the Manager, to fix the fees for ship management services of its owned fleet at current rates for two additional years, through May 28, 2014. This daily fee covers all of the vessels operating expenses, other than certain extraordinary fees and costs. During the remaining term of the Management Agreement, Navios Acquisition will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses are fixed for the first four years under these agreements for up to \$0.3 million per LR1 and MR2 product tanker vessel and will be reimbursed at cost for VLCC vessels.

**General and administrative expenses:** General and administrative expenses were \$1.2 million during both the three month periods ended September 30, 2012 and 2011. Administrative services charged by the Manager increased by \$0.1 million, due to the increase in the number of operating vessels and the increase was offset by the \$0.1 million decrease in legal, audit and other professional services. On May 28, 2010, we entered into an administrative services agreement, expiring May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to us which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other services. The Manager is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. For the three month periods ended September 30, 2012 and 2011, the Manager had charged us \$0.5 million and \$0.4 million, respectively, for administrative services.

**Depreciation and amortization:** Depreciation and amortization for the three months ended September 30, 2012 was \$12.4 million compared to \$10.8 million for the same period in 2011. Of the \$12.4 million, \$10.4 million was related to

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vessel depreciation and \$2.0 million was related to amortization of intangible assets and liabilities associated with the acquisition of the VLCC and MR2 vessels. The increase was attributable to the acquisition of the Buddy, the Bull, the Nave Andromeda, the Nave Estella, the Nave Atria and the Nave Cassiopeia.

**Interest income:** Interest income decreased by \$0.2 million to \$0.1 million for the three month period ended September 30, 2012 from \$0.3 million for the three month period ended September 30, 2011.

**Interest expense and finance cost, net:** Interest expense and finance cost, net amounted to \$12.3 million for the three month period ended September 30, 2012, compared to \$12.1 million for the same period in 2011. Interest expense and finance cost for the three month period ended September 30, 2012, consisted of \$10.9 million of bond coupon expenses and \$1.4 million interest expense and finance costs in relation to our existing facilities. The weighted average balance outstanding of our loan facilities (excluding the Existing Notes and the Additional Notes, each as defined on page F-12) for the three month period ended September 30, 2012 was \$494.0 million and the weighted average interest rate was 3.16%. The weighted average balance outstanding of our loan facilities (excluding the Existing Notes and the Additional Notes) for the three month period ended September 30, 2011 was \$327.9 million and the weighted average interest rate was 3.00%.

**Other income/(expense), net:** Other expense, net for the three month period ended September 30, 2012 was \$0.1 million and was mainly related to provision for claims. For the comparative period of 2011 other income, net was \$0.1 million.

**For the Nine Month Period ended September 30, 2012 compared to the Nine Month Period ended September 30, 2011**

The following table presents consolidated revenue and expense information for the nine month periods ended September 30, 2012 and 2011. This information was derived from the unaudited consolidated revenue and expense accounts of Navios Acquisition for the respective periods.

Expressed in thousands of U.S. dollars	For the Nine	For the Nine
	Months Ended September 30, 2012 (unaudited)	Months Ended September 30, 2011 (unaudited)
Revenue	\$ 109,423	\$ 82,274
Time charter expenses	(2,337)	(1,503)
Direct vessel expenses	(1,892)	(306)
Management fees	(33,870)	(25,408)
General and administrative expenses	(2,845)	(3,112)
Write-off of deferred finance costs		(935)
Depreciation and amortization	(36,391)	(27,169)
Interest income	391	1,229
Interest expenses and finance cost, net	(36,627)	(31,003)
Other income/ (expense), net	17	(439)
<b>Net loss</b>	<b>\$ (4,131)</b>	<b>\$ (6,372)</b>
<b>EBITDA<sup>(1)</sup></b>	<b>\$ 70,388</b>	<b>\$ 50,877</b>
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$ 70,388</b>	<b>\$ 51,812</b>

<sup>(1)</sup> EBITDA and Adjusted EBITDA are non-GAAP financial measure. See Reconciliation of EBITDA to Net Cash from Operating Activities and Adjusted EBITDA for a description of EBITDA and Adjusted EBITDA and a reconciliation of EBITDA and Adjusted EBITDA to the most comparable measure under US GAAP.

For the nine month period ended September 30, 2012, Navios Acquisition had 4,107 available days. There were 2,815 available days in the comparative period of 2011.

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**Revenue:** Revenue for the nine month period ended September 30, 2012 increased by \$27.1 million or 32.9% to \$109.4 million, as compared to \$82.3 million for the same period in 2011. The increase was mainly attributable to the acquisition of the Shinyo Kieran in June 2011, the Bull and the Buddy in July 2011, the Nave Andromeda in November 2011, the Nave Estella in January 2012, the Nave Atria and the Nave Cassiopeia in July 2012 and August 2012 respectively. As a result of the vessel acquisitions, available days of the fleet increased to 4,107 days for the nine month period ended September 30, 2012, as compared to 2,815 days for the nine month period ended September 30, 2011. Time charter equivalent ( TCE ) decreased to \$26,074 for the nine month period ended September 30, 2012, from \$29,223 for the nine month period ended September 30, 2011.

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**Time charter expenses:** Time charter expenses for the nine month period ended September 30, 2012 increased by \$0.8 million to \$2.3 million as compared to \$1.5 million for the same period in 2011, mainly due to the increased number of operating vessels and available days. These expenses primarily related to broker fees and various voyage expenses.

**Direct vessel expenses:** Direct vessel expenses, comprised of the amortization of drydock and special survey costs, of three VLCC vessels that were completed in August 2011, October 2011 and April 2012, respectively, and of two LR1 product tankers that were completed in May 2012 and June 2012, respectively, amounting to \$1.9 million for the nine month period ended September 30, 2012. Direct vessel expenses for the comparative period in 2011 were \$0.3 million and were related to the drydock and special survey cost of one VLCC vessel.

**Management fees:** Management fees for the nine month period ended September 30, 2012 increased by \$8.5 million to \$33.9 million from \$25.4 million for the same period of 2011. The increase was attributable to the increased number of operating vessels and available days. Pursuant to the Management Agreement dated May 28, 2010, the Manager, provides for five years from the closing of the vessels acquisition, commercial and technical management services to Navios Acquisition's vessels for a daily fee of \$6,000 per owned MR2 product tanker and chemical tanker vessel, \$7,000 per owned LR1 product tanker vessel and \$10,000, per owned VLCC vessel for the first two years. On May 4, 2012, Navios Acquisition amended its existing Management Agreement with the Manager, to fix the fees for ship management services of its owned fleet at current rates for two additional years, through May 28, 2014. This daily fee covers all of the vessels operating expenses, other than certain extraordinary fees and costs.

During the remaining term of the management agreement, Navios Acquisition will reimburse the Manager for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses are fixed for the first four years under these agreements for up to \$0.3 million per LR1 and MR2 product tanker vessel and will be reimbursed at cost for VLCC vessels.

**General and administrative expenses:** General and administrative expenses decreased by \$0.3 million from \$3.1 million during the nine month period ended September 30, 2011, to \$2.8 million for the nine month period ended September 30, 2012, due to a \$0.7 million decrease in legal, audit and other professional services partially offset by a \$0.4 million increase in administrative services charged by the Manager due to the increase in the number of operating vessels. On May 28, 2010, we entered into an administrative services agreement, expiring May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to us which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other services. The Manager is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. For the nine month periods ended September 30, 2012 and 2011, the Manager had charged us \$1.5 million and \$1.1 million for administrative services, respectively.

**Write-off of deferred finance costs:** In connection with the cancellation of certain committed credit in June 2011, the deferred finance fees in the amount of \$0.9 million were written-off in the Statement of Operations.

**Depreciation and amortization:** Depreciation and amortization for the nine months ended September 30, 2012 was \$36.4 million compared to \$27.2 million for the same period in 2011. Of the \$36.4 million, \$30.4 million was related to vessel depreciation and \$6.0 million was related to amortization of intangible assets and liabilities associated with the acquisition of the VLCC and MR2 vessels. The increase was attributable to the acquisitions of the Shinyo Kieran, the Buddy, the Bull, the Nave Andromeda, the Nave Estella, the Nave Atria and the Nave Cassiopeia.

**Interest income:** Interest income decreased by \$0.8 million to \$0.4 million for the nine month period ended September 30, 2012 from \$1.2 million for the nine month period ended September 30, 2011.

**Interest expense and finance cost, net:** Interest expense and finance cost, net amounted to \$36.6 million for the nine month period ended September 30, 2012, compared to \$31.0 million for the same period in 2011. Interest expense and finance cost for the nine month period ended September 30, 2012, consists of \$32.7 million of bond coupon expenses and \$3.9 million interest expense and finance costs in relation to our existing facilities. The weighted average balance outstanding of our loan facilities (excluding the Existing Notes and the Additional Notes) for the nine month period ended September 30, 2012 was \$484.5 million and the weighted average interest rate was 3.20%. The weighted average balance outstanding of our loan facilities (excluding the Existing Notes and the Additional Notes) for the nine month period ended September 30, 2011 was \$315.6 million and the weighted average interest rate was 3.05%.

**Other income/ (expense), net:** Other income, net for the nine month period ended September 30, 2012 was below \$0.1 million. Other expense, net for the nine month period ended September 30, 2011 was \$0.4 million and was mainly related to provision for claims.





**Table of Contents****Liquidity and Capital Resources**

Our primary short-term liquidity needs are to fund general working capital requirements, drydocking expenditures, and deposits for vessels under construction, minimum cash balance maintenance as per our credit facility agreements and debt repayment, while our long-term liquidity needs primarily relate to expansion and investment capital expenditures and other maintenance capital expenditures and debt repayment.

Expansion capital expenditures are primarily for the purchase or construction of vessels to the extent the expenditures increase the operating capacity of or revenue generated by our fleet, while maintenance capital expenditures primarily consist of drydocking expenditures and expenditures to replace vessels in order to maintain the operating capacity of or revenue generated by our fleet. Investment capital expenditures are those capital expenditures that are neither maintenance capital expenditures nor expansion capital expenditures.

We anticipate that our primary sources of funds for our short-term liquidity needs will be cash flows from operations and bank borrowings which we believe that will be sufficient to meet our existing short-term liquidity needs for at least the next 12 months. Generally, our long-term sources of funds will be from cash from operations, long term bank borrowings and other debt or equity financings.

We expect that we will rely upon external financing sources, including bank borrowings, to fund acquisitions and expansion and investment capital expenditures. We cannot assure you that we will be able to raise the size of our credit facilities or obtaining additional funds on favorable terms.

Navios Acquisition finances its capital requirements with cash flows from operations, equity contributions from stockholders, issuance of preferred shares, bank loans and the issuance of the Existing Notes and Additional Notes. Main uses of funds have been capital expenditures for the acquisition of new vessels, expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards, repayments of bank loans and payments of dividends.

Our contracts for the construction of our vessels are cancellable in various cases among which are, the shipbuilders inability to meet its obligations for delivery of the vessel until a set deadline and in accordance with its specifications, our inability to finance the purchase of the vessel, bankruptcy or other financial or liquidity problems of the shipbuilder and our inability to obtain requisite permits or approvals.

As of September 30, 2012, the remaining contractual installments for our tanker vessels to be delivered on various dates through October 2014, were \$ 131.1 million of which \$69.8 million will be financed through committed debt financing, \$9.0 million through the issuance of Series D Preferred Stock and \$52.3 million through cash on hand.

***Cash Flow*****Nine Month Period ended September 30, 2012 compared to the Nine month Period ended September 30, 2011**

The following table presents cash flow information for the nine month periods ended September 30, 2012 and September 30, 2011:

	<b>Nine Month Period Ended September 30, 2012 (unaudited)</b>	<b>Nine Month Period Ended September 30, 2011 (unaudited)</b>
<b>Expressed in thousands of U.S. dollars</b>		
Net cash provided by operating activities	\$ 73,913	\$ 39,121
Net cash used in investing activities	(180,210)	(164,736)
Net cash provided by financing activities	110,882	106,933
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>\$ 4,585</b>	<b>\$ (18,682)</b>
Cash and cash equivalents, beginning of the period	41,300	61,360
<b>Cash and cash equivalents, end of period</b>	<b>\$ 45,885</b>	<b>\$ 42,678</b>



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***Cash provided by operating activities for the nine month period ended September 30, 2012 as compared to the nine month period ended September 30, 2011.***

Net cash provided by operating activities increased by \$34.8 million to \$73.9 million for the nine month period ended September 30, 2012 as compared to \$39.1 million for the nine month period ended September 30, 2011. In determining net cash provided by operating activities, net loss is adjusted for the effects of certain non-cash items including depreciation and amortization.

