
**UNITED STATES
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: September 12, 2019

Commission File No. 333-179250

NAVIOS SOUTH AMERICAN LOGISTICS INC.

**Aguada Park Free Zone
Paraguay 2141, Of. 1603
Montevideo, Uruguay**
(Address of Principal Executive Offices)

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

Form 20-F 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

Operating and Financial Review and Prospects

The following is a discussion of the financial condition and results of operations of Navios South American Logistics Inc. (“Navios Logistics” or the “Company”) for each of the three and six month periods ended June 30, 2019 and 2018. All of these 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 Logistics’ 2018 annual report filed on Form 20-F with the Securities and Exchange Commission (the “2018 Form 20-F”) and the condensed consolidated financial statements and the accompanying notes included in this Form 6-K.

This report contains forward-looking statements within the meaning of the Private Securities Reform Act of 1995. All statements herein other than statements of historical fact, including statements regarding business and industry prospects or future results of operations or financial position, and future dividends or distributions, should be considered forward-looking. Words such as “may,” “expects,” “intends,” “plans,” “believes,” “anticipates,” “hopes,” “estimates,” and variations of such words and similar expressions are intended to identify forward-looking statements. These forward looking statements are based on the information available to, and the expectations and assumptions deemed reasonable by, Navios Logistics at the time this filing was made. Although Navios Logistics believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates which are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of Navios Logistics. Actual results may differ materially from those expressed or implied by such forward-looking statements. Included among the factors that, in management’s view, could cause actual results to differ materially from the forward-looking statements contained in this report are changes in any of the following: (i) demand and/or charter and contract rates for our vessels and port facilities; (ii) production or demand for the types of dry and liquid products that are transported by our vessels or stored in our ports; (iii) operating costs including, but not limited to, changes in crew salaries, insurance, provisions, repairs, maintenance and overhead expenses; (iv) changes in interest rates; and other factors listed from time to time in the Navios Logistics’ filings with the Securities and Exchange Commission, including its Form 20-Fs and Form 6-Ks. Navios Logistics expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Navios Logistics’ expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.

Recent Developments

In the second quarter of 2019, Vale International S.A. (“Vale”) transshipped 390,020 tons of minerals through the Nueva Palmira port facility. Vale advised the Company that it intends to increase its throughput of minerals to approximately 512,000 tons and 640,000 tons for the third quarter of 2019 and the fourth quarter of 2019, respectively. In 2018, Vale transshipped 1,057,518 tons of iron ore through the Nueva Palmira port facility, with the highest throughput of 357,434 tons in the first quarter of 2018.

Overview

General

Navios Logistics was incorporated under the laws of the Republic of the Marshall Islands on December 17, 2007. Navios Logistics believes it is one of the largest logistics companies in the Hidrovia region river system, the main navigable river system in the region, and in the cabotage trades along the eastern coast of South America. Navios Logistics serves its customers in the Hidrovia region through its three port storage and transfer facilities, one for agricultural and forest related exports located in Uruguay, one for mineral-related exports located in Uruguay and one for refined petroleum products located in Paraguay. Navios Logistics complements its port terminals with a diverse fleet of 332 barges and pushboats that operate in its barge business, and eight vessels, including six oceangoing tankers, one bunker vessel and one river and estuary tanker, which operate in its cabotage business. Navios Logistics provides transportation for dry cargo (cereals, cotton pellets, soybeans, wheat, limestone (clinker), mineral iron, and rolling stones), liquid cargo (hydrocarbons such as crude oil, gas oil, naphtha, fuel oil and vegetable oils) and liquefied cargo (liquefied petroleum gas or “LPG”).

Ports

Navios Logistics owns three port storage and transfer facilities, one for agricultural and forest-related exports, one for mineral-related exports both located in Nueva Palmira Free Zone, Uruguay, and one for refined petroleum products in San Antonio, Paraguay. Navios Logistics’ port facilities in Nueva Palmira have a total storage capacity for grains of 460,000 metric tons, and a stockpile capacity of 700,000 tons for mineral ores. Its port facility in San Antonio has a total storage capacity of 45,660 cubic meters.

Fleet

Navios Logistics’ current core fleet consists of a total of 340 owned vessels, barges and pushboats.

The following is the current core fleet as of September 12, 2019:

Navios Logistics Fleet Summary (owned)

<u>Pushboats/ Barges/ Inland Oil Tankers Fleet</u>	<u>Number of Vessels</u>	<u>Capacity/BHP</u>	<u>Description</u>
Pushboat fleet	27	95,920 BHP	Various Sizes and Horsepower
Dry Barges	268	474,050 DWT	Dry Cargo
Tank Barges	34	110,187 m3	Liquid Cargo
LPG Barges	3	4,752 m3	LPG
Total	332		

<u>Product Tanker Fleet</u>	<u>Year Built</u>	<u>DWT</u>	<u>Description</u>
Estefania H	2008	12,000	Double-hulled Product Tanker
Malva H	2008	8,974	Double-hulled Product Tanker
Makenita H	2009	17,508	Double-hulled Product Tanker
Sara H	2009	9,000	Double-hulled Product Tanker
San San H	2010	16,871	Double-hulled Product Tanker
Ferni H	2010	16,871	Double-hulled Product Tanker
Heman H	2012	1,693	Double-hulled Bunker Vessel
Elena H	2018	4,999	Double-hulled Product Tanker
Total		87,916	

Chartering Arrangements

Navios Logistics continually monitors developments in the shipping industry and makes decisions based on an individual vessel and segment basis, as well as on its view of overall market conditions, in order to implement its overall business strategy. In the barge business, Navios Logistics typically operates under a mix of time charters and contracts of affreightment (“CoAs”) with durations of one to five years (some of which have minimum guaranteed volumes) and spot contracts. In the cabotage business, Navios Logistics typically operates under time charters with durations in excess of one year. Some of Navios Logistics’ charters provide fixed pricing, minimum volume requirements and labor cost and fuel price adjustment formulas.

Factors Affecting Navios Logistics’ Results of Operations

Contract Rates

The shipping and logistics industry has been highly volatile in the recent past. In order to have full utilization of its fleet and storage capacity, the Company must be able to renew the contracts on its fleet and ports upon the expiration or termination of current contracts. This ability depends upon economic conditions in the sectors in which the vessels, barges and pushboats operate, changes in the supply and demand for vessels, barges and pushboats and changes in the supply and demand for the transportation and storage of commodities.

Weather Conditions

As Navios Logistics specializes in the transportation and storage of liquid cargoes and dry bulk cargoes along the Hidrovia, any changes adversely affecting the region, such as low water levels, could reduce or limit Navios Logistics’ ability to effectively transport cargo.

Droughts and other adverse weather conditions, including any possible effects of climate change, could result in a decline in production of the agricultural products Navios Logistics transports and stores, and this could result in a reduction in demand for its services.

Foreign Currency Transactions

Navios Logistics’ operating results, which are reported in U.S. dollars, may be affected by fluctuations in the exchange rate between the U.S. dollar and other currencies. Navios Logistics uses the U.S. dollar as its functional and reporting currency. Therefore, revenue and expense accounts are translated into U.S. dollars at the exchange rate in effect at the date of each transaction. The balance sheets of Navios Logistics’ foreign operations are translated using the exchange rate at the balance sheet date except for property and equipment and equity, which are translated at historical rates.

Navios Logistics' subsidiaries in Uruguay, Argentina, Brazil and Paraguay transact some of their operations in Uruguayan pesos, Argentinean pesos, Brazilian reales and Paraguayan guaranies, respectively; however, all of the subsidiaries' primary cash flows are U.S. dollar-denominated. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated are recognized in the statement of operations.

Inflation and Fuel Price Increases

The impact of inflation and the resulting pressure on prices in the South American countries in which Navios Logistics operates may not be fully neutralized by equivalent adjustments in the rate of exchange between the local currencies and the U.S. dollar. Specifically, for Navios Logistics' vessel, barge and pushboat business, Navios Logistics has negotiated, and will continue to negotiate, crew cost adjustment and fuel price adjustment clauses; however, in some cases, the prices that Navios Logistics pays for fuel and crew costs are temporarily not aligned with the adjustments that Navios Logistics obtains under its freight contracts.

Seasonality

Certain of the Navios Logistics' businesses have seasonality aspects, and seasonality affects the results of Navios Logistics' operations and revenues, particularly in the first and last quarters of each year. Generally, the high season for the barge business is the period between February and July as a result of the South American harvest and higher river levels. Any growth in production and transportation of commodities may offset part of this seasonality. During the South American late spring and summer, mainly from November to January, the low level of water in the northern Hidrovia could adversely affect Navios Logistics' operations because the water level is not high enough to accommodate the draft of a heavily laden vessel. Such low levels also adversely impact Navios Logistics' ability to employ convoys as the water level towards the banks of the river may be too low to permit vessel traffic even if the middle of the river is deep enough to permit passage. With respect to dry port terminal operations in Uruguay, the high season is mainly from April to September, linked with the arrival of the first barges down the river and with the oceangoing vessels' logistics operations. Navios Logistics' liquid port terminal operations in Paraguay and its cabotage business are not significantly affected by seasonality as the operations of the liquid port and cabotage business are primarily linked to refined petroleum products.

Statement of Operations Breakdown by Segments

Navios Logistics reports its operations based on three reportable segments: the port terminal business, the barge business and the cabotage business. The port terminal business segment includes the dry and liquid port terminal operations, the barge business segment includes Navios Logistics' river fleet and the cabotage business segment includes the product tankers.

Period over Period Comparisons

The following table presents consolidated revenue and expense information for the three and six month periods ended June 30, 2019 and 2018. This information was derived from Navios Logistics' unaudited condensed consolidated financial statements for the respective periods.

	Three Month Period ended June 30, 2019 <u>(unaudited)</u>	Three Month Period ended June 30, 2018 <u>(unaudited)</u>	Six Month Period ended June 30, 2019 <u>(unaudited)</u>	Six Month Period ended June 30, 2018 <u>(unaudited)</u>
<i>(Expressed in thousands of U.S. dollars)</i>				
Time charter, voyage and port terminal revenues	\$ 58,514	\$ 50,798	\$ 108,221	\$ 94,641
Sales of products	2,097	9,265	8,156	17,690
Time charter, voyage and port terminal expenses	(11,800)	(9,041)	(21,276)	(16,867)
Direct vessel expenses	(14,730)	(14,640)	(27,344)	(29,430)
Cost of products sold	(2,046)	(8,641)	(7,954)	(17,153)
Depreciation and amortization	(7,310)	(7,152)	(14,656)	(14,380)
General and administrative expenses	(4,371)	(3,963)	(8,134)	(7,887)
Interest expense and finance cost, net	(9,265)	(9,997)	(19,103)	(19,242)
Gain on sale of assets	—	—	—	28
Other expense, net	(1,308)	(3,204)	(2,477)	(5,532)
Income before income taxes	\$ 9,781	\$ 3,425	\$ 15,433	\$ 1,868
Income tax (expense)/ benefit	(85)	569	(432)	1,079
Net income	\$ 9,696	\$ 3,994	\$ 15,001	\$ 2,947
Other Operating Data				
Grain Port—tons of cargo moved	743,245	700,873	1,300,685	1,007,709
Iron ore Port—tons of cargo moved	390,020	264,778	489,867	622,213
Liquid Port—cubic meters of stored liquid cargos	85,761	81,064	206,195	152,457
Liquid Port—cubic meters of sales of products	3,811	12,686	14,242	24,296
Barge—cubic meters of liquid cargos	73,042	50,413	179,765	96,353
Barge—dry cargo tons	604,846	569,615	1,068,788	970,040
Cabotage—cubic meters of liquid cargos	312,059	320,513	655,923	563,233
Cabotage—available days	728	625	1,423	1,246
Cabotage—operating days	609	443	1,135	859
Revenues per Segment				
Port Business	\$ 24,586	\$ 31,452	\$ 49,969	\$ 56,245
Revenue—grain port	\$ 8,564	\$ 9,192	\$ 14,492	\$ 12,342
Revenue—iron ore port	\$ 12,994	\$ 12,135	\$ 25,163	\$ 24,355
Revenue—liquid port	\$ 931	\$ 860	\$ 2,158	\$ 1,858
Sales of products—liquid port	\$ 2,097	\$ 9,265	\$ 8,156	\$ 17,690
Barge Business	\$ 22,691	\$ 18,164	\$ 41,387	\$ 35,161
Cabotage Business	\$ 13,334	\$ 10,447	\$ 25,021	\$ 20,925

For the three month period ended June 30, 2019 compared to the three month period ended June 30, 2018

Time Charter, Voyage and Port Terminal Revenues: For the three month period ended June 30, 2019, Navios Logistics' time charter, voyage and port terminal revenues increased by \$7.7 million or 15.2% to \$58.5 million, as compared to \$50.8 million for the same period during 2018. Revenue from the barge business increased by \$4.5 million or 24.9% to \$22.7 million for the three month period ended June 30, 2019, as compared to \$18.2 million for the same period during 2018, mainly due to higher volumes of liquid cargo transported. Revenue from the cabotage business increased by \$2.9 million or 27.6% to \$13.3 million for the three month period ended June 30, 2019, as compared to \$10.4 million for the same period during 2018, mainly due to more operating days. Revenue from the port terminal business increased by \$0.3 million or 1.4% to \$22.5 million for the three month period ended June 30, 2019, as compared to \$22.2 million for the same period during 2018, mainly due to an increase in the iron ore port terminal revenues.

Sales of Products: For the three month period ended June 30, 2019, Navios Logistics' sales of products decreased by \$7.2 million or 77.4% to \$2.1 million, as compared to \$9.3 million for the same period during 2018. This decrease was attributable to a decrease in the Paraguayan liquid port's volumes of products sold.

Time Charter, Voyage and Port Terminal Expenses: Time charter, voyage and port terminal expenses increased by \$2.8 million or 30.5% to \$11.8 million for the three month period ended June 30, 2019, as compared to \$9.0 million for the same period during 2018. This increase was mainly attributable to a \$2.7 million or 59.7% increase in time charter and voyage expenses of the barge business to \$7.1 million for the three month period ended June 30, 2019, as compared to \$4.4 million for the same period during 2018, mainly due to higher volumes of liquid cargo transshipped. Port terminal expenses increased by \$0.2 million or 4.5% to \$4.5 million for the three month period ended June 30, 2019, as compared to \$4.3 million for the same period during 2018, mainly due to higher volumes transshipped in the grain and iron ore port terminal. The overall increase was partially mitigated by a \$0.1 million or 30.3% decrease in the time charter and voyage expenses of the cabotage business to \$0.2 million for the three month period ended June 30, 2019, as compared to \$0.3 million for the same period during 2018.