Net loss for the nine month period ended September 30 2012 was \$4.1 million as compared to \$6.4 million for the nine month period ended September 30, 2011. The cumulative effect of the adjustments to reconcile net loss to net cash provided by operating activities was a \$40.5 million increase for the nine month period ended September 30, 2012 which consisted of \$36.4 million of depreciation and amortization, \$2.2 million for the amortization of finance costs, and \$1.9 million for the amortization of drydock and special survey costs.

Prepaid expenses and other current assets increased by \$0.3 million to \$0.8 million as of September 30, 2012 from \$0.5 million as of December 31, 2011.

Accounts receivable decreased by \$1.7 million from \$6.5 million at December 31, 2011 to \$4.8 million at September 30, 2012 due to a decrease in amounts due from charterers.

Restricted cash related to the interest expense decreased by \$0.3 million to \$0.4 million as of September 30, 2012 from \$0.7 million as of December 31, 2011.

Accounts payable decreased by \$0.5 million to \$0.5 million at September 30, 2012 from \$1.0 million at December 31, 2011. The decrease resulted from a \$0.2 million decrease in brokers payable and a \$0.3 million decrease in professional and legal fees payable.

Drydock payments incurred in the nine month period ended September 30, 2012 were \$3.1 million and related to the drydock and special survey costs incurred for one of the VLCC tanker vessel and two LR1 product tanker vessels.

Accrued expenses increased by \$7.6 million from \$15.5 million as of December 31, 2011 to \$23.1 million as of September 30, 2012. The primary reasons for the increase were: (a) an \$11.0 million increase in accrued loan interest and bond coupon expenses; and (b) a \$1.1 million increase in other accrued expenses. The \$12.1 million increase was partially offset by a \$4.5 million decrease in accrued legal and professional fees.

Amounts due to related parties increased by \$36.3 million from \$43.6 million at December 31, 2011 to \$79.9 million at September 30, 2012, as a result of a: (a) \$30.0 million increase in management fees, accrued administrative expenses and other payables due to affiliated companies; (b) \$4.0 million non-cash increase in pre-building costs; and (c) \$2.3 million increase in expenses incurred by the Manager in relation to drydock and special survey costs of one VLCC vessel and two LR1 product tanker vessels. Please refer to relevant discussion below, under Related Parties Transactions .

Other long term assets decreased by \$0.4 million to \$0.9 million for the nine months ended September 30, 2012 as compared to \$1.3 million for the year ended December 31, 2011. On October 28, 2011, the charter contract of the Nave Ariadne (ex Ariadne Jacob) and Nave Cielo (ex Colin Jacob) were terminated prior to their original expiration in June 2013. Navios Acquisition entered into certain settlement agreements with charterers that provided for an amount of approximately \$5.0 million to compensate for the early termination of the charters and to cover outstanding receivables, out of which \$2.0 million will be settled in installments through June 2015.

Deferred voyage revenue primarily related to cash received from charterers prior to being earned. These amounts are recognized as revenue over the voyage or charter period. Deferred voyage revenue decreased by \$0.8 million from \$3.3 million at December 31, 2011 to \$2.5 million at September 30, 2012.

Other long term liabilities decreased by \$0.2 million from \$0.5 million at December 31, 2011 to \$0.3 million at September 30, 2012. Other long term liabilities are related to the straight line effect of revenue of the vessels acquired in July 2011.

***Cash used in investing activities for the nine month period ended September 30, 2012 as compared to the nine month period ended September 30, 2011.***

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Net cash used in investing activities was \$180.2 million at September 30, 2012 as compared to \$164.7 million outflow for the comparative period in 2011.

Net cash used in investing activities resulted from: (a) \$10.2 million paid for the delivery of the Nave Estella on January 20, 2012, \$8.3 million for the delivery of Nave Atria on July 31, 2012 and \$26.5 million for the delivery of Nave Cassiopeia on August 31, 2012; and (b) a \$151.1 million increase in deposits for vessel acquisitions. This increase was partially offset by a \$15.8 million decrease in restricted cash that was used as deposits for vessel acquisition.

Net cash used in investing activities for the nine month period ended September 30, 2011 resulted from (a) \$32.1 million paid for the delivery of the Shinyo Kieran on June 8, 2011 and of the Nave Polaris and \$85.0 million paid for the acquisition of the Bull and the Buddy on July 12, 2011 and July 18, 2011, respectively; and (b) \$49.4 million increase in deposits for vessel acquisitions. This increase was partially offset by a \$1.8 million decrease in restricted cash.

**Table of Contents****Cash provided by financing activities for the nine month period ended September 30, 2012 as compared to the nine month period ended September 30, 2011.**

Net cash provided by financing activities for the nine month period ended September 30, 2012 was \$110.9 million. For the same period in 2011, \$107.0 million cash was provided by financing activities.

Net cash provided by financing activities for the nine month period ended September 30, 2012 resulted from \$148.0 million of loan proceeds net of deferred finance fees. The increase was partially offset by: (a) \$10.0 million repayment of loan to a related party; (b) \$9.6 million repayment of loans; (c) \$7.3 million payment of dividends; and (d) \$10.2 million increase in restricted cash.

Net cash provided by financing activities for the nine month period ended September 30, 2011 resulted from: (a) \$188.6 million from loan proceeds net of deferred finance fees and net of premium; and (b) \$29.6 million loan proceeds from related party. The increase was partially offset by: (a) \$96.3 million repayment of a loan; (b) \$6.0 million repayment of a loan to a related party; (c) \$7.3 million payment of dividends; and (d) \$1.6 million increase in restricted cash.

**Reconciliation of EBITDA and Adjusted EBITDA to Net Cash from Operating Activities**

	Three Month Period Ended September 30, 2012 (unaudited)	Three Month Period Ended September 30, 2011 (unaudited)	Nine Month Period Ended September 30, 2012 (unaudited)	Nine Month Period Ended September 30, 2011 (unaudited)
<b>Expressed in thousands of U.S. dollars</b>				
Net cash provided by operating activities	\$ 30,432	\$ 18,259	\$ 73,913	\$ 39,121
Net (decrease)/ increase in operating assets	(223)	1,656	(2,178)	2,340
Net increase in operating liabilities	(17,760)	(22,562)	(38,461)	(31,792)
Net interest cost	12,208	11,802	36,236	29,774
Deferred finance costs	(763)	(743)	(2,208)	(1,609)
Capitalized drydock and special survey costs, net	90	11,757	3,086	13,978
Write-off of deferred finance costs				(935)
<b>EBITDA<sup>(1)</sup></b>	<b>\$ 23,984</b>	<b>\$ 20,169</b>	<b>\$ 70,388</b>	<b>\$ 50,877</b>
Write-off of deferred finance costs				935
<b>Adjusted EBITDA</b>	<b>\$ 23,984</b>	<b>\$ 20,169</b>	<b>\$ 70,388</b>	<b>\$ 51,812</b>

(1)

	Three Month Period	Three Month Period	Nine Month Period Ended September 30, 2012	Nine Month Period Ended September 30, 2011
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	Ended September 30, 2012 (unaudited)	Ended September 30, 2011 (unaudited)	(unaudited)	(unaudited)
Net Cash provided by operating activities	\$ 30,432	\$ 18,259	\$ 73,913	\$ 39,121
Net Cash used in investing activities	\$ (41,802)	\$ (104,509)	\$ (180,210)	\$ (164,736)
Net Cash provided by financing activities	\$ 15,192	\$ 88,377	\$ 110,882	\$ 106,933

### **EBITDA**

EBITDA represents loss plus interest expenses and finance cost plus depreciation and amortization and income taxes.

EBITDA is presented because Navios Acquisition believes that EBITDA is a basis upon which liquidity can be assessed and present useful information to investors regarding Navios Acquisition's ability to service and/or incur indebtedness, pay capital expenditures, meet working capital requirements and pay dividends. EBITDA is a non-GAAP financial measure and should not be considered a substitute for net income, cash flow from operating activities and other operations or cash flow statement data prepared in accordance with accounting principles generally accepted in the United States or as a measure of profitability or liquidity.

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While EBITDA is frequently used as a measure of operating results and the ability to meet debt service requirements, the definition of EBITDA used here may not be comparable to that used by other companies due to differences in methods of calculation.

EBITDA for the three month period ended September 30, 2012, increased by \$3.8 million to \$24.0 million, as compared to \$20.2 million for the same period in 2011. The increase in EBITDA was due to a \$6.7 million increase in revenue due to the acquisitions of the Bull and the Buddy, in July 2011, the Nave Andromeda in November 2011, the Nave Estella in January 2012, the Nave Atria in July 2012 and the Nave Cassiopeia in August 2012. The above increase was partially offset by a: (a) \$2.0 million increase in management fees; (b) \$0.3 million increase in other expense, net and (c) \$0.6 million increase in time charter expenses.

EBITDA for the nine month period ended September 30, 2012, increased by \$19.5 million to \$70.4 million, as compared to \$50.9 million for the same period in 2011. The increase in EBITDA was due to a: (a) \$27.1 million increase in revenue due to the acquisition of the Shinyo Kieran in June 2011, the Bull and the Buddy in July 2011, the Nave Andromeda in November 2011, the Nave Estella in January 2012, the Nave Atria in July 2012 and the Nave Cassiopeia in August 2012; (b) \$0.9 million decrease in write-off of deferred finance costs; (c) \$0.3 million decrease in general and administrative expenses; and (d) \$0.5 increase in other income, net. The above \$28.8 million increase was partially offset by a: (i) \$8.5 million increase in management fees; and (ii) \$0.8 million increase in time charter expenses.

### **Adjusted EBITDA**

Adjusted EBITDA for the three and nine month period ended September 30, 2011, represents EBITDA plus the write-off of the deferred finance costs that was incurred in connection with the cancellation of committed credit.

Management believes that Adjusted EBITDA is useful in evaluating Navios Acquisition's performance and liquidity position because the calculation of Adjusted EBITDA generally eliminates the accounting effect of other items.

### **Long-Term Debt Obligations and Credit Arrangements**

#### ***8 5/8% First Priority Ship Mortgage Notes***

On October 21, 2010, Navios Acquisition and Navios Acquisition Finance completed the sale of the \$400.0 million of Existing Notes. On May 26, 2011, Navios Acquisition and Navios Acquisition Finance completed the sale of the \$105.0 million of Additional Notes. The Existing Notes and the Additional Notes are secured by first priority ship mortgages on seven VLCC vessels owned by certain subsidiary guarantors.

The Existing Notes and the Additional Notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company's subsidiaries with the exception of Navios Acquisition Finance. The subsidiary guarantees are full and unconditional, as that term is defined by Regulation S-X Rule 3-10, except for the fact that the indenture provides for an individual subsidiary's guarantee to be automatically released in certain customary circumstances, such as when a subsidiary is sold or all assets are sold, the capital stock is sold, when the subsidiary is designated as an unrestricted subsidiary for purposes of the bond indenture upon liquidation or dissolution or upon legal or covenant defeasance or satisfaction and discharge of the Existing Notes and the Additional Notes.

Navios Acquisition does not have any subsidiaries that are not guarantors of the 8 5/8% Notes. In addition, the disclosures required by Rules 3-10(i)(9) and (10) are not applicable because there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 8 5/8% Notes to obtain funds by dividend or loan from any of their subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

The Existing Notes and the Additional Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of Company's properties and assets and creation or designation of restricted subsidiaries.

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*Commerzbank AG, Alpha Bank A.E., and Credit Agricole Corporate and Investment Bank:* As a result of its initial vessel acquisition, Navios Acquisition assumed a loan agreement dated April 7, 2010, with *Commerzbank AG, Alpha Bank A.E. and Credit Agricole Corporate and Investment Bank* of up to \$150.0 million (divided in six equal tranches of \$25.0 million each) to partially finance the construction of two chemical tankers and four product tankers. Each tranche of the facility is repayable in 12 equal semi-annual installments of \$0.75 million each with a final balloon payment of \$16.0 million to be repaid on the last repayment date. The repayment of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$133.2 million was outstanding under this facility and \$12.3 million remained to be drawn.

*BNP Paribas SA Bank and DVB Bank S.E.:* As a result of the initial vessel acquisition, Navios Acquisition assumed a loan agreement dated April 8, 2010, of up to \$75.0 million (divided in three equal tranches of \$25.0 million each) for the purpose of part-financing the purchase price of three product tankers. Each of the tranche is repayable in 12 equal semi-annual installments of \$0.75 million each with a final balloon payment of \$16.0 million to be repaid on the last repayment date. The repayment date of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$54.7 million was outstanding under this facility and \$20.3 million remained to be drawn.

*DVB Bank S.E. and ABN AMRO Bank N.V.:* On May 28, 2010, Navios Acquisition entered into a loan agreement with *DVB Bank S.E. and ABN AMRO BANK N.V.* of up to \$52.0 million (divided into two tranches of \$26.0 million each) to partially finance the acquisition costs of two product tanker vessels. The repayment of each tranche starts three months after the delivery date of the respective vessel. It bears interest at a rate of LIBOR plus 275 bps. The loan also requires compliance with certain financial covenants. On December 29, 2011, Navios Acquisition prepaid \$2.5 million in relation to an amendment to its credit facility. After the prepayment, outstanding amount under each tranche is repayable in five quarterly installments of \$0.2 million each, 13 equal quarterly installments of \$0.44 million each, with a final balloon payment of \$15.2 million to be repaid on the last repayment date. As of September 30, 2012, the facility was fully drawn, and the outstanding amount under this facility was \$42.9 million.

*Cyprus Popular Bank Public Co Ltd:* In September 2010, Navios Acquisition (through four subsidiaries) entered into a \$80.0 million revolving credit facility with *Cyprus Popular Bank Public Co Ltd* to partially finance the acquisition and construction of vessels and for investment and working capital purposes. On September 7, 2012 the amount of the facility was reduced to \$32.4 million. Drawings under the facility are secured by assignments of construction contracts and guarantees, as well as security interests in related assets. The facility bears interest at a rate of LIBOR plus 275 bps. As of September 30, 2012, the outstanding amount under this facility was \$32.4 million that was used to partially finance the acquisition cost of two product tanker vessels. Pursuant to an agreement dated December 28, 2011, the maturity of the facility was extended to match the delivery of the vessels.

*Eurobank Ergasias S.A.:* On October 26, 2010, Navios Acquisition entered into a loan agreement with *EFG Eurobank Ergasias S.A.* of up to \$52.2 million of which \$51.6 million is drawn (divided into two tranches of \$26.1 million and \$25.5 million respectively) to partially finance the acquisition costs of two product tanker vessels. Each tranche of the facility is repayable in 32 quarterly installments of \$0.35 million and \$0.34 million respectively, with a final balloon payment of \$15.1 million and \$14.7 million, respectively, to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective vessel. The loan bears interest at a rate of LIBOR plus (i) plus 250 bps for the period prior to the delivery date in respect of the vessel being financed, and (ii) thereafter 275 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, the facility was fully drawn and the amount outstanding was \$49.9 million.

*Eurobank Ergasias S.A.:* On December 6, 2010, Navios Acquisition entered into a loan agreement with *EFG Eurobank Ergasias S.A.* of up to \$52.0 million (divided into two tranches of \$26.0 million each) to partially finance the acquisition costs of two product tanker vessels. Each tranche of the facility is repayable in 32 equal quarterly installments of \$0.35 million each with a final balloon payment of \$15.0, to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective vessel. It bears interest at a rate of LIBOR plus 300 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$40.0 million was outstanding under this facility and \$9.1 million remained to be drawn.

*ABN AMRO BANK N.V.:* On July 8, 2011, Navios Acquisition entered into a loan agreement with *ABN AMRO Bank N.V.* of up to \$55.1 million (divided into two equal tranches) to partially finance the purchase price of two MR2 product tanker vessels. The total amount of \$54.8 million was drawn under this facility. Each tranche of the facility is repayable in 12 quarterly installments of \$0.75 million each and 12 quarterly installments of \$0.57 million each with a final balloon payment of \$11.6 million to be repaid on the last repayment date. The repayment of each tranche started in October 2011 and it bears interest at a rate of LIBOR plus 325 bps. The loan also requires compliance with certain financial



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covenants. As of September 30, 2012, \$48.8 million was outstanding under this loan agreement (\$24.4 million from each of the two tranches), and no further amounts were available to be drawn.

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*DVB Bank SE:* On December 7, 2011, Navios Acquisition entered into a loan agreement with DVB Bank SE of up to \$51.0 million (divided into two tranches of \$25.5 million each) to partially finance the purchase price of two LR1 product tanker vessels. Each tranche of the facility is repayable in 28 quarterly installments of \$0.4 million each with a final balloon payment of \$14.3 million to be repaid on the last repayment date. The repayment starts three months after the delivery of the respective vessel and it bears interest at a rate of LIBOR plus 270 bps per annum. The loan also requires compliance with certain financial covenants. As of September 30, 2012, no amount was outstanding under this loan agreement, and \$51.0 million remained undrawn.

*NORDDEUTSCHE LANDESBANK GIROZENTRALE:* On December 29, 2011, Navios Acquisition entered into a loan agreement with NORDDEUTSCHE LANDESBANK GIROZENTRALE of up to \$28.1 million to partially finance the purchase price of one MR2 product tanker vessel. The facility is repayable in 32 quarterly installments of \$0.39 million each with a final balloon payment of \$15.6 million to be repaid on the last repayment date. The repayment starts three months after the delivery of the vessel and it bears interest at a rate of LIBOR plus: (a) up to, but not including, the Drawdown Date of, 175bps per annum; (b) thereafter until, but not including, the tenth Repayment Date, 250 bps per annum; and (c) thereafter 300 bps per annum. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$24.9 million was drawn under this facility and \$3.2 million remained to be drawn.

*DVB Bank SE and Emporiki Bank of Greece S.A.:* On December 29, 2011, Navios Acquisition entered into a loan agreement with DVB Bank SE and Emporiki Bank of Greece S.A. of up to \$56.3 million (divided into two tranches of \$28.1 million each) to partially finance the purchase price of two MR2 product tanker vessels. Each tranche of the facility is repayable in 32 quarterly installments of \$0.39 million each with a final balloon payment of \$15.6 million to be repaid on the last repayment date. The repayment starts three months after the delivery of the respective vessel and it bears interest at a rate of LIBOR plus: (a) up to, but not including, the Drawdown Date of, 175 bps per annum; (b) thereafter until, but not including, the tenth Repayment Date, 250 bps per annum; and (c) thereafter 300 bps per annum. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$50.0 million was drawn under this loan agreement and \$6.3 million remained to be drawn.

*Navios Holdings Credit Facility:* Navios Acquisition entered into a \$40.0 million credit facility with Navios Holdings. The \$40.0 million facility has a margin of LIBOR plus 300 bps and a term of 18 months, maturing on April 1, 2012. Pursuant to an amendment in October 2010, the facility will be available for multiple drawings up to a limit of \$40.0 million. Pursuant to an agreement dated November 8, 2011, this facility was extended from April 2012 to December 2014. As of September 30, 2012 the outstanding amount under this facility was \$30.0 million; \$10.0 million remained to be drawn. For the nine month period ended September 30, 2012, interest expense in relation to this facility amounted to \$0.9 million and was included under interest expense and finance cost, net in the statement of operations.

The loan facilities include, among other things, compliance with certain financial covenants, including: (i) a minimum liquidity of \$40.0 million or if greater \$1.0 million per vessel, including vessels under construction; (ii) net worth ranging from \$50.0 to \$75.0 million through January 2013 and up to \$135.0 million thereafter; and (iii) total liabilities divided by total assets, adjusted for market values to be lower than 75%, as of January 1, 2013 and thereafter.

Amounts drawn under the facilities are secured by first preferred mortgages on Navios Acquisition's vessels and other collateral and are guaranteed by each vessel-owning subsidiary. The credit facilities contain a number of restrictive covenants that prohibit or limit Navios Acquisition from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; changing the flag, class, management or ownership of Navios Acquisition's vessels; changing the commercial and technical management of Navios Acquisition's vessels; selling Navios Acquisition's vessels; and subordinating the obligations under each credit facility to any general and administrative costs relating to the vessels, including the fixed daily fee payable under the management agreement. The credit facilities also require Navios Acquisition to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. The credit facilities also require compliance with a number of financial covenants of Navios Acquisition, including net worth, debt coverage ratios, and minimum liquidity. It is an event of default under the credit facilities if such covenants are not complied with.

As of September 30, 2012, the Company was in compliance with its covenants.

As of September 30, 2012, the total amount available to be drawn from all our facilities was \$112.2 million of which \$102.2 million will be used to finance the acquisition and construction of vessels and \$10.0 million for investment and working capital purposes.

**Table of Contents****Capital Expenditures**

On January 20, 2012, Navios Acquisition took delivery of the Nave Estella, a 75,000 dwt South Korean-built LR1 product tanker, for a total cost of \$44.6 million. Cash paid was \$11.0 million and \$33.6 million was transferred from vessel deposits.

On July 31, 2012, Navios Acquisition took delivery of the Nave Atria, a 49,992 dwt South Korean built MR2 product tanker, for a total cost of \$37.6 million. Cash paid was \$9.0 million and \$28.6 million was transferred from vessel deposits.

On August 31, 2012, Navios Acquisition took delivery of the Nave Cassiopeia, a 74,711 dwt LR1 product tanker, from a South Korean shipyard for \$43.8 million. The \$43.8 million consisted of: (i) cash paid of \$27.3 million, (ii) Series D Preferred Stock issued of \$3.0 million; and (iii) \$13.5 million was transferred from vessel deposits.

Total consideration of 12 vessels to be delivered, as of September 30, 2012, was approximately \$429.6 million. As of September 30, 2012, Navios Acquisition had paid \$323.3 million which has been included in the financial statements in Deposits for vessel acquisitions, of which \$298.5 million related to vessels deposits and the remaining \$24.8 million related to capitalized interest and expenses.

**Off-Balance Sheet Arrangements**

Navios Acquisition has no off-balance sheet arrangements that have or are reasonably likely to have, a current or future material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

**Contractual Obligations**

The following table summarizes Navios Acquisition's contractual obligations as of September 30, 2012:

	Payments due by period				Total
	(unaudited)				
	Less than 1 year	1-3 years	3-5 years	More than 5 years	
(In thousands of U.S. dollars)					
Long term debt obligations <sup>(1)</sup>	\$ 17,000	\$ 35,903	\$ 126,556	\$ 802,350	\$ 981,809
Loans due to related parties <sup>(2)</sup>		30,000			30,000
Vessel deposits <sup>(3)</sup>	95,219	35,880			131,099
<b>Total contractual obligations</b>	<b>\$ 112,219</b>	<b>\$ 101,783</b>	<b>\$ 126,556</b>	<b>\$ 802,350</b>	<b>\$ 1,142,908</b>

(1) The amount identified does not include interest costs associated with the outstanding credit facilities, which are based on LIBOR or applicable interest rate swap rates, plus the costs of complying with any applicable regulatory requirements and a margin ranging from 1.75% to 3.25% per annum or the \$505.0 million Notes which have a fixed rate of 8 5/8%.

(2) The amount relates to the credit facility with Navios Holdings. The amount identified does not include interest costs associated with the outstanding credit facility which is based on LIBOR, plus the costs of complying with any applicable regulatory requirements and a margin of 3.00% per annum.

(3) Future remaining contractual installments for the Navios Acquisition tanker vessels to be delivered on various dates through October 2014.

**Related Party Transactions**

**General and administrative expenses:** On May 28, 2010, we entered into an administrative services agreement, expiring May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to us which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other services. Navios Holdings is reimbursed for reasonable costs and expenses incurred in connection with the

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provision of these services. For the nine month periods ended September 30, 2012 and September 30, 2011, Navios Holdings had charged us \$1.5 million and \$1.1 million, respectively, for administrative services.

**Balance due to related parties:** Amounts due to related parties as of September 30, 2012 and December 31, 2011, was \$79.9 million and \$43.6 million, respectively, which represented the account payable to Navios Holdings and its subsidiaries. The balance mainly consisted of management fees, administrative fees, drydocking costs and other expenses.

**Management fees:** Pursuant to a Management Agreement dated May 28, 2010, for five years from the closing of the vessel acquisition, a subsidiary of Navios Holdings provides commercial and technical management services to Navios Acquisition's vessels for a daily fee of \$6,000 per owned MR2 product tanker and chemical tanker vessel, \$7,000 per owned LR1 product tanker vessel and \$10,000 per owned VLCC vessel, for the first two years with the fixed daily fees adjusted for the remainder of the term based on then-current market fees. This daily fee covers all of the vessels' operating expenses,

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other than certain extraordinary fees and costs. During the remaining three years of the term of the Management Agreement, Navios Acquisition expects it will reimburse Navios Holdings for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. On May 4, 2012, Navios Acquisition amended its existing Management Agreement with the Manager, to fix the fees for ship management services of its owned fleet at current rates for two additional years, through May 28, 2014. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses are fixed under this agreement for up to \$0.3 million per MR2 Product tanker, chemical tanker and LR1 product tanker vessels and will be reimbursed at cost for VLCC vessels. Total management fees for each of the nine month periods ended September 30, 2012 and 2011 amounted to \$33.9 million and \$25.4 million, respectively. Commencing as of March 30, 2012, Navios Acquisition could, upon request, reimburse the Manager partially or fully for drydocking and other extraordinary fees and expenses under the Management Agreement at a later date, but not later than January 4, 2014, and if reimbursed on a later date, such amounts will bear interest at a rate of 1% per annum over LIBOR. Commencing as of September 28, 2012, Navios Acquisition may, upon request, reimburse the Manager partially or fully, for any fixed management fees outstanding for a period of not more than nine months under the Agreement at a later date, but not later than December 31, 2014, and if reimbursed on a later date, such amounts will bear interest at a rate of 1% per annum over LIBOR. For the nine month period ended September 30, 2012 interest expense in relation to long term payables due to related parties amounted to \$0.1 million and due to related parties, long term amounted to \$49.4 million.