Direct Vessel Expenses: Direct vessel expenses increased by \$0.1 million or 0.6% to \$14.7 million for the three month period ended June 30, 2019, as compared to \$14.6 million for the same period during 2018. Direct vessel expenses of the cabotage business increased by \$1.0 million or 16.0% to \$7.7 million for the three month period ended June 30, 2019, as compared to \$6.7 million for the same period during 2018, mainly due to more operating days. Direct vessel expenses of the barge business decreased by \$0.9 million or 12.2% to \$7.0 million for the three month period ended June 30, 2019, as compared to \$7.9 million for the same period during 2018. This decrease was mainly attributable to decreased crew costs. Direct vessel expenses include crew costs, victual costs, dockage expenses, lubricants, spares, insurance, maintenance and repairs.

Cost of Products Sold: For the three month period ended June 30, 2019, Navios Logistics' cost of products sold decreased by \$6.6 million or 76.3% to \$2.0 million, as compared to \$8.6 million for the same period during 2018. This decrease was mainly attributable to a decrease in the Paraguayan liquid port terminal's volumes of products sold.

Depreciation and Amortization: Depreciation and amortization expense increased by \$0.1 million or 2.2% to \$7.3 million for the three month period ended June 30, 2019, as compared to \$7.2 million for the same period during 2018. The depreciation of tangible assets and the amortization of intangible assets for the three month period ended June 30, 2019 amounted to \$6.6 million and \$0.7 million, respectively. Depreciation of tangible assets and the amortization of intangible assets for the three month period ended June 30, 2018 amounted to \$6.5 million and \$0.7 million, respectively. Depreciation and amortization in the cabotage business increased by \$0.2 million or 26.9% to \$0.9 million for the three month period ended June 30, 2019, as compared to \$0.7 million for the same period during 2018. Depreciation and amortization in the barge business decreased by \$0.1 million or 2.1% to \$4.4 million for the three month period ended June 30, 2019, as compared to \$4.5 million for the same period during 2018. Depreciation and amortization in the port terminal business remained stable at \$2.0 million for the three month periods ended June 30, 2019 and 2018.

General and Administrative Expenses: General and administrative expenses increased by \$0.4 million or 10.3% to \$4.4 million for the three month period ended June 30, 2019, as compared to \$4.0 million for the same period during 2018, mainly attributable to an increase in payroll and related costs.

Interest Expense and Finance Cost, Net: Interest expense and finance cost, net decreased by \$0.7 million or 7.3% to \$9.3 million for the three month period ended June 30, 2019, as compared to \$10.0 million for the same period during 2018. For the three month period ended June 30, 2019, interest expense amounted to \$9.6 million, other finance costs amounted to \$0.7 million and interest income amounted to \$1.0 million. For the three month period ended June 30, 2018, interest expense amounted to \$9.4 million, other finance costs amounted to \$0.7 million and interest income amounted to \$0.1 million.

Other Expense, Net: Other expense, net decreased by \$1.9 million or 59.2% to \$1.3 million for the three month period ended June 30, 2019, as compared to \$3.2 million for the same period of 2018. Other income, net in the port terminal business increased by \$1.3 million to \$1.1 million for the three month period ended June 30, 2019, as compared to \$0.2 million other expense, net for the same period during 2018. This increase was attributable to income recorded from an insurance claim. Other expense, net in the barge business decreased by \$0.5 million to \$1.2 million for the three month period ended June 30, 2019, as compared to \$1.7 million for the same period during 2018. This increase was mainly due to the decreased provisions for losses on account receivables. Other expense, net in the cabotage business decreased by \$0.1 million to \$1.2 million for the three month period ended June 30, 2019, as compared to \$1.3 million for the same period during 2018.

Income Tax (Expense)/Benefit: Income tax expense increased by \$0.7 million to \$0.1 million for the three month period ended June 30, 2019, as compared to \$0.6 million income tax benefit for the same period during 2018. Income tax benefit of the barge business decreased by \$0.5 million or 67.1% to \$0.2 million for the three month period ended June 30, 2019, as compared to \$0.7 million for the same period during 2018. Income tax expense of the cabotage business increased by \$0.2 million to \$0.3 million for the three month period ended June 30, 2019, as compared to \$0.1 million for the same period during 2018.

For the six month period ended June 30, 2019 compared to the six month period ended June 30, 2018

Time Charter, Voyage and Port Terminal Revenues: For the six month period ended June 30, 2019, Navios Logistics' time charter, voyage and port terminal revenues increased by \$13.6 million or 14.3% to \$108.2 million, as compared to \$94.6 million for the same period during 2018. Revenue from the barge business increased by \$6.3 million or 17.7% to \$41.4 million for the six month period ended June 30, 2019, as compared to \$35.1 million for the same period during 2018, mainly due to higher volumes of liquid and dry cargo transported. Revenue from the cabotage business increased by \$4.1 million or 19.6% to \$25.0 million for the six month period ended June 30, 2019, as compared to \$20.9 million for the same period during 2018, mainly due to more operating days. Revenue from the port terminal business increased by \$3.2 million or 8.5% to \$41.8 million for the six month period ended June 30, 2019, as compared to \$38.6 million for the same period during 2018 mainly due to higher volumes transhipped in the grain port terminal.

Sales of Products: For the six month period ended June 30, 2019, Navios Logistics' sales of products decreased by \$9.5 million or 53.9% to \$8.2 million, as compared to \$17.7 million for the same period during 2018. This decrease was attributable to a decrease in the Paraguayan liquid port terminal's volumes of products sold.

Time Charter, Voyage and Port Terminal Expenses: Time charter, voyage and port terminal expenses increased by \$4.4 million or 26.1% to \$21.3 million for the six month period ended June 30, 2019, as compared to \$16.9 million for the same period during 2018. This increase was mainly attributable to a \$3.3 million or 41.7% increase in time charter, voyage and port terminal expenses of the barge business to \$11.6 million for the six month period ended June 30, 2019, as compared to \$8.3 million for the same period during 2018, mainly due to higher volumes of liquid cargo transported. Time charter and voyage expenses of the cabotage business increased by \$0.7 million or 96.5% to \$1.3 million for the six month period ended June 30, 2019, as compared to \$0.6 million for the same period during 2018, mainly due to more spot voyages performed. Port terminal expenses increased by \$0.4 million or 4.6% to \$8.4 million for the six month period ended June 30, 2019, as compared to \$8.0 million for the same period during 2018, mainly due to higher volumes transhipped in the grain port terminal.

Direct Vessel Expenses: Direct vessel expenses decreased by \$2.1 million or 7.1% to \$27.3 million for the six month period ended June 30, 2019, as compared to \$29.4 million for the same period during 2018. Direct vessel expenses of the barge business decreased by \$3.0 million or 18.5% to \$12.8 million for the six month period ended June 30, 2019, as compared to \$15.8 million for the same period during 2018. This decrease was mainly attributable to lower crew costs. Direct vessel expenses of the cabotage business increased by \$0.9 million or 6.1% to \$14.5 million for the six month period ended June 30, 2019, as compared to \$13.6 million for the same period during 2018, mainly due to more operating days. Direct vessel expenses include crew costs, victual costs, dockage expenses, lubricants, spares, insurance, maintenance and repairs.

Cost of Products Sold: For the six month period ended June 30, 2019, Navios Logistics' cost of products sold decreased by \$9.2 million or 53.6%, to \$8.0 million, as compared to \$17.2 million for the same period during 2018. This decrease was mainly attributable to a decrease in the Paraguayan liquid port's cost of products purchased.