**Omnibus agreement:** Navios Acquisition entered into an omnibus agreement (the Acquisition Omnibus Agreement) with Navios Holdings and Navios Maritime Partners L.P. (Navios Partners) in connection with the closing of Navios Acquisition's initial vessel acquisition, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for container vessels and vessels that are primarily employed in operations in South America without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter drybulk carriers under specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries grant to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its drybulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels they might own. These rights of first offer, which provides for, will not apply to a: (a) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a counterparty; or (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

**The Navios Holdings Credit Facility:** Navios Acquisition entered into a \$40.0 million credit facility with Navios Holdings. The \$40.0 million facility has a margin of LIBOR plus 300 bps and pursuant to an amendment dated November 8, 2011, the maturity of the facility was extended to December 2014. Pursuant to an amendment in October 2010, the facility will be available for multiple drawings up to a limit of \$40.0 million. As of September 30, 2012 the outstanding amount under this facility was \$30.0 million and was included under loans due to related parties. As of September 30, 2012 and December 31, 2011, interest accrued under this facility was \$0 and below \$0.1 million, respectively, and was included under amounts due to related parties. For the nine month period ended September 30, 2012 interest expense in relation to Navios Holdings credit facility amounted to \$0.9 million.

**Exchange Agreement:** Pursuant to an Exchange Agreement entered into on March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition's common stock it held for 1,000 shares of non-voting Series C Convertible Preferred Stock of Navios Acquisition (see Note 13 of the condensed consolidated financial statements, included herein.)

## **Quantitative and Qualitative Disclosures about Market Risks**

### *Foreign Exchange Risk*

Our functional and reporting currency is the U.S. dollar. We engage in worldwide commerce with a variety of entities. Although our operations may expose us to certain levels of foreign currency risk, our transactions are predominantly U.S. dollar denominated. Transactions in currencies other than U.S. dollar are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized in the statement of income.

### *Interest Rate Risk*

As of September 30, 2012, Navios Acquisition had a total of \$981.8 million in long-term indebtedness. Borrowings under our credit facilities bear interest at rates based on a premium over U.S. \$ LIBOR except for the interest rate on the Notes and the Additional Notes which is fixed. Therefore, we are exposed to the risk that our interest expense may increase if interest rates rise. For the nine month period ended September 30, 2012, we paid interest on our outstanding debt at a weighted average interest rate of 3.20% excluding the Existing Notes and Additional Notes. A 1% increase in LIBOR would have increased our interest expense for the nine month period ended September 30, 2012 by \$4.8 million.



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### **Concentration of Credit Risk**

Financial instruments, which potentially subject us to significant concentrations of credit risk, consist principally of trade accounts receivable. We closely monitor our exposure to customers for credit risk. We have policies in place to ensure that we trade with customers with an appropriate credit history. For the nine month period ended September 30, 2012, DOSCO and STX Panocean accounted for 44.4% and 11.1%, respectively, of Navios Acquisition's revenue. For the year ended December 31, 2011, the most significant counterparties were DOSCO, Blue Light Chartering Inc. and Jacob Tank Chartering GMBH & Co. which counterparties accounted for approximately 43.9%, 11.5% and 11.3%, respectively, of our total revenue.

### **Cash and Cash Equivalent**

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

### **Inflation**

Inflation has had a minimal impact on vessel operating expenses and general and administrative expenses. Our management does not consider inflation to be a significant risk to direct expenses in the current and foreseeable economic environment.

### **Recent Accounting Pronouncements**

#### *Fair Value Disclosures*

In January 2010, the Financial Accounting Standards Board ( FASB ) issued amended standards requiring additional fair value disclosures. The amended standards require disclosures of transfers in and out of Levels 1 and 2 of the fair value hierarchy, as well as requiring gross basis disclosures for purchases, sales, issuances and settlements within the Level 3 reconciliation. Additionally, the update clarifies the requirement to determine the level of disaggregation for fair value measurement disclosures and to disclose valuation techniques and inputs used for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. Navios Acquisition adopted the new guidance in the first quarter of fiscal 2010, except for the disclosures related to purchases, sales, issuance and settlements, which was effective for Navios Acquisition beginning in the first quarter of fiscal 2012. The adoption of the new standards did not have a significant impact on Navios Acquisition's consolidated financial statements.

### **Critical Accounting Policies,**

Navios Acquisition's interim consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Navios Acquisition to make estimates in the application of its accounting policies based on the best assumptions, judgments and opinions of management.

The Company's most critical accounting policies and estimates are those that involve subjective decisions or assessments and are included in the Company's Annual Report on Form 20-F for the year ended December 31, 2011. There were no material changes to these critical accounting policies during the three and nine months ended September 30, 2012.

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**NAVIOS MARITIME ACQUISITION CORPORATION**

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**Table of Contents****NAVIOS MARITIME ACQUISITION CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEETS**

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

	Notes	September 30, 2012 (unaudited)	December 31, 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 45,885	\$ 41,300
Restricted cash, short term portion	3	26,206	30,640
Accounts receivable, net		4,741	6,478
Prepaid expenses and other current assets		816	489
<b>Total current assets</b>		<b>77,648</b>	<b>78,907</b>
Vessels, net	4	870,274	774,624
Deposits for vessels acquisitions	4	323,316	245,567
Deferred finance costs, net		21,573	24,819
Goodwill	6	1,579	1,579
Intangible assets other than goodwill	5	53,395	59,879
Restricted cash, long term portion			1,574
Other long-term assets		884	1,310
Deferred drydock and special survey cost, net		8,404	7,210
<b>Total non-current assets</b>		<b>1,279,425</b>	<b>1,116,562</b>
<b>Total assets</b>		<b>\$ 1,357,073</b>	<b>\$ 1,195,469</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 544	\$ 1,021
Dividend payable	7	2,410	2,421
Accrued expenses	8	23,112	15,492
Due to related parties, short term	11	30,482	43,616
Deferred revenue		2,497	3,251
Current portion of long term debt	9	17,000	11,928
<b>Total current liabilities</b>		<b>76,045</b>	<b>77,729</b>
Long-term debt, net of current portion	9	966,497	833,483
Loans due to related party	11	30,000	40,000
Due to related parties, long term	11	49,433	
Other long term liabilities		275	480
Unfavorable lease terms	5	4,415	4,928
<b>Total non-current liabilities</b>		<b>1,050,620</b>	<b>878,891</b>
<b>Total liabilities</b>		<b>1,126,665</b>	<b>956,620</b>
<b>Commitments and contingencies</b>	12		
	13	<b>3,000</b>	

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<b>Series D Convertible Preferred stock 300 shares issued and outstanding with \$3,000 redemption amount</b>			
<b>Stockholders equity</b>			
Preferred stock, \$0.0001 par value; 10,000,000 shares authorized; 4,540 issued and outstanding as of September 30, 2012 and December 31, 2011	13		
Common stock, \$0.0001 par value; 250,000,000 shares authorized; 40,517,413 issued and outstanding as of September 30, 2012 and December 31, 2011	13	4	4
Additional paid-in capital	13	248,539	255,849
Accumulated deficit		(21,135)	(17,004)
<b>Total stockholders equity</b>		<b>227,408</b>	<b>238,849</b>
<b>Total liabilities and stockholders equity</b>		<b>\$ 1,357,073</b>	<b>\$ 1,195,469</b>

See unaudited condensed notes to consolidated financial statements

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## NAVIOS MARITIME ACQUISITION CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

		For the	For the		
	Notes	Three Months Ended September 30, 2012 (unaudited)	Three Months Ended September 30, 2011 (unaudited)	For the Nine Months Ended September 30, 2012 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)
Revenue		\$ 37,761	\$ 31,127	\$ 109,423	\$ 82,274
Time charter expenses		(678)	(113)	(2,337)	(1,503)
Direct vessel expenses		(789)	(306)	(1,892)	(306)
Management fees	11	(11,813)	(9,768)	(33,870)	(25,408)
General and administrative expenses		(1,168)	(1,197)	(2,845)	(3,112)
Write-off of deferred finance costs					(935)
Depreciation and amortization	4,5	(12,402)	(10,828)	(36,391)	(27,169)
Interest income		100	332	391	1,229
Interest expenses and finance cost, net	9	(12,308)	(12,134)	(36,627)	(31,003)
Other (expense)/income, net		(118)	120	17	(439)
<b>Net loss</b>		<b>\$ (1,415)</b>	<b>\$ (2,767)</b>	<b>\$ (4,131)</b>	<b>\$ (6,372)</b>
Dividend declared on preferred shares Series B		(27)	(27)	(81)	(81)
Undistributed loss attributable to Series C participating preferred shares		230	456	671	983
Net loss attributable to common shareholders	15	<b>(1,212)</b>	<b>(2,338)</b>	<b>(3,541)</b>	<b>(5,470)</b>
Net loss per share, basic		\$ (0.03)	\$ (0.06)	\$ (0.09)	\$ (0.13)
Weighted average number of shares, basic		40,517,413	39,356,450	40,517,413	41,858,882
Net loss per share, diluted		\$ (0.03)	\$ (0.06)	\$ (0.09)	\$ (0.13)
Weighted average number of shares, diluted		40,517,413	39,356,450	40,517,413	41,858,882

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**Table of Contents****NAVIOS MARITIME ACQUISITION CORPORATION****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in thousands of U.S. dollars)

	Notes	For the Nine Months Ended September 30, 2012 (unaudited)	For the Nine Months Ended September 30, 2011 (unaudited)
<b>Operating Activities</b>			
Net loss		\$ (4,131)	\$ (6,372)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>			
Depreciation and amortization	4,5	36,391	27,169
Amortization & write-off of deferred finance cost, net		2,208	1,609
Amortization of drydock and special survey costs		1,892	306
Write-off of deferred finance costs			935
<b>Changes in operating assets and liabilities:</b>			
Increase in prepaid expenses		(327)	(1,504)
Decrease/(increase) in accounts receivable		1,737	(498)
Decrease/(increase) in restricted cash		343	(338)
Decrease in other long term assets		425	
Decrease in accounts payable		(477)	(2,612)
Payments for drydock and special survey costs		(3,086)	(13,978)
Increase in accrued expenses		7,619	13,205
Increase in due to related parties		32,280	21,340
Decrease in deferred revenue		(755)	(677)
Decrease/(increase) in other long term liabilities		(206)	536
<b>Net cash provided by operating activities</b>		<b>\$ 73,913</b>	<b>\$ 39,121</b>
<b>Investing Activities</b>			
Acquisition of vessels	4	(45,025)	(106,725)
Deposits for vessel acquisition	4	(151,033)	(49,439)
Decrease in restricted cash		15,848	1,775
Acquisition on intangible assets other than goodwill			(10,347)
<b>Net cash used in investing activities</b>		<b>\$ (180,210)</b>	<b>\$ (164,736)</b>
<b>Financing Activities</b>			
Loan proceeds, net of deferred finance costs and net of premium	9	148,005	188,626
Loan proceeds from related party			29,609
Loan repayment to related party	11	(10,000)	(6,000)
Loan repayments	9	(9,620)	(96,340)
Dividend paid	7	(7,321)	(7,343)
Increase in restricted cash		(10,182)	(1,619)
<b>Net cash provided by financing activities</b>		<b>\$ 110,882</b>	<b>\$ 106,933</b>

<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>4,585</b>	<b>(18,682)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>41,300</b>	<b>61,360</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 45,885</b>	<b>\$ 42,678</b>