Depreciation and Amortization: Depreciation and amortization expense increased by \$0.3 million or 1.9% to \$14.7 million for the six month period ended June 30, 2019, as compared to \$14.4 million for the same period during 2018. The depreciation of tangible assets and the amortization of intangible assets for the six month period ended June 30, 2019 amounted to \$13.3 million and \$1.4 million, respectively. The depreciation of tangible assets and the amortization of intangible assets for the six month period ended June 30, 2018 amounted to \$13.0 million and \$1.4 million, respectively. Depreciation and amortization in the cabotage business increased by \$0.3 million or 26.9% to \$1.7 million for the six month period ended June 30, 2019, as compared to \$1.4 million for the same period during 2018. Depreciation and amortization in the barge business increased by \$0.1 million or 0.1% to \$8.9 million for the six month period ended June 30, 2019, as compared to \$8.8 million for the same period during 2018. The overall increase was partially mitigated by a \$0.1 million or 2.1% decrease in the port terminal business to \$4.1 million for the six month period ended June 30, 2019, as compared to \$4.1 million for the same period during 2018.

General and Administrative Expenses: General and administrative expenses increased by \$0.2 million or 3.1% to \$8.1 million for the six month period ended June 30, 2019, as compared to \$7.9 million for the same period during 2018, mainly attributable to an increase in payroll and related costs.

Interest Expense and Finance Cost, Net: Interest expense and finance cost, net decreased by \$0.1 million or 0.7% to \$19.1 million for the six month period ended June 30, 2019, as compared to \$19.2 million for the same period of 2018. For the six month period ended June 30, 2019, interest expense amounted to \$19.1 million, other finance costs amounted to \$1.3 million and interest income amounted to \$1.3 million. For the six month period ended June 30, 2018, interest expense amounted to \$18.0 million, other finance costs amounted to \$1.3 million and interest income amounted to \$0.1 million.

Other Expense, Net: Other expense, net decreased by \$3.0 million or 55.2% to \$2.5 million for the six month period ended June 30, 2019, as compared to \$5.5 million for the same period during 2018. Other expense, net for the barge business decreased by \$1.5 million to \$1.8 million for the six month period ended June 30, 2019, as compared to \$3.3 million for the same period during 2018. This decrease was mainly due to the decreased provisions for losses on account receivables and positive foreign exchange differences. Other income, net for the port terminal business increased by \$1.4 million to \$1.2 million for the six month periods ended June 30, 2019, as compared to \$0.2 million other expense for the same period during 2018. This increase was mainly due to income recorded from an insurance claim. Other expense, net for the cabotage business decreased by \$0.1 million or 6.2% to \$1.9 million for the six month period ended June 30, 2019, as compared to \$2.0 million for the same period during 2018.

Income Tax (Expense)/ Benefit: Income tax expense increased by \$1.5 million or 140.0% to \$0.4 million for the six month period ended June 30, 2019, as compared to \$1.1 million income tax benefit for the same period during 2018. Income tax benefit of the barge business decreased by \$1.0 million to \$0.1 million for the six month period ended June 30, 2019, as compared to \$1.1 million for the same period during 2018. Income tax expense of the cabotage business increased by \$0.5 million to \$0.5 million for the six month period ended June 30, 2019, as compared to nil for the same period during 2018.

Liquidity and Capital Resources

We have historically financed our capital requirements with cash flows from operations, equity contributions from stockholders, borrowings under our credit facilities and issuance of other debt. Main uses of funds have been capital expenditures for the acquisition of new vessels, new construction and upgrades at the port terminals, expenditures incurred in connection with ensuring that the owned vessels comply with international and regulatory standards, repayments of debt and payments of dividends. We may also use funds to repurchase our outstanding indebtedness from time to time. Repurchases may be made in the open market, or through privately negotiated transactions or otherwise, in compliance with applicable laws, rules and regulations, at prices and on terms we deem appropriate and subject to our cash requirements for other purposes, compliance with the covenants under our debt agreements, and other factors management deems relevant. In addition, we regularly review opportunities for acquisitions of businesses and additional vessels, development of new facilities and infrastructure, joint ventures and other corporate transactions that may be material to us. In connection with any such transactions, we may need to raise significant amounts of capital, including debt. We do not have any material contractual arrangements for such transactions at this time. See “— Working Capital”, “— Capital Expenditures” and “— Long-term Debt Obligations and Credit Arrangements” for further discussion of our working capital position.

The following table presents cash flow information derived from the unaudited condensed consolidated statements of cash flows of Navios Logistics for the six month periods ended June 30, 2019 and 2018.

<i>(Expressed in thousands of U.S. dollars)</i>	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Net cash provided by operating activities	\$ 25,433	\$ 1,622
Net cash used in investing activities	(25,525)	(5,927)
Net cash used in financing activities	(7,584)	(5,180)
Decrease in cash and cash equivalents	(7,676)	(9,485)
Cash and cash equivalents and restricted cash, beginning of the period	<u>76,472</u>	<u>79,888</u>
Cash and cash equivalents and restricted cash, end of period	<u>\$ 68,796</u>	<u>\$ 70,403</u>

Cash provided by operating activities for the six month period ended June 30, 2019 as compared to cash provided by operating activities for the six month period ended June 30, 2018:

Net cash provided by operating activities increased by \$23.8 million to \$25.4 million for the six month period ended June 30, 2019, as compared to \$1.6 million for the same period during 2018. In determining net cash from operating activities, net income is adjusted for the effect of certain non-cash items including depreciation and amortization and income taxes, which are analyzed in detail as follows:

(Expressed in thousands of U.S. dollars)	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Net income	\$ 15,001	\$ 2,947
Depreciation of vessels, port terminals and other fixed assets	13,270	13,041
Amortization of intangible assets and liabilities	1,386	1,339
Accretion of Notes Payable / unwinding of discount	(55)	(25)
Amortization of deferred financing costs	1,229	1,147
Amortization of deferred drydock costs	2,458	3,721
Amortization of operating lease asset	191	—
Provision for losses on accounts receivable	158	812
Mark-to-market debt security investment	(908)	—
Deferred interest income amortization	(45)	—
Gain on sale of assets	—	(28)
Gain on debt security investment disposal	(177)	—
Income taxes	432	(1,079)
Net income adjusted for non-cash items	\$ 32,940	\$ 21,875

Net income is also adjusted for changes in operating assets and liabilities in order to determine net cash provided by operating activities.

The negative change in operating assets and liabilities of \$7.5 million for the six month period ended June 30, 2019 resulted from a \$11.1 million increase in accounts receivable, a \$5.4 million increase in long term assets, a \$1.8 million of payments for drydock and special survey costs, a \$1.8 million increase in amounts due from affiliate companies, a \$0.4 million increase in inventories, a \$0.2 million decrease in operating lease liabilities, a \$0.1 million decrease in accrued expenses, a \$0.1 million decrease in long term liabilities. The negative change in operating assets and liabilities was partially offset by a \$9.0 million decrease in prepaid expenses and other current assets, a \$3.3 million increase in accounts payable and \$1.1 million increase in deferred income.

The negative change in operating assets and liabilities of \$20.3 million for the six month period ended June 30, 2018 resulted from a \$12.6 million increase in accounts receivable, a \$2.7 million decrease in deferred income, a \$1.7 million of payments for drydock and special survey costs, a \$1.3 million decrease in accounts payable, a \$1.2 million decrease in accrued expenses, a \$0.8 million increase in prepaid expenses, a \$0.3 million decrease in long term liabilities, a \$0.2 million increase in long term assets, a \$0.2 million decrease in income tax payable, and a \$0.1 million decrease in amounts due to affiliate companies. The negative change in operating assets and liabilities was partially offset by a \$0.8 million decrease in inventories.

Cash used in investing activities for the six month period ended June 30, 2019 as compared to the six month period ended June 30, 2018:

Net cash used in investing activities increased by \$19.6 million to \$25.5 million for the six month period ended June 30, 2019, from \$5.9 million for the same period during 2018.

Cash used in investing activities for the six month period ended June 30, 2019 was mainly the result of (a) \$25.5 million in investment providing a secured credit facility to our parent, (b) \$17.6 million in investment in debt securities of our parent and (c) \$1.2 million in payments for the purchase of fixed assets, partially mitigated by (a) \$18.7 million proceeds from the disposal of debt securities of our parent and (b) \$0.1 million in collections of the Note receivable.

Cash used in investing activities for the six month period ended June 30, 2018 was mainly attributable to (a) \$2.1 million in payments for the construction of a river and estuary tanker, (b) \$1.9 million in payments for the construction of the Company's three new pushboats, (c) \$0.9 million in payments for the purchase of other fixed assets, (d) \$0.6 million in payments for the expansion of the Company's dry port terminal and (e) \$0.5 million in payments for the purchase of covers for dry barges, partially mitigated by \$0.1 million in collections of the Note receivable.

Cash used in financing activities for the six month period ended June 30, 2019 as compared to cash used in financing activities for the six month period ended June 30, 2018:

Net cash used in financing activities increased by \$2.4 million to \$7.6 million for the six month period ended June 30, 2019, as compared to \$5.2 million cash used in financing activities for the same period during 2018.

Cash used in financing activities for the six month period ended June 30, 2019 was mainly attributable to (a) \$5.5 million of payments made in connection with the Company's outstanding indebtedness and (b) \$2.1 million in payments for the repayment of the Notes Payable (as defined below).

Cash used in financing activities for the six month period ended June 30, 2018 was mainly attributable to (a) \$3.1 million of payments made in connection with the Company's outstanding indebtedness and (b) \$2.1 million in payments for the repayment of the Notes Payable

EBITDA Reconciliation to Net income

EBITDA represents net income/ (loss) plus interest and finance costs plus depreciation and amortization and income taxes. EBITDA is presented because it is used by certain investors to measure a company's operating performance.

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 U.S. GAAP or as a measure of profitability or liquidity. While EBITDA is frequently used as a measure of operating performance, the definition of EBITDA used here may not be comparable to that used by other companies due to differences in methods of calculation.

Three Month Period Ended June 30, 2019

<u>(Expressed in thousands of U.S. dollars)</u>	Port Terminal Business (unaudited)	Cabotage Business (unaudited)	Barge Business (unaudited)	Total
Net income/(loss)	\$ 11,544	\$ 1,460	\$ (3,308)	\$ 9,696
Depreciation and amortization	2,032	873	4,405	7,310
Amortization of deferred drydock costs	—	774	358	1,132
Interest expense and finance costs, net	3,896	1,027	4,342	9,265
Income tax expense/ (benefit)	—	314	(229)	85
EBITDA	\$ 17,472	\$ 4,448	\$ 5,568	\$27,488

Three Month Period Ended June 30, 2018

<u>(Expressed in thousands of U.S. dollars)</u>	Port Terminal Business (unaudited)	Cabotage Business (unaudited)	Barge Business (unaudited)	Total
Net income/(loss)	\$ 11,230	\$ (340)	\$ (6,896)	\$ 3,994
Depreciation and amortization	1,965	688	4,499	7,152
Amortization of deferred drydock costs	—	1,146	685	1,831
Interest expense and finance costs, net	4,155	1,195	4,647	9,997
Income tax expense/ (benefit)	—	126	(695)	(569)
EBITDA	\$ 17,350	\$ 2,815	\$ 2,240	\$22,405

EBITDA increased by \$5.1 million to \$27.5 million for the three month period ended June 30, 2019, as compared to \$22.4 million for the same period during 2018. This increase was mainly due to (a) a \$7.7 million increase in time charter, voyage and port terminal revenues, of which \$4.5 million was attributable to the barge business, \$2.9 million to the cabotage business, and \$0.3 million to the port terminal business, (b) a \$6.6 million decrease in cost of products sold in the port terminal business, and (c) a \$1.9 million decrease in other expense, net, of which \$1.3 million was attributable to the port terminal business, \$0.5

million to the barge expense, and \$0.1 million to the cabotage business. This increase was partially mitigated by (a) a \$7.2 million decrease in sales of products in the port terminal business, (b) a \$2.8 million increase in time charter, voyage and port terminal expenses, of which \$2.7 million was attributable to the barge business, and \$0.2 million to the port terminal business, partially mitigated by a \$0.1 million decrease in the cabotage business, (c) a \$0.7 million increase in direct vessel expenses (excluding the amortization of deferred drydock and special survey costs), of which \$1.3 million was attributable to the cabotage business, partially mitigated by a \$0.6 million decrease in the barges business, and (d) a \$0.4 million increase in general and administrative expenses, of which \$0.7 million was attributable to the port terminal business, partially mitigated by a \$0.3 million decrease in the barge business.

Six Month Period Ended June 30, 2019

<u>(Expressed in thousands of U.S. dollars)</u>	Port Terminal Business (unaudited)	Cabotage Business (unaudited)	Barge Business (unaudited)	Total
Net income/(loss)	\$ 19,853	\$ 1,693	\$ (6,545)	\$15,001
Depreciation and amortization	4,068	1,746	8,842	14,656
Amortization of deferred drydock costs	—	1,626	832	2,458
Interest expense and finance costs, net	8,260	2,315	8,528	19,103
Income tax expense/ (benefit)	—	535	(103)	432
EBITDA	<u>\$ 32,181</u>	<u>\$ 7,915</u>	<u>\$ 11,554</u>	<u>\$51,650</u>

Six Month Period Ended June 30, 2018

<u>(Expressed in thousands of U.S. dollars)</u>	Port Terminal Business (unaudited)	Cabotage Business (unaudited)	Barge Business (unaudited)	Total
Net income/(loss)	\$ 16,892	\$ (194)	\$ (13,751)	\$ 2,947
Depreciation and amortization	4,155	1,376	8,849	14,380
Amortization of deferred drydock costs	—	2,313	1,408	3,721
Interest expense and finance costs, net	7,906	2,378	8,958	19,242
Income tax benefit	—	—	(1,079)	(1,079)
EBITDA	<u>\$ 28,953</u>	<u>\$ 5,873</u>	<u>\$ 4,385</u>	<u>\$39,211</u>

EBITDA increased by \$12.5 million to \$51.7 million for the six month period ended June 30, 2019, as compared to \$39.2 million for the same period during 2018. This increase was mainly due to (a) a \$13.6 million increase in time charter, voyage and port terminal revenues, of which \$6.3 million was attributable to the barge business, \$4.1 million to the cabotage business, and \$3.2 million to the port terminal business, (b) a \$9.2 million decrease in cost of products sold in the port terminal business, (c) a \$3.0 million decrease in other expense, of which \$1.5 million was attributable to the barge business, \$1.4 million to the port terminal business, and \$0.1 million to the cabotage business, and (d) a \$0.8 million decrease in direct vessel expenses (excluding the amortization of deferred drydock and special survey costs), of which \$2.3 million was attributable to the barge business, partially mitigated by \$1.5 million in the cabotage business. This increase was partially mitigated by (a) a \$9.5 million decrease in sales of products in the port terminal business, (b) a \$4.4 million increase in time charter, voyage and port terminal expenses, of which \$3.3 million was attributable to the barge business, \$0.7 million to the cabotage business, and \$0.4 million to the port terminal business, and (c) a \$0.2 million increase in general and administrative expenses, of which, \$0.7 million was attributable to the port terminal business and \$0.1 million to the cabotage business, partially mitigated by a \$0.6 million decrease in the barge business.