See unaudited condensed notes to consolidated financial statements

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	For the Nine Month period Ended September 30, 2012 (unaudited)	For the Nine Month Period Ended September 30, 2011 (unaudited)
<b>Supplemental disclosures of cash flow information</b>		
Cash interest paid, net of capitalized interest	\$ 24,242	\$ 18,396
<b>Non-cash financing activities</b>		
Dividend payable	\$ 2,410	\$ 2,421
Acquisition of vessels	\$ 2,325	\$ 1,313
Deposits for vessel acquisition	\$ 1,694	\$ 539
Preferred Stock subject to redemption	\$ 3,000	

See unaudited condensed notes to consolidated financial statements

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## NAVIOS MARITIME ACQUISITION CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

	Preferred Stock		Common Stock		Additional Paid-in Capital	(Accumulated deficit)	Total Stockholders Equity
	Number of Preferred Shares	Amount	Number of Common Units/Shares	Amount			
<b>Balance, December 31, 2010</b>	<b>3,540</b>	<b>\$</b>	<b>48,410,572</b>	<b>\$ 5</b>	<b>\$ 266,870</b>	<b>\$ (13,147)</b>	<b>\$ 253,728</b>
Common stock exchanged for 1,000 Series C preferred shares	1,000		(7,676,000)	(1)	1		
Dividends paid/declared					(7,343)		(7,343)
Net loss						(6,372)	(6,372)
<b>Balance, September 30, 2011 (unaudited)</b>	<b>4,540</b>		<b>40,734,572</b>	<b>\$ 4</b>	<b>\$ 259,528</b>	<b>\$ (19,519)</b>	<b>\$ 240,013</b>
<b>Balance, December 31, 2011</b>	<b>4,540</b>	<b>\$</b>	<b>40,517,413</b>	<b>\$ 4</b>	<b>\$ 255,849</b>	<b>\$ (17,004)</b>	<b>\$ 238,849</b>
Dividend paid/declared (see Note 7)					(7,310)		(7,310)
Net loss						(4,131)	(4,131)
<b>Balance, September 30, 2012 (unaudited)</b>	<b>4,540</b>		<b>40,517,413</b>	<b>\$ 4</b>	<b>\$ 248,539</b>	<b>\$ (21,135)</b>	<b>\$ 227,408</b>

See unaudited condensed notes to consolidated financial statements

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**NAVIOS MARITIME ACQUISITION CORPORATION**

**UNAUDITED CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**NOTE 1: DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS**

Navios Maritime Acquisition Corporation ( Navios Acquisition or the Company ) (NYSE: NNA) owns a large fleet of modern crude oil, refined petroleum product and chemical tankers providing world-wide marine transportation services. The Company's strategy is to charter its vessels to international oil companies, refiners and large vessel operators under long, medium and short-term charters. The Company is committed to providing quality transportation services and developing and maintaining long-term relationships with its customers. The operations of Navios Acquisition are managed by the Navios Tankers Management Inc. (the Manager ) a subsidiary of Navios Maritime Holdings Inc. ( Navios Holdings ) from its head offices in Piraeus, Greece.

Navios Acquisition was incorporated in the Republic of Marshall Islands on March 14, 2008. On July 1, 2008, Navios Acquisition completed its initial public offering, or its IPO. On May 28, 2010, Navios Acquisition consummated the vessel acquisition which constituted its initial business combination. Following such transaction, Navios Acquisition commenced its operations as an operating company and was controlled by Navios Holdings.

On March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition's common stock it held for 1,000 shares of Series C Convertible Preferred Stock of Navios Acquisition pursuant to an Exchange Agreement entered into on March 30, 2011, between Navios Acquisition and Navios Holdings. Following this exchange, Navios Holdings has 45% of the voting power and 53.7% of the economic interest in Navios Acquisition.

On November 4, 2011, a total of 1,160,963 shares of common stock were released to the sellers of the VLCC Acquisition and the remaining 217,159 were returned to Navios Acquisition in settlement of claims relating to representations and warranties attributable to the sellers. The returned shares were cancelled on December 30, 2011.

As of September 30, 2012, Navios Acquisition had outstanding: 40,517,413 shares of common stock, 4,840 shares of preferred stock, 6,037,994 public warrants included in the number of shares and warrants are 12,752 units (one unit consists of one share of common stock and one warrant).

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation:** The accompanying interim condensed consolidated financial statements are unaudited, but, in the opinion of management, reflect all adjustments for a fair statement of Navios Acquisition's condensed consolidated financial position, statements of income and cash flows for the periods presented. Adjustments consist of normal, recurring entries. The year end condensed balance sheet data was derived from audited financial statements, but does not include all disclosure required by accounting principles generally accepted in the United States of America ( GAAP ). The results of operations for the interim periods are not necessarily indicative of results for the full year. The footnotes are condensed as permitted by the requirements for interim financial statements and accordingly, do not include information and disclosures required under GAAP for complete financial statements. These interim financial statements should be read in conjunction with the Company's consolidated financial statements and notes included in Navios Acquisition's 2011 Annual Report filed on Form 20-F with the Securities and Exchange Commission ( SEC ).

**(b) Principles of consolidation:** The accompanying interim consolidated financial statements include the accounts of Navios Acquisition, a Marshall Islands corporation, and its majority owned subsidiaries. All significant intercompany balances and transactions have been eliminated in the consolidated statements.

The Company also consolidates entities that are determined to be variable interest entities as defined in the accounting guidance, if it determines that it is the primary beneficiary. A variable interest entity is defined as a legal entity where either (a) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.



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(c) **Subsidiaries:** Subsidiaries are those entities in which the Company has an interest of more than one half of the voting rights and/or otherwise has power to govern the financial and operating policies. The acquisition method of accounting is used to account for the acquisition of subsidiaries if deemed to be a business combination. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition. The excess of the cost of acquisition over the fair value of the net assets acquired and liabilities assumed is recorded as goodwill.

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

As of September 30, 2012, the entities included in these consolidated financial statements were:

Navios Maritime Acquisition Corporation and Subsidiaries: Company Name	Nature	Country of Incorporation	Statement of operations			
			2012	2011	2010	2009
Aegean Sea Maritime Holdings Inc.	Sub-Holding Company	Marshall Is.	1/1	9/30	1/1	9/30
Amorgos Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Andros Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Antikithira Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	6/7	9/30
Antiparos Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Amindra Navigation Co.	Sub-Holding Company	Marshall Is.	1/1	9/30	4/28	9/30
Crete Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Folegandros Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Ikaria Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Ios Shipping Corporation	Vessel Owning Company	Cayman Is.	1/1	9/30	1/1	9/30
Kithira Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	6/7	9/30
Kos Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Mytilene Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Navios Maritime Acquisition Corporation	Holding Company	Marshall Is.	1/1	9/30	1/1	9/30
Navios Acquisition Finance (U.S.) Inc.	Co-Issuer	Delaware	1/1	9/30	1/1	9/30
Rhodes Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Serifos Shipping Corporation	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Shinyo Dream Limited	Vessel Owning Company	Hong Kong	1/1	9/30	1/1	9/30
Shinyo Kannika Limited	Vessel Owning Company	Hong Kong	1/1	9/30	1/1	9/30
Shinyo Kieran Limited	Vessel Owning Company	British Virgin Is.	1/1	9/30	1/1	9/30
Shinyo Loyalty Limited	Vessel Owning Company	Hong Kong	1/1	9/30	1/1	9/30
Shinyo Navigator Limited	Vessel Owning Company	Hong Kong	1/1	9/30	1/1	9/30
Shinyo Ocean Limited	Vessel Owning Company	Hong Kong	1/1	9/30	1/1	9/30
Shinyo Saowalak Limited	Vessel Owning Company	British Virgin Is.	1/1	9/30	1/1	9/30
Sifnos Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Skiathos Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Skopelos Shipping Corporation	Vessel Owning Company	Cayman Is.	1/1	9/30	11/1	9/30
Syros Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Thera Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Tinos Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30	1/1	9/30
Oinousses Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30		
Psara Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30		
Antipsara Shipping Corporation <sup>(1)</sup>	Vessel Owning Company	Marshall Is.	1/1	9/30		

(1) Each company has the rights over a shipbuilding contract of a tanker vessel.

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**(d) Use of estimates:** The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to uncompleted voyages, future drydock dates, the selection of useful lives for tangible assets, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivables, provisions for legal disputes and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

**(e) Preferred shares Series D:** On August 31, 2012, Navios Acquisition issued 300 shares of its authorized Series D Preferred Stock (nominal and fair value \$3,000) to a shipyard, in partial settlement of the purchase price of the newbuild LR1 product tanker, Nave Cassiopeia. The preferred stock contains a 6% per annum dividend payable quarterly, starting one year after delivery of the vessel. The Series D Preferred Stock will mandatorily convert into shares of common stock on February 28, 2015 at a price per share of common stock equal to \$10.00. The holder of the preferred stock shall have the right to convert the shares of preferred stock into common stock prior to the scheduled maturity dates at a price of \$7.00 per share of common stock. The preferred stock does not have any voting rights. Navios Acquisition is obligated to redeem the Series D Preferred Stock (or converted common shares) at holder's option exercisable beginning on February 28, 2014 for a total of \$3,000 payable at 12 equal quarterly installments.

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The fair value on August 31, 2012, was determined using a combination of Black Scholes model and discounted projected cash flows for the conversion option and put, respectively. The model used takes into account the credit spread of Navios Acquisition, the volatility of its stock, as well as the price of its stock at the issuance date. The convertible preferred stock is classified as temporary equity (i.e., apart from permanent equity) as a result of the redemption feature upon exercise of the put option granted to the holder of the preferred stock.

**(e) Recent Accounting Pronouncements:***Fair Value Disclosures*

In January 2010, the FASB issued amended standards requiring additional fair value disclosures. The amended standards require disclosures of transfers in and out of Levels 1 and 2 of the fair value hierarchy, as well as requiring gross basis disclosures for purchases, sales, issuances and settlements within the Level 3 reconciliation. Additionally, the update clarifies the requirement to determine the level of disaggregation for fair value measurement disclosures and to disclose valuation techniques and inputs used for both recurring and nonrecurring fair value measurements in either Level 2 or Level 3. Navios Acquisition adopted the new guidance in the first quarter of fiscal 2010, except for the disclosures related to purchases, sales, issuance and settlements, which was effective for Navios Acquisition beginning in the first quarter of fiscal 2012. The adoption of the new standards did not have a significant impact on Navios Acquisition consolidated financial statements.

**NOTE 3: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following:

	September 30, 2012	December 31, 2011
Cash on hand and at banks	\$ 25,459	\$ 8,333
Short-term deposits	20,426	32,967
<b>Total cash and cash equivalents</b>	<b>\$ 45,885</b>	<b>\$ 41,300</b>

Short term deposits relate to time deposit accounts held in bank for general financing purposes.

As of September 30, 2012, restricted cash was \$26,206 and mainly related to requirements for the future installments for vessel deposits, loan repayments and interest, and pledged accounts as required by the credit facilities.

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

**NOTE 4: VESSELS, NET**

Vessels	Cost	Accumulated Depreciation	Net Book Value
<b>Balance at December 31, 2010</b>	<b>\$ 538,751</b>	<b>\$ (9,092)</b>	<b>\$ 529,659</b>
Additions	277,985	(33,020)	244,965

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<b>Balance at December 31, 2011</b>	<b>816,736</b>	<b>(42,112)</b>	<b>774,624</b>
Additions	126,068	(30,418)	95,650
<b>Balance at September 30, 2012</b>	<b>\$ 942,804</b>	<b>\$ (72,530)</b>	<b>\$ 870,274</b>

On January 20, 2012, Navios Acquisition took delivery of the Nave Estella, a 75,000 dwt South Korean built LR1 product tanker, for a total cost of \$44,602. Cash paid was \$10,982 and \$33,620 was transferred from vessel deposits.

On July 31, 2012, Navios Acquisition took delivery of the Nave Atria, a 49,992 dwt South Korean built MR2 product tanker, for a total cost of \$37,639. Cash paid was \$9,053 and \$28,586 was transferred from vessel deposits.

On August 31, 2012, Navios Acquisition took delivery of the Nave Cassiopeia, a 74,711 dwt South Korean built LR1 product tanker, for a total cost of \$43,827. Cash paid was \$27,315, Series D Preferred Stock issued were \$3,000 and \$13,512 was transferred from vessel deposits.

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Deposits for vessel acquisition represent deposits for vessels to be delivered in the future. As of September 30, 2012, Navios Acquisition vessel deposits amounted to \$323,316 out of which \$237,305 was financed through loans and the balance from existing cash. For the nine month period ended September 30 2012, additions to deposits for vessels acquisitions comprising of cash payments and capitalized interest were \$151,033, which was offset by \$75,718 transferred to vessels, net.

For the three and nine month period ended September 30, 2012, capitalized interest amounted to \$3,646 and \$10,881, respectively.

**NOTE 5: INTANGIBLE ASSETS OTHER THAN GOODWILL**

Intangible assets as of September 30, 2012 and December 31, 2011 consisted of the following:

	Acquisition Cost	Accumulated Amortization	Net Book Value September 30, 2012
Favorable lease terms	\$ 67,417	\$ (14,022)	\$ 53,395
Unfavorable lease terms	(5,819)	1,404	(4,415)
<b>Total</b>	<b>\$ 61,598</b>	<b>\$ (12,618)</b>	<b>\$ 48,980</b>

	Acquisition Cost	Accumulated Amortization	Transfer to Vessel Deposits	Net Book Value December 31, 2011
Purchase options	\$ 3,158	\$ (7,538)	\$ (3,158)	\$ 59,879
Favorable lease terms	67,417	(7,538)		
<b>Total Intangible assets</b>	<b>70,575</b>	<b>(7,538)</b>	<b>(3,158)</b>	<b>59,879</b>
Unfavorable lease terms	(5,819)	891		(4,928)
<b>Total</b>	<b>\$ 64,756</b>	<b>\$ (6,647)</b>	<b>\$ (3,158)</b>	<b>\$ 54,951</b>

Amortization (expense)/income of favorable and unfavorable lease terms for the periods ended September 30, 2012 and 2011, is presented in the following table:

	Nine Month Period Ended	
	September 30, 2012	September 30, 2011
Unfavorable lease terms	\$ 513	\$ 512
Favorable lease terms charter-out	(6,485)	(4,140)

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<b>Total</b>	<b>\$ (5,972)</b>	<b>\$ (3,628)</b>
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The aggregate amortizations of acquired intangibles will be as follows:

Description	Within					Thereafter
	One Year	Year Two	Year Three	Year Four	Year Five	
Favorable lease terms	\$ (8,646)	\$ (8,426)	\$ (5,005)	\$ (4,959)	\$ (3,338)	\$ (23,021)
Unfavorable lease terms	683	683	684	683	683	999
<b>Total</b>	<b>\$ (7,963)</b>	<b>\$ (7,743)</b>	<b>\$ (4,321)</b>	<b>\$ (4,276)</b>	<b>\$ (2,655)</b>	<b>\$ (22,022)</b>

**NOTE 6: GOODWILL**

Goodwill as of September 30, 2012 and December 31, 2011 consisted of the following:

<b>Balance December 31, 2010</b>	<b>\$ 1,579</b>
<b>Balance December 31, 2011</b>	<b>1,579</b>
<b>Balance September 30, 2012</b>	<b>\$ 1,579</b>

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**NAVIOS MARITIME ACQUISITION CORPORATION**

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Goodwill is tested for impairment at the reporting unit level at least annually and written down with a charge to operations if its carrying amount exceeds the estimated implied fair value.

Navios Acquisition evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill. Navios Acquisition determines the fair value of the reporting unit based on discounted cash flow analysis and believes that the discounted cash flow analysis is the best indicator of fair value for its reporting unit.

The fair value for goodwill impairment testing was estimated using the expected present value of future cash flows, using judgments and assumptions that management believes were appropriate in the circumstances. The significant factors and assumptions Navios Acquisition used in its discounted cash flow analysis included: EBITDA, the discount rate used to calculate the present value of future cash flows and future capital expenditures. EBITDA assumptions included revenue assumptions, general and administrative expense growth assumptions, and direct vessel expense growth assumptions. The future cash flows were determined by considering the charter revenues from existing time charters for the fixed fleet days (Navios Acquisition remaining charter agreement rates) and an estimated daily time charter equivalent for the non-fixed days (based on a combination of current rates for two year agreements and the 10-year average historical charter rates available for each type of vessel), which Navios Acquisition believes is an objective approach for forecasting charter rates over an extended time horizon for long lived assets. These assumptions could be adversely impacted by the current uncertainty surrounding global market conditions, as well as the competitive environment in which Navios Acquisition operates. Even though Navios Acquisition performed several stress tests to the discounted cash flow analysis, including after assuming that charter rates would not recover to the 10-year average historical charter rates for a prolonged period of time, the discounted cash flow analyses would still result in the fair values exceeding the carrying amounts of the reporting unit.

If the fair value of a reporting unit exceeds the carrying amount, no impairment exists. If the carrying amount of the reporting unit exceeds the fair value, then the Company must perform the second step to determine the implied fair value of the reporting unit's goodwill and compare it with its carrying amount. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all the assets and liabilities of that reporting unit, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price. If the carrying amount of the goodwill exceeds the implied fair value, then goodwill impairment is recognized by writing the goodwill down to its implied fair value.

Navios Acquisition has one reporting unit. No impairment loss was recognized for any of the periods presented.

**NOTE 7: DIVIDEND PAYABLE**

On November 7, 2011, the Board of Directors of Navios Acquisition declared a quarterly cash dividend for the third quarter of 2011 of \$0.05 per share of common stock. A dividend in the aggregate amount of \$2,421 was paid on January 5, 2012 out of which \$2,037 was paid to the stock holders of record as of December 15, 2011 and \$384 was paid to the holders of 1,000 shares of the Series C preferred stock (which is Navios Holdings - see related party transactions note 11).

On February 13, 2012, the Board of Directors declared a quarterly cash dividend in respect of the fourth quarter of 2011 of \$0.05 per common share of common stock. A dividend in the aggregate amount of \$2,410 was paid on April 5, 2012 out of which \$2,026 was paid to the stock holders of record as of March 22, 2012 and \$384 was paid to the holder of 1,000 shares of the Series C preferred stock which is Navios Holdings (see related party transactions note 11).

On May 4, 2012, the Board of Directors declared a quarterly cash dividend in respect of the first quarter of 2012 of \$0.05 per share of common stock. A dividend in the aggregate amount of \$2,410 was paid on July 3, 2012 out of which \$2,026 was paid to the stock holders of record as of June 20, 2012 and \$384 was paid to the holder of 1,000 shares of the Series C preferred stock which is Navios Holdings (see related party transactions note 11).

On August 13, 2012, the Board of Directors declared a quarterly cash dividend in respect of the second quarter of 2012 of \$0.05 per share of common stock. A dividend in the aggregate amount of \$2,410 was paid on October 3, 2012 out of which \$2,026 was paid to the stock holders of



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record as of September 19, 2012 and \$384 was paid to the holder of 1,000 shares of the Series C preferred stock which is Navios Holdings (see related party transactions note 11).

As of September 30, 2012, Navios Acquisition paid a dividend of \$81 to the holders of the 540 shares of Series B preferred stock.

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

**NOTE 8: ACCRUED EXPENSES**

Accrued expenses as of September 30, 2012 and December 31, 2011 consisted of the following:

	September 30, 2012	December 31, 2011
Accrued voyage expenses	\$ 2,371	\$ 1,262
Accrued loan interest	20,029	9,067
Accrued legal and professional fees	712	5,163
<b>Total accrued expenses</b>	<b>\$ 23,112</b>	<b>\$ 15,492</b>

**NOTE 9: BORROWINGS**

	September 30, 2012	December 31, 2011
Commerzbank AG, Alpha Bank AE, Credit Agricole Corporate and Investment Bank	\$ 133,222	\$ 115,827
BNP Paribas S.A. and DVB Bank SE	54,663	36,175
DVB Bank SE and ABN AMRO Bank N.V.	42,931	44,121
Cyprus Popular Bank Public Co Ltd	32,400	24,300
Eurobank Ergasias S.A. \$52.2 million	49,891	46,500
Eurobank Ergasias S.A. \$52.0 million	40,000	18,200
ABN AMRO Bank N.V.	48,788	53,260
Norddeutsche Landesbank Girozentrale	24,971	
DVB Bank SE and Emporiki Bank of Greece S.A.	49,943	
Ship Mortgage Notes	505,000	505,000
<b>Total borrowings</b>	<b>981,809</b>	<b>843,383</b>
Less: current portion	(17,000)	(11,928)
Add: bond premium	1,688	2,028
<b>Total long-term borrowings</b>	<b>\$ 966,497</b>	<b>\$ 833,483</b>

**Long-Term Debt Obligations and Credit Arrangements**

*8 5/8% First Priority Ship Mortgage Notes:* In October 2010, Navios Acquisition issued the \$400,000 of 8 5/8% First Priority Ship Mortgage Notes (the Existing Notes) due on November 1, 2017. On May 26, 2011, Navios Acquisition and Navios Acquisition Finance (US) Inc., its wholly owned finance subsidiary (Navios Acquisition Finance), completed the sale of \$105,000 of Additional Notes. The Existing Notes and the Additional Notes are secured by first priority ship mortgages on seven VLCC vessels owned by certain subsidiary guarantors.

The Existing Notes and the Additional Notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company's subsidiaries with the exception of Navios Acquisition Finance (a co-issuer of the ship mortgage notes). The subsidiary guarantees are full and unconditional as that term is defined by Regulation S-X Rule 3-10, except for the fact that the indenture provides for an individual subsidiary's guarantee to be automatically released in certain customary circumstances, such as when a subsidiary is sold or all assets are sold, the capital

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stock is sold, when the subsidiary is designated as an unrestricted subsidiary for the purposes of the bond indenture, upon liquidation or dissolution or upon legal or covenant defeasance or satisfaction and discharge of the Existing Notes and the Additional Notes.

The Existing Notes and the Additional Notes contain covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into certain transactions with affiliates, merging or consolidating or selling all or substantially all of Company's properties and assets and creation or designation of restricted subsidiaries.

### **Credit Facilities**

*Commerzbank AG, Alpha Bank A.E., and Credit Agricole Corporate and Investment Bank:* As a result of the initial business combination, Navios Acquisition assumed a loan agreement dated April 7, 2010, with *Commerzbank AG, Alpha Bank A.E. and Credit Agricole Corporate and Investment Bank* of up to \$150,000 (divided in six equal tranches of \$25,000 each) to partially finance the construction of two chemical tankers and four product tankers. Each tranche of the facility is repayable in 12 equal semi-annual installments of \$750 each with a final balloon payment of \$16,000 to be repaid on the last repayment date.

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The repayment of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$133,222 was outstanding under this facility and \$12,278 remained to be drawn.

*BNP Paribas SA Bank and DVB Bank S.E.:* As a result of the initial business combination, Navios Acquisition assumed a loan agreement dated April 8, 2010, of up to \$75,000 (divided in three equal tranches of \$25,000 each) for the purpose of part-financing the purchase price of three product tankers. Each of the tranche is repayable in 12 equal semi-annual installments of \$750 each with a final balloon payment of \$16,000 to be repaid on the last repayment date. The repayment date of each tranche starts six months after the delivery date of the respective vessel which that tranche finances. It bears interest at a rate of LIBOR plus 250 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$54,663 was outstanding and \$20,337 remained to be drawn under this facility.

*DVB Bank S.E. and ABN AMRO Bank N.V.:* On May 28, 2010, Navios Acquisition entered into a loan agreement with DVB Bank S.E. and ABN AMRO BANK N.V. of up to \$52,000 (divided into two tranches of \$26,000 each) to partially finance the acquisition costs of two product tanker vessels. Each tranche of the facility is repayable in 24 equal quarterly installments of \$448 each with a final balloon payment of \$15,241 to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective vessel. It bears interest at a rate of LIBOR plus 275 bps. The loan also requires compliance with certain financial covenants. On December 29, 2011, Navios Acquisition prepaid \$2,500 in relation to an amendment to its credit facility. After the prepayment, outstanding amount under each tranche is repayable in five quarterly installments of \$198 each, 13 equal quarterly installments of \$448 each, with a final balloon payment of \$15,241 to be repaid on the last repayment date. As of September 30, 2012, the facility was fully drawn and the outstanding amount was \$42,931.

*Cyprus Popular Bank Public Co Ltd:* In September 2010, Navios Acquisition (through four subsidiaries) entered into a \$80,000 revolving credit facility with Cyprus Popular Bank Public Co Ltd to partially finance the acquisition and construction of vessels and for investment and working capital purposes. On September 7, 2012, the amount of the facility was reduced to \$32,400 million Drawings under the facility are secured by assignments of construction contracts and guarantees, as well as security interests in related assets. The facility bears interest at a rate of LIBOR plus 275 bps. As of September 30, 2012, the outstanding amount under this facility was \$32,400 that was used to partially finance the acquisition cost of two product tanker vessels. Pursuant to an agreement dated December 28, 2011, the maturity of the facility was extended to match the delivery of the vessels.