Long-term Debt Obligations and Credit Arrangements

Senior Notes

On April 22, 2014, Navios Logistics and its wholly-owned subsidiary Navios Logistics Finance (US) Inc. (“Logistics Finance” and, together with Navios Logistics, the “Co-Issuers”) issued \$375.0 million in aggregate principal amount of Senior Notes due on May 1, 2022 (the “2022 Senior Notes”), at a fixed rate of 7.25%. The 2022 Senior Notes are unregistered and are fully and unconditionally guaranteed, jointly and severally, by all of Navios Logistics’ direct and indirect subsidiaries except for Horamar do Brasil Navegação Ltda (“Horamar do Brasil”), Naviera Alto Parana S.A. (“Naviera Alto Parana”) and Terra Norte Group S.A. (“Terra Norte”), which are deemed to be immaterial, and Logistics Finance, which is the co-issuer of the 2022 Senior Notes. The subsidiary guarantees are “full and unconditional,” except that the indenture provides for an individual subsidiary’s guarantee to be automatically released in certain customary circumstances, such as in connection with a sale or other disposition of all or substantially all of the assets of the subsidiary, in connection with the sale of a majority of the capital stock of the subsidiary, if the subsidiary is designated as an “unrestricted subsidiary” in accordance with the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Senior Notes.

The Co-Issuers have the option to redeem the 2022 Senior Notes in whole or in part, at their option, at any time on or after May 1, 2019, at a fixed price of 101.813%, which price declines ratably until it reaches par in 2020. Upon the occurrence of certain change of control events, the holders of the 2022 Senior Notes will have the right to require the Co-Issuers to repurchase some or all of the 2022 Senior Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

As of June 30, 2019 and December 31, 2018, deferred financing costs associated with the 2022 Senior Notes amounted to \$4.0 million and \$4.6 million, respectively. Interest expense associated with the 2022 Senior Notes amounted to \$6.8 million and \$13.6 million for the three and six month periods ended June 30, 2019, respectively (\$6.8 million and \$13.6 million for the three and six month periods ended June 30, 2018, respectively).

The indenture governing the 2022 Senior Notes contains covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into transactions with affiliates, merging or consolidating or selling all or substantially all of Navios Logistics' properties and assets and creation or designation of restricted subsidiaries.

The indenture governing the 2022 Senior Notes includes customary events of default.

In addition, there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 2022 Senior Notes to obtain funds by dividend or loan from any of their subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

Term Loan B Facility

On November 3, 2017, Navios Logistics and Logistics Finance, as co-borrowers, completed the issuance of a \$100.0 million Term Loan B Facility (the "Term Loan B Facility"). The Term Loan B Facility bears an interest rate of LIBOR plus 475 basis points and has a four-year term with 1.0% amortization per annum. The Term Loan B Facility is fully and unconditionally guaranteed, jointly and severally, by all of Navios Logistics' direct and indirect subsidiaries except for Horamar do Brasil, Naviera Alto Parana and Terra Norte, which are deemed to be immaterial, and Logistics Finance, which is the co-borrower of the Term Loan B Facility. The subsidiary guarantees are "full and unconditional," except that the credit agreement governing the Term Loan B Facility provides for an individual subsidiary's guarantee to be automatically released in certain circumstances. The Term Loan B Facility is secured by first priority mortgages on four tanker vessels servicing Navios Logistics cabotage business (on August 28, 2019, one tanker vessel was added as collateral substituting two tanker vessels), as well as by assignments of the revenues arising from certain time charter contracts, and an iron ore port contract.

The Term Loan B Facility contains restrictive covenants including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, including change of control.

As of June 30, 2019, a balance of \$98.5 million was outstanding under the Term Loan B Facility.

As of June 30, 2019 and December 31, 2018, unamortized deferred financing costs associated with the Term Loan B Facility amounted to \$2.6 million and \$3.2 million, respectively. Interest expense associated with the Term Loan B Facility amounted to \$1.8 million and \$3.7 million for the three and six month period ended June 30, 2019, respectively (\$1.9 million and \$3.4 million for the three and six month periods ended June 30, 2018, respectively).

Notes Payable

In connection with the purchase of mechanical equipment for the expansion of its dry port terminal, the Company entered into an unsecured export financing line of credit for a total amount of \$42.0 million, including all related fixed financing costs of \$5.9 million, available in multiple drawings upon the completion of certain milestones ("Drawdown Events"). The Company incurs the obligation for the respective amount drawn by signing promissory notes ("Notes Payable"). Each drawdown is repayable in 16 consecutive semi-annual installments, starting six months after the completion of each Drawdown Event. Together with each Note Payable, the Company shall pay interest equal to six-month LIBOR. The unsecured export financing line is fully and unconditionally guaranteed by Ponte Rio S.A. As of June 30, 2019, the Company had drawn the total available amount and the outstanding balance of Notes Payable was \$24.7 million.

Interest expense associated with the Notes Payable amounted to \$0.4 million and \$0.8 million for the three and six month periods ended June 30, 2019, respectively (\$0.4 million and \$0.9 million, respectively, for the three and six month periods ended June 30, 2018).

Other Indebtedness

On December 15, 2016, the Company entered into a \$25.0 million facility with Banco Bilbao Vizcaya Argentaria Uruguay S.A. (“BBVA”), for general corporate purposes. The loan bears interest at a rate of LIBOR (180 days) plus 325 basis points. The loan is repayable in twenty quarterly installments, the first payment of which was due on June 19, 2017, and secured by assignments of certain receivables. As of June 30, 2019, the outstanding amount of the loan was \$16.9 million.

On May 18, 2017, the Company entered into a \$14.0 million term loan facility (the “Term Bank Loan”) in order to finance the acquisition of two product tankers. The Term Bank Loan bears interest at a rate of LIBOR (90 days) plus 315 basis points and is repayable in twenty quarterly installments with a final balloon payment of \$7.0 million on the last repayment date. As of June 30, 2019, the outstanding amount of the Term Bank Loan was \$11.2 million. As of June 30, 2019 and December 31, 2018, unamortized deferred financing costs associated with the Term Bank Loan amounted to \$0.1 million and \$0.1 million, respectively.

On August 17, 2018, the Company entered into a \$7.0 million (€6.2 million) credit agreement in order to finance the 50% of the purchase price of a river and estuary tanker. The credit agreement bears interest at a fixed rate of 675 basis points and is repayable in 24 monthly installments with the final repayment in August 17, 2020. As of June 30, 2019, the outstanding amount of the credit agreement was \$4.1 million. As of June 30, 2019 and December 31, 2018, unamortized deferred financing costs associated with the credit agreement amounted to \$0.1 million and \$0.1 million, respectively. On August 26, 2019, the Company prepaid the total outstanding balance of the credit agreement for a river and estuary tanker, which was \$3.5 million (€3.1 million).

In connection with the acquisition of Hidronave S.A. on October 29, 2009, the Company assumed a \$0.8 million loan facility that was entered into by Hidronave S.A. in 2001, in order to finance the construction of the pushboat Nazira. As of June 30, 2019, the outstanding loan balance was \$0.1 million. The loan facility bears interest at a fixed rate of 600 basis points. The loan is repayable in monthly installments and the final repayment must occur prior to August 10, 2021.

In connection with the loan and other long term liabilities, the Company is subject to certain covenants, commitments, limitations and restrictions.

The Company was in compliance with all the covenants of its borrowings as of June 30, 2019.

The annualized weighted average interest rates of the Company’s total borrowings were 7.12% and 7.14% for the three and six month periods ended June 30, 2019, respectively, (7.11% and 6.95% for the three and six month periods ended June 30, 2018, respectively).

The maturity table below reflects the principal payments for the next five years and thereafter on all credit facilities outstanding as of June 30, 2019, based on the repayment schedule of the respective loan facilities (as described above).

<u>Year</u>	<u>As of June 30, 2019 (Amounts in millions of U.S. dollars)</u>
June 30, 2020	\$ 16.3
June 30, 2021	14.0
June 30, 2022	490.2
June 30, 2023	4.9
June 30, 2024	4.6
June 30, 2025 and thereafter	0.5
Total	\$ 530.5

Contractual Obligations

The following table summarizes Navios Logistics' contractual obligations as of June 30, 2019:

Contractual Obligations (Amounts in millions of U.S. dollars)	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total
Long-term debt obligations ⁽¹⁾	\$ 16.3	\$ 504.2	\$ 9.5	\$ 0.5	\$530.5
Land lease agreements ⁽²⁾	0.6	1.1	1.1	23.3	26.1
Office rent obligations ⁽²⁾	0.8	0.8	0.1	—	1.7
Total	\$ 17.7	\$ 506.1	\$ 10.7	\$ 23.8	\$558.3

- (1) Represents principal payments on amounts drawn on our outstanding credit facilities, the Senior Notes, the Term loan B Facility and the Notes Payable, which bear interest at fixed or floating rates. The amounts in the table exclude expected interest payments of \$37.5 million (less than 1 year), \$67.5 million (1-3 years), \$0.6 million (3-5 years) and nil (more than 5 years). Expected interest payments are based on the terms of the outstanding debt obligations and currently effective interest rates, where applicable.
- (2) We have several lease agreements with respect to our operating port terminals and various offices. For a detailed discussion of Navios Logistics' lease agreements, refer to "Item 4.D. Property, Plants and Equipment," included in the Company's 2018 Form 20-F.

Working Capital Position

On June 30, 2019, Navios Logistics' current assets totaled \$124.9 million, while current liabilities totaled \$58.6 million, resulting in a positive working capital position of \$66.3 million. Navios Logistics' cash forecast indicates that Navios Logistics will generate sufficient cash for at least the next 12 months to make the required principal and interest payments on Navios Logistics' indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position.

Capital Expenditures

On November 12, 2018, Navios Logistics acquired approximately 3.5 hectares of undeveloped land located in Port Murtinho region, Brazil. Navios Logistics plans to develop this land for its port operations. As of June 30, 2019, Navios Logistics had paid \$1.2 million for the land acquisition.

Dividend Policy

The payment of dividends is at the discretion of Navios Logistics' board of directors. Any determination as to dividend policy will be made by Navios Logistics' board of directors and will depend on a number of factors, including the requirements of Marshall Islands law, Navios Logistics' future earnings, capital requirements, financial condition and future prospects and such other factors as Navios Logistics' board of directors may deem relevant. Marshall Islands law generally prohibits the payment of dividends other than from surplus, when a company is insolvent or if the payment of the dividend would render the company insolvent.

Navios Logistics' ability to pay dividends is also restricted by the terms of the indenture governing its 2022 Senior Notes and the Term Loan B Facility.

Because Navios Logistics is a holding company with no material assets other than the stock of its subsidiaries, its ability to pay dividends is dependent upon the earnings and cash flow of its subsidiaries and their ability to pay dividends to Navios Logistics. If there is a substantial decline in any of the markets in which Navios Logistics participates, its earnings will be negatively affected, thereby limiting its ability to pay dividends.

On November 3, 2017, Navios Logistics paid a dividend in the aggregate amount of \$70.0 million, out of which \$44.7 was paid to Navios Holdings.

Concentration of Credit Risk

Accounts Receivable

Concentration of credit risk with respect to accounts receivables is limited due to the fact that Navios Logistics' customers are established international operators and have an appropriate credit history, therefore, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables. For the six month period ended June 30, 2019, one customer, Vale, accounted for 34.6% of Navios Logistics' revenues. For the six month period ended June 30, 2018, three customers, Vale, Axion Energy Argentina S.A. ("Axion") and Cammesa S.A. ("Cammesa") accounted for 33.8%, 12.2% and 10.8% of Navios Logistics' revenues, respectively.

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

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

- the customer fails to make payments because of its financial inability, the curtailment or cessation of its operations, its disagreements with us or otherwise;
- the customer terminates the contract because we fail to meet their contracted storage needs;
- the customer terminates the contract because we fail to deliver the vessel within a fixed period of time, the vessel is lost or damaged beyond repair, there are serious deficiencies in the vessel or prolonged off-hire, default under the contract; or
- the customer terminates the contract because the vessel has been subject to seizure for more than a specified number of days.

See below, under “Legal Proceedings”, discussion about the dispute between the Company and Vale, relating to the service contract for the iron ore port facility in Nueva Palmira, Uruguay.

Cash Deposits with Financial Institutions

Cash deposits in excess of amounts covered by government-provided insurance are exposed to loss in the event of nonperformance by financial institutions. Although Navios Logistics maintains cash deposits in excess of government-provided insurance limits, Navios Logistics minimizes its exposure to credit risk by dealing with a diversified group of major financial institutions.

Off-Balance Sheet Arrangements

On July 22, 2016, the Company guaranteed the compliance of certain obligations related to Edolmix S.A. and Energías Renovables del Sur S.A. (entities wholly owned by the Company) under their respective direct user agreements with the Free Zone of Nueva Palmira, for the amounts of \$0.8 million and \$0.5 million, respectively.

The Company issued a guarantee and indemnity letter that guarantees the performance by Petrolera San Antonio S.A. of all its obligations to Vitrol S.A. up to \$12.0 million. This guarantee expires on March 1, 2020.

Legal Proceedings

The Company is subject to legal proceedings, claims and contingencies arising in the ordinary course of business. When such amounts can be estimated and the contingency is probable, management accrues the corresponding liability. While the ultimate outcome of lawsuits or other proceedings against the Company cannot be predicted with certainty, management does not believe the costs, individually or in aggregate, of such actions will have a material effect on our consolidated financial position, results of operations or cash flows.

On August 16, 2018, there was a fire incident at the iron ore port terminal in Nueva Palmira, Uruguay for which the Company maintains property and loss of earnings insurance coverage for such types of events (subject to applicable deductibles and other customary limitations). As of June 30, 2019, an insurance claim receivable of \$3.0 million was recorded in the Company’s prepaid expenses and other current assets. As of September 12, 2019, the full amount has been collected in relation to this insurance claim.

Related Party Transactions

Balance due from affiliates as of June 30, 2019 amounted to \$27.5 million (December 31, 2018: \$0.2 million due from affiliates) which includes the current amounts due from Navios Holdings.

The Navios Holdings Loan Agreement: On April 25, 2019, Navios Logistics entered into an agreement with Navios Holdings, pursuant to which we have provided Navios Holdings with a secured credit facility of up to \$50.0 million to be used for general corporate purposes, including the repurchase of 7.375% First Priority Ship Mortgage Notes due 2022 (the “2022 Notes”). This credit facility is secured by (i) any 2022 Notes purchased by Navios Holdings with these funds and (ii) equity interests in five companies that have entered into certain bareboat contracts. Each such bareboat contract has a 10-year term for a newbuilding bulk carrier and an option to acquire the related vessel. The credit facility is available in multiple drawings, has an arrangement

fee of \$0.5 million, a fixed interest rate of 12.75% for the first year and a fixed interest rate of 14.75% for the second year, payable annually. The secured credit facility includes negative covenants substantially similar to the 2022 Notes and customary events of default. The credit facility matures in April 2021. During March 2019 and as of April 15, 2019, Navios Logistics purchased \$35.5 million of the 2022 Notes from unaffiliated third parties in open market transactions for \$17.6 million plus accrued interest. As of September 12, 2019, \$50.0 million was drawn under this facility of which \$18.7 million was used to acquire the 2022 Notes from Navios Logistics. See Exhibit 10.1 to this report for a copy of the agreement.