*Eurobank Ergasias S.A.:* On October 26, 2010, Navios Acquisition entered into a loan agreement with EFG Eurobank Ergasias S.A. of up to \$52,200, of which \$51,600 is drawn (divided into two tranches of \$26,100 and 25,500, respectively) to partially finance the acquisition costs of two LR1 product tanker vessels. Each tranche of the facility is repayable in 32 quarterly installments of \$345 and \$337 respectively, with a final balloon payment of \$15,060 and \$14,716, respectively, to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective vessel. The loan bears interest at a rate of LIBOR plus (i) plus 250 bps for the period prior to the delivery date in respect of the vessel being financed, and (ii) thereafter 275 bps. The loan also requires compliance with certain financial covenants. The facility was fully drawn and the outstanding amount as of September 30, 2012 was \$49,891.

*Eurobank Ergasias S.A.:* On December 6, 2010, Navios Acquisition entered into a loan agreement with Eurobank Ergasias S.A. of up to \$52,000 (divided into two tranches of \$26,000 each) to partially finance the acquisition costs of two LR1 product tanker vessels. Each tranche of the facility is repayable in 32 equal quarterly installments of \$345 each with a final balloon payment of \$14,960, to be repaid on the last repayment date. The repayment of each tranche starts three months after the delivery date of the respective vessel. It bears interest at a rate of LIBOR plus 300 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$40,000 (\$23,100 and \$16,900 from each tranche respectively) was outstanding under this facility and \$9,100 remained to be drawn.

*ABN AMRO BANK N.V.:* On July 8, 2011, Navios Acquisition entered into a loan agreement with ABN AMRO Bank N.V. of up to \$55,100 (divided into two equal tranches) to partially finance the purchase price of two MR2 product tanker vessels. The total amount of \$54,750 was drawn under this facility. Each tranche of the facility is repayable in 12 quarterly installments of \$745 each and 12 quarterly installments of \$571 each with a final balloon payment of \$11,576 to be repaid on the last repayment date. The repayment started in October 2011 and it bears interest at a rate of LIBOR plus 325 bps. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$48,788

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was outstanding under this loan agreement (\$24,394 from each of the two tranches) and no further amounts were available to be drawn.

*DVB Bank SE:* On December 7, 2011, Navios Acquisition entered into a loan agreement with DVB Bank SE of up to \$51,000 (divided into two tranches of \$25,500 each) to partially finance the purchase price of two LR1 product tanker vessels. Each tranche of the facility is repayable in 28 quarterly installments of \$400 each with a final balloon payment of \$14,300 to be repaid on the last repayment date.

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The repayment starts three months after the delivery of the respective vessel and it bears interest at a rate of LIBOR plus 270 bps per annum. The loan also requires compliance with certain financial covenants. As of September 30, 2012, no amounts were outstanding under this loan agreement and \$51,000 remained undrawn.

*NORDDEUTSCHE LANDESBANK GIROZENTRALE*: On December 29, 2011, Navios Acquisition entered into a loan agreement with NORDDEUTSCHE LANDESBANK GIROZENTRALE of up to \$28,125 to partially finance the purchase price of one MR2 product tanker vessel. The facility is repayable in 32 quarterly installments of \$391 each with a final balloon payment of \$15,625 to be repaid on the last repayment date. The repayment starts three months after the delivery of the vessel and it bears interest at a rate of LIBOR plus: (a) up to but not including the Drawdown Date of, 175bps per annum; (b) thereafter until, but not including, the tenth Repayment Date, 250 bps per annum; and (c) thereafter 300 bps per annum. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$24,971 was drawn and outstanding under this loan agreement and \$3,154 remained to be drawn.

*DVB Bank SE and Emporiki Bank of Greece S.A.*: On December 29, 2011, Navios Acquisition entered into a loan agreement with DVB Bank SE and Emporiki Bank of Greece S.A. of up to \$56,250 (divided into two tranches of \$28,125 each) to partially finance the purchase price of two MR2 product tanker vessels. Each tranche of the facility is repayable in 32 quarterly installments of \$391 each with a final balloon payment of \$15,625 to be repaid on the last repayment date. The repayment starts three months after the delivery of the respective vessel and it bears interest at a rate of LIBOR plus: (a) up to but not including the Drawdown Date of, 175 bps per annum; (b) thereafter until, but not including, the tenth Repayment Date, 250 bps per annum; and (c) thereafter 300 bps per annum. The loan also requires compliance with certain financial covenants. As of September 30, 2012, \$49,943 was drawn and outstanding under this loan agreement and \$6,307 remained to be drawn.

*The Navios Holdings Credit Facility*: Navios Acquisition entered into a \$40,000 credit facility with Navios Holdings and paid \$400 as an arrangement fee. The \$40,000 facility has a margin of LIBOR plus 300 bps and pursuant to an agreement dated November 8, 2011, the Navios Holdings credit facility was extended to December 2014. Pursuant to an amendment in October 2010, the facility will be available for multiple drawings up to a limit of \$40,000. As of September 30, 2012 the outstanding amount under this facility was \$30,000 and \$10,000 remained to be drawn.

As of September 30, 2012, the total amount available to be drawn from all our facilities was \$112,176.

The loan facilities include, among other things, compliance with certain financial covenants: (i) minimum liquidity higher of \$40,000 or \$1,000 per vessel, including vessels under construction; (ii) net worth ranging from \$50,000 to \$75,000 up to January 2013, up to \$135,000 million thereafter; and (iii) total liabilities divided by total assets, adjusted for market values to be lower than 75%, as of January 1, 2013 and thereafter.

As of September 30, 2012, the Company was in compliance with its covenants.

Amounts drawn under the facilities are secured by first preferred mortgages on Navios Acquisition's vessels and other collateral and are guaranteed by each vessel-owning subsidiary. The credit facilities contain a number of restrictive covenants that prohibit or limit Navios Acquisition from, among other things: incurring or guaranteeing indebtedness; entering into affiliate transactions; changing the flag, class, management or ownership of Navios Acquisition's vessels; changing the commercial and technical management of Navios Acquisition's vessels; selling Navios Acquisition's vessels; and subordinating the obligations under each credit facility to any general and administrative costs relating to the vessels, including the fixed daily fee payable under the management agreement. The credit facilities also require Navios Acquisition to comply with the ISM Code and ISPS Code and to maintain valid safety management certificates and documents of compliance at all times. The credit facilities also require compliance with a number of financial covenants of Navios Acquisition, including net worth, debt coverage ratios, and minimum liquidity. It is an event of default under the credit facilities if such covenants are not complied with.

***Guarantees***

The Company's 8 5/8% Notes (consisting of the Existing Notes and the Additional Notes) are fully and unconditionally guaranteed on a joint and several basis by all of the Company's subsidiaries with the exception of Navios Acquisition Finance (a co-issuer of the ship mortgage notes). The

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guarantees of our subsidiaries that own mortgaged vessels are senior secured guarantees and the guarantees of our subsidiaries that do not own mortgaged vessels are senior unsecured guarantees. All subsidiaries, including Navios Acquisition Finance are 100% owned. The Navios Acquisition does not have any independent assets or operations. Navios Acquisition does not have any subsidiaries that are not guarantors of the 8 5/8% Notes. In addition, the disclosures required by Rules 3-10(i)(9) and (10) are not applicable because there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 8 5/8% Notes to obtain funds by dividend or loan from any of their subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

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The maturity table below reflects the principal payments of all Notes and credit facilities outstanding as of September 30, 2012 for the next five years and thereafter are based on the repayment schedule of the respective loan facilities (as described above) and the outstanding amount due under the senior Notes. The maturity table below includes in the amount shown for 2018 and thereafter future principal payments of the drawn portion of credit facilities associated with the financing of the construction of vessels scheduled to be delivered on various dates throughout 2014.

	September 30, 2012
<b>Long-Term Debt Obligations:</b>	
<b>Year</b>	
September 30, 2013	\$ 17,000
September 30, 2014	18,000
September 30, 2015	17,903
September 30, 2016	48,735
September 30, 2017	77,821
September 30, 2018 and thereafter	802,350
<b>Total</b>	<b>\$ 981,809</b>

**NOTE 10: FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Cash and cash equivalents:** The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

**Restricted Cash:** The carrying amounts reported in the consolidated balance sheets for interest bearing deposits approximate their fair value because of the short maturity of these investments.

**Accounts receivable:** Carrying amounts are considered to approximate fair value due to the short-term nature of these accounts receivables and no significant changes in interest rates. All amounts that are assumed to be uncollectible are written off and/or reserved.

**Accounts payable:** The carrying amount of accounts payable reported in the balance sheet approximates its fair value due to the short-term nature of these accounts payable and no significant changes in interest rates.

**Due to related parties, short term:** The carrying amount of due to related parties, short term reported in the balance sheet approximates its fair value due to the short-term nature of these accounts payable and no significant changes in interest rates.

The carrying amount of the floating rate payable approximates its fair value.

**Other long term borrowings:** The carrying amount of the floating rate loans approximates its fair value.



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**Ship Mortgage Notes:** The fair value of the Notes, which has a fixed rate, was determined based on quoted market prices, as indicated in the table below.

**Loans due to related party:** The carrying amount of the floating rate loans approximates its fair value.

**Due to related parties, long term:** The carrying amount of the floating rate payable approximates its fair value.

	September 30, 2012		December 31, 2011	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$ 45,885	\$ 45,885	\$ 41,300	\$ 41,300
Restricted cash	\$ 26,206	\$ 26,206	\$ 32,214	\$ 32,214
Accounts receivable	\$ 4,741	\$ 4,741	\$ 6,478	\$ 6,478
Accounts payable	\$ 544	\$ 544	\$ 1,021	\$ 1,021
Due to related parties, short term	\$ 30,482	\$ 30,482	\$ 43,616	\$ 43,616
Ship mortgage notes and premium	\$ 506,688	\$ 482,275	\$ 507,028	\$ 385,088
Other Long-term debt	\$ 476,809	\$ 476,809	\$ 338,383	\$ 338,383
Loans due to related party	\$ 30,000	\$ 30,000	\$ 40,000	\$ 40,000
Due to related parties, long term	\$ 49,433	\$ 49,433	\$	\$

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**Fair Value Measurements**

The estimated fair value of our financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows:

Level I: Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets that we have the ability to access. Valuation of these items does not entail a significant amount of judgment.

Level II: Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date.

Level III: Inputs that are unobservable. The Company did not use any Level 3 inputs as of September 30, 2012.

	Fair Value Measurements at September 30, 2012 Using			
	Total	Level I	Level II	Level III
Cash and cash equivalents	\$ 45,885	\$ 45,885	\$	\$
Restricted cash	\$ 26,206	\$ 26,206	\$	\$
Ship mortgage notes and premium	\$ 482,275	\$ 482,275	\$	\$
Other Long-term debt <sup>(1)</sup>	\$ 476,809	\$	\$ 476,809 <sup>(1)</sup>	\$
Loans due to related party <sup>(1)</sup>	\$ 30,000	\$	\$ 30,000 <sup>(1)</sup>	\$
Due to related parties, long term <sup>(1)</sup>	\$ 49,433	\$	\$ 49,433 <sup>(1)</sup>	\$

(1) The fair value of the Company's other long term debt, loans due to related party and due to related parties, long term is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities as well as taking into account our creditworthiness.

**NOTE 11: TRANSACTIONS WITH RELATED PARTIES**

**The Navios Holdings Credit Facility:** Navios Acquisition entered into a \$40,000 credit facility with Navios Holdings. The \$40,000 facility has a margin of LIBOR plus 300 bps and pursuant to an amendment dated November 8, 2011, the maturity of the facility was extended to December 2014. Pursuant to an amendment in October 2010, the facility will be available for multiple drawings up to a limit of \$40,000. As of September 30, 2012, the outstanding amount under this facility as of September 30, 2012 was \$30,000 and was included under loans due to related parties. For the nine month period ended September 30, 2012, interest expense in relation to this facility amounted to \$909 and was included under interest expense and finance cost, net in the statement of operations.

**Management fees:** Pursuant to a Management Agreement dated May 28, 2010, Navios Tankers Management Inc. (the Manager), a subsidiary of Navios Holdings, provides for five years from the closing of the Company's initial vessel acquisition, commercial and technical management services to Navios Acquisition's vessels for a daily fee of \$6 per owned MR2 product tanker and chemical tanker vessel and \$7 per owned LR1 product tanker vessel and \$10 per VLCC tanker vessel for the first two years. On May 4, 2012, Navios Acquisition amended its existing Management Agreement with the Manager, to fix the fees for ship management services of its owned fleet at current rates for two additional years, through May 28, 2014. This daily fee covers all of the vessels' operating expenses, other than certain fees and costs. During the remaining three years of the term of the Management Agreement, Navios Acquisition expects it will reimburse Navios Holdings for all of the actual operating costs and expenses it incurs in connection with the management of its fleet. Actual operating costs and expenses will be determined in a manner consistent with how the initial fixed fees were determined. Drydocking expenses are fixed for the first four years under these agreements for up to \$300 per LR1 and MR2 product tanker vessel and will be reimbursed at cost for VLCC vessels. Commencing as of

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March 30, 2012, Navios Acquisition could, upon request, reimburse the Manager partially or fully for drydocking and other extraordinary fees and expenses under the Agreement at a later date, but not later than January 4, 2014, and if reimbursed on a later date, such amounts will bear interest at a rate of 1% per annum over LIBOR. Commencing as of September 28, 2012, Navios Acquisition could, upon request, reimburse the Manager partially or fully, for any fixed management fees outstanding for a period of not more than nine months under the Agreement at a later date, but not later than December 31, 2014, and if reimbursed on a later date, such amounts will bear interest at a rate of 1% per annum over LIBOR. Total management fees for each of the nine month periods ended September 30, 2012 and 2011 amounted to \$33,870 and \$25,408, respectively.

**General and administrative expenses:** On May 28, 2010, Navios Acquisition entered into an administrative services agreement with the Manager, expiring on May 28, 2015, pursuant to which a subsidiary of Navios Holdings provides certain administrative management services to Navios Acquisition which include: bookkeeping, audit and accounting services, legal

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and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other. The Manager is reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. For the three month period ended September 30, 2012 and 2011, administrative services rendered by the Manager amounted to \$533 and \$423 respectively. For the nine month period ended September 30, 2012, and September 30, 2011 the administrative services rendered by the Manager amounted to \$1,509 and \$1,077, respectively.

**Balance due to related parties:** Amounts due to related parties as of September 30, 2012 and December 31, 2011, was \$79,915 and \$43,616, respectively, of which the current account payable to Navios Holdings and its subsidiaries was \$30,482 and \$43,616 respectively and the long term payable was \$49,433 and \$0, respectively. The balance mainly consisted of management fees administrative fees, drydocking costs and other expenses.

**Omnibus agreement:** Navios Acquisition entered into an omnibus agreement (the Acquisition Omnibus Agreement ) with Navios Holdings and Navios Maritime Partners L.P. ( Navios Partners ) in connection with the closing of Navios Acquisition's vessel acquisition, pursuant to which, among other things, Navios Holdings and Navios Partners agreed not to acquire, charter-in or own liquid shipment vessels, except for container vessels and vessels that are primarily employed in operations in South America without the consent of an independent committee of Navios Acquisition. In addition, Navios Acquisition, under the Acquisition Omnibus Agreement, agreed to cause its subsidiaries not to acquire, own, operate or charter drybulk carriers under specific exceptions. Under the Acquisition Omnibus Agreement, Navios Acquisition and its subsidiaries grant to Navios Holdings and Navios Partners, a right of first offer on any proposed sale, transfer or other disposition of any of its drybulk carriers and related charters owned or acquired by Navios Acquisition. Likewise, Navios Holdings and Navios Partners agreed to grant a similar right of first offer to Navios Acquisition for any liquid shipment vessels they might own. These rights of first offer will not apply to a: (a) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the existing terms of any charter or other agreement with a counterparty; or (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third party.

**NOTE 12: COMMITMENTS AND CONTINGENCIES**

As of September 30, 2012, Navios Acquisition committed for future remaining contractual deposits for the vessels to be delivered on various dates through October 2014.

The future minimum commitments by period as of September 30, 2012, of Navios Acquisition under its ship building contracts, were as follows:

	<b>Amount</b>
September 30, 2013	\$ 95,219
September 30, 2014	23,920
September 30, 2015	11,960
<b>Total</b>	<b>\$ 131,099</b>

**NOTE 13: PREFERRED AND COMMON STOCK****Preferred Stock**

As of September 30, 2011, the Company was authorized to issue 10,000,000 shares of \$0.0001 par value preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors.

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On March 30, 2011, pursuant to an Exchange Agreement Navios Holdings exchanged 7,676,000 shares of Navios Acquisition's common stock it held for 1,000 non-voting Series C Convertible Preferred Stock of Navios Acquisition. Each holder of shares of Series C Convertible Preferred Stock shall be entitled at their option at any time, after June 30, 2013 to convert all or any the outstanding shares of Series C Convertible Preferred Stock into a number of fully paid and non-assessable shares of Common Stock determined by multiplying each share of Series C Convertible Preferred Stock to be converted by 7,676, subject to certain limitations. Upon the declaration of a common stock dividend, the holders of the Series C Convertible Preferred Stock are entitled to receive dividends on the Series C Convertible Preferred Stock in an amount equal to the amount that would have been received in the number of shares of Common Stock into which the Shares of Series C Convertible Preferred Stock held by each holder thereof could be converted. The shares of Series C Preferred Stock were recorded at fair value of the common stock exchanged which totaled \$30,474, using the common stock price on March 30, 2011 of \$3.97. The impact of the exchange (other than the par value of the common and preferred stock) was recorded net in Additional-Paid-In-Capital.

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**Redeemable Convertible Preferred Stock**

On August 31, 2012, Navios Acquisition issued 300 shares of its authorized Series D Convertible Preferred Stock (nominal and fair value \$3,000) ( Series D Preferred Stock ) to a shipyard, in partial settlement of the newbuild LR1 product tanker, the Nave Cassiopeia. The Series D Preferred Stock contains a 6% per annum dividend payable quarterly, starting one year after delivery of the vessel. The Series D Preferred Stock will mandatorily convert into shares of common stock on February 28, 2015 at a price per share of common stock equal to \$10.00. The holder of the Series D Preferred Stock shall have the right to convert the shares of Series D Preferred Stock into common stock prior to the scheduled maturity dates at a price of \$7.00 per share of common stock. The Series D Preferred Stock does not have any voting rights. Navios Acquisition is obligated to redeem the Series D Preferred Stock (or converted common shares) at holder's option exercisable beginning on February 28, 2014 for a total of \$3,000 payable at 12 equal quarterly installments.

The fair value on August 31, 2012, was determined using a combination of Black Scholes model and discounted projected cash flows for the conversion option and put, respectively. The model used takes into account the credit spread of Navios Acquisition, the volatility of its stock, as well as the price of its stock at the issuance date. The convertible preferred stock is classified as temporary equity (i.e., apart from permanent equity) as a result of the redemption feature upon exercise of the put option granted to the holder of the preferred stock.

During the three month period ended September 30, 2012 the Company issued 300 preferred shares Series D and there were no redemptions.

As of September 30, 2012 and December 31, 2011, 4,840 and 4,540 shares of preferred stock were issued and outstanding, respectively.

**Common Stock**

As of September 30, 2012, the Company was authorized to issue 250,000,000 shares of \$0.0001 par value common stock.

Pursuant to an Exchange Agreement entered into on March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition's common stock it held for 1,000 non-voting shares of Series C Convertible Preferred Stock of Navios Acquisition.

**NOTE 14: SEGMENT INFORMATION**

Navios Acquisition reports financial information and evaluates its operations by charter revenues. Navios Acquisition does not use discrete financial information to evaluate operating results for each type of charter. As a result, management reviews operating results solely by revenue per day and operating results of the fleet and thus Navios Acquisition has determined that it operates under one reportable segment.

The following table sets out operating revenue by geographic region for Navios Acquisition's reportable segment. Revenue is allocated on the basis of the geographic region in which the customer is located. Tanker vessels operate worldwide. Revenues from specific geographic region which contribute over 10% of total revenue are disclosed separately.

**Revenue by Geographic Region**

Vessels operate on a worldwide basis and are not restricted to specific locations. Accordingly, it is not possible to allocate the assets of these operations to specific countries.

Three Month Period ended September 30,	Three Month Period ended September 30,	Nine Month Period ended	Nine Month Period ended September 30, 2011
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	2012 (\$ 000) (unaudited)	2011 (\$ 000) (unaudited)	September 30, 2012 (\$ 000) (unaudited)	(\$ 000) (unaudited)
Europe	\$ 4,406	\$ 3,135	\$ 12,703	\$ 9,117
Asia	32,511	27,992	95,825	73,157
United States	844		895	
<b>Total</b>	<b>\$ 37,761</b>	<b>\$ 31,127</b>	<b>\$ 109,423</b>	<b>\$ 82,274</b>

**NOTE 15: LOSS PER COMMON SHARE**

Loss per share is calculated by dividing net loss available to common stockholders by the average number of shares of common stock of Navios Acquisition outstanding during the period.

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For the three and nine months ended September 30, 2011, potential shares of common shares kept in escrow have an anti-dilutive effect (i.e. those that increase income per share or decrease loss per share) and are therefore excluded from the calculation of diluted earnings per share. For the three and nine months ended September 30, 2012, there were no potential shares of common stock.

	For the Three Months Ended September 30, 2012	For the Three Months Ended September 30 2011	For the Nine Months Ended September 30, 2012	For the Nine Months Ended September 30, 2011
<b>Numerator:</b>				
Net loss attributable to common stockholders	\$ (1,415)	\$ (2,767)	\$ (4,131)	\$ (6,372)
Dividend declared on preferred shares Series B	(27)	(27)	(81)	(81)
Undistributed loss attributable to Series C participating preferred shares	230	456	671	983
Loss attributable to common shares	\$ (1,212)	\$ (2,338)	\$ (3,541)	\$ (5,470)
<b>Denominator:</b>				
Denominator for basic net loss per share weighted average shares	40,517,413	39,356,450	40,517,413	41,858,882
Denominator for diluted net loss per share adjusted weighted average shares	40,517,413	39,356,450	40,517,413	41,858,882
Basic net loss per share	\$ (0.03)	\$ (0.06)	\$ (0.09)	\$ (0.13)
Diluted net loss per share	\$ (0.03)	\$ (0.06)	\$ (0.09)	\$ (0.13)

**NOTE 16: INCOME TAXES**

Marshall Islands, Cayman Islands, British Virgin Islands and Hong Kong, do not impose a tax on international shipping income. Under the laws of Marshall Islands, Cayman Islands, British Virgin Islands and Hong Kong, the countries of the companies' incorporation and vessels registration, the companies are subject to registration and tonnage taxes which have been included in vessel management fees in the accompanying consolidated statements of income.

Pursuant to Section 883 of the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operation of ships is generally exempt from U.S. income tax if the company operating the ships meets certain incorporation and ownership requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country, which grants an equivalent exemption from income taxes to U.S. corporations. All the Company's ship-operating subsidiaries satisfy these initial criteria. In addition, these companies must be more than 50% owned by individuals who are residents, as defined, in the countries of incorporation or another foreign country that grants an equivalent exemption to U.S. corporations. Subject to proposed regulations becoming finalized in their current form, the management of the Company believes by virtue of a special rule applicable to situations where the ship operating companies are beneficially owned by a publicly traded company like the Company, the second criterion can also be satisfied based on the trading volume and ownership of the Company's shares, but no assurance can be given that this will remain so in the future. Due to the exemption under Section 883 of the Code, Delaware would not impose a tax on the Company or its subsidiaries' international shipping income.

**NOTE 17: SUBSEQUENT EVENTS**



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On November 9, 2012, the Board of Directors declared a quarterly cash dividend in respect of the third quarter of 2012 of \$0.05 per share of common stock payable on January 4, 2013 to stockholders of record as of December 19, 2012. The declaration and payment of any further dividends remain subject to the discretion of the Board and will depend on, among other things, Navios Acquisition's cash requirements as measured by market opportunities and restrictions under its credit agreements and other debt obligations and such other factors as the Board may deem advisable.

On November 9, 2012, Navios Acquisition took delivery of the Nave Aquila, a 49,991 dwt MR2 product tanker, from a South Korean shipyard. The vessel is chartered-out at net daily charter rate of \$13 per day for a period of three years plus

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**UNAUDITED CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

two one year options with 50% profit sharing, calculated monthly and based in a formula incorporating \$1 premium above the relevant index. Base rate for the first optional year is \$15 (net) plus profit sharing and for the second optional year \$16 (net) plus profit sharing, both being on charterer's option.

On October 30, 2012, Navios Acquisition took delivery of the Nave Cetus, a 74,581 dwt LR1 product tanker, from a South Korean shipyard. The vessel is chartered-out at net daily charter rate of \$12 per day for a period of one year plus 50% profit sharing. The charterer has the option to extend the charter for another 6 months at the same terms. Navios Acquisition issued 300 shares of its authorized Series D Preferred Stock to the shipyard, in partial settlement of the purchase price.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

NAVIOS MARITIME ACQUISITION CORPORATION.

By:                   /s/ Angeliki Frangou  
                          Angeliki Frangou  
                          Chief Executive Officer

Date: November 14, 2012