General and administrative expenses: On August 29, 2019 Navios Logistics entered into an assignment agreement with Navios Corporation (“NC”) and Navios Shipmanagement Inc. (“NSM”), whereby the administrative services agreement originally entered into between Navios Logistics and Navios Holdings on April 12, 2011, first assigned to NC on May 28, 2014 and subsequently amended on April 6, 2016 (extending the duration of the agreement until December 2021), was assigned from NC to NSM. Thereafter NSM will continue to provide certain administrative management services to Navios Logistics. NSM will be reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. See Exhibit 10.2 to this report for a copy of the assignment agreement. Total general and administrative fees charged for the three and six month periods ended June 30, 2019 amounted to \$0.3 million and \$0.6 million, respectively (\$0.3 million and \$0.5 million for the three and six month periods ended June 30, 2018, respectively).

Lodging and travel services: Navios Logistics obtains lodging and travel services from Empresa Hotelera Argentina S.A./ (NH Lancaster) and Pit Jet S.A., both owned by members of the Lopez family, including Claudio Pablo Lopez, Navios Logistics’ Chief Executive Officer and Vice Chairman and Carlos Augusto Lopez, Navios Logistics’ Chief Commercial Officer—Shipping Division, each of whom has no controlling interest in those companies. Total charges were less than \$0.1 million for the three and six month periods ended June 30, 2019 and 2018 and amounts payable were less than \$0.1 million both as of June 30, 2019 and as of December 31, 2018.

Quantitative and Qualitative Disclosures about Market Risks

Navios Logistics is exposed to certain risks related to interest rates, foreign currency and time charter hire rate fluctuation. Risk management is carried out under policies approved by executive management.

Interest Rate Risk:

Debt Instruments—As of June 30, 2019 and December 31, 2018, Navios Logistics had a total of \$530.5 million and \$538.2 million, respectively, in long-term indebtedness. The debt is dollar denominated.

Interest rates on the loan facility of Hidronave S.A., the credit facility for the acquisition of a river and estuary tanker and the 2022 Senior Notes are fixed and, therefore, changes in interest rates affect their fair value which as of June 30, 2019 was \$0.1 million, \$4.1 million and \$364.6 million, respectively, but do not affect the related interest expense. The interest on the Term Loan B Facility, the Notes Payable, the BBVA loan and the Term Bank Loan is at a floating rate and, therefore, changes in interest rates would affect their interest rate and related interest expense. As of June 30, 2019, the outstanding amount of the Company’s floating rate loan facilities was \$151.3 million. A change in the LIBOR rate of 100 basis points would increase interest expense for the six month period ended June 30, 2019 by \$1.5 million.

For a detailed discussion of Navios Logistics’ debt instruments refer to section “Long-term Debt Obligations and Credit Arrangements” included elsewhere in this document.

Foreign Currency Transactions:

For the six month periods ended June 30, 2019 and 2018 approximately 49.9% and 50.0%, respectively, of Navios Logistics’ expenses were incurred in currencies other than U.S dollars. A change in exchange rates between the U.S. dollar and each of the foreign currencies listed above by 1.00% would change Navios Logistics’ net income for the six month period ended June 30, 2019 by \$0.3 million. See also “Factors Affecting Navios Logistics’ Results of Operations.”

Inflation and Fuel Price Increases

See “Factors Affecting Navios Logistics’ Results of Operations.”

Critical Accounting Policies

The Navios Logistics’ interim consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires Navios Logistics 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 2018 Form 20-F.

Recent Accounting Pronouncements

The Company's recent accounting pronouncements are included in the accompanying notes to the unaudited condensed consolidated financial statements included elsewhere in this report.

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NAVIOS SOUTH AMERICAN LOGISTICS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of U.S. dollars—except share data)

	Notes	June 30, 2019 (unaudited)	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		\$ 68,796	\$ 76,472
Accounts receivable, net		39,196	28,225
Due from affiliate companies	7	1,936	150
Note receivable, current portion	3	174	174
Prepaid expenses and other current assets		9,758	17,512
Inventories		5,023	4,575
Total current assets		124,883	127,108
Vessels, port terminals and other fixed assets, net	3	546,259	559,587
Intangible assets other than goodwill, net	4	55,898	57,284
Goodwill		104,096	104,096
Deferred drydock and special survey costs, net		10,528	11,156
Note receivable, net of current portion	3	325	428
Operating lease assets	11	9,055	—
Intercompany receivable loan from parent (related party)	7	25,545	—
Other long-term assets		9,093	3,644
Total noncurrent assets		760,799	736,195
Total assets		\$ 885,682	\$ 863,303
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable		\$ 20,434	\$ 17,086
Accrued expenses		16,811	16,982
Deferred income		5,818	4,763
Operating lease liabilities, current portion	11	440	—
Notes payable — current portion	5	4,815	4,781
Current portion of long-term debt	5	10,257	9,797
Total current liabilities		58,575	53,409
Senior notes, net	5	371,036	370,424
Notes payable, net of current portion	5	19,881	22,094
Long-term debt, net of current portion	5	117,795	123,090
Income tax payable		169	205
Deferred tax liability		7,734	7,177
Operating lease liabilities, net of current portion	11	8,619	—
Other long-term liabilities		735	767
Total noncurrent liabilities		525,969	523,757
Total liabilities		584,544	577,166
Commitments and contingencies	6	—	—
STOCKHOLDERS' EQUITY			
Common stock — \$1.00 par value: 50,000,000 authorized shares; 20,000 shares issued and outstanding for both, June 30, 2019 and December 31, 2018	8	20	20
Additional paid-in capital		233,441	233,441
Retained earnings		67,677	52,676
Total stockholders' equity		301,138	286,137
Total liabilities and stockholders' equity		\$ 885,682	\$ 863,303

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NAVIOS SOUTH AMERICAN LOGISTICS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in thousands of U.S. dollars—except share and per share data)

	Notes	Three Month Period Ended June 30, 2019 (unaudited)	Three Month Period Ended June 30, 2018 (unaudited)	Six Month Period Ended June 30, 2019 (unaudited)	Six Month Period Ended June 30, 2018 (unaudited)
Time charter, voyage and port terminal revenues		\$ 58,514	\$ 50,798	\$ 108,221	\$ 94,641
Sales of products		2,097	9,265	8,156	17,690
Time charter, voyage and port terminal expenses		(11,800)	(9,041)	(21,276)	(16,867)
Direct vessel expenses		(14,730)	(14,640)	(27,344)	(29,430)
Cost of products sold		(2,046)	(8,641)	(7,954)	(17,153)
Depreciation and amortization	3,4	(7,310)	(7,152)	(14,656)	(14,380)
General and administrative expenses		(4,371)	(3,963)	(8,134)	(7,887)
Interest expense and finance cost, net		(9,265)	(9,997)	(19,103)	(19,242)
Gain on sale of assets		—	—	—	28
Other expense, net		(1,308)	(3,204)	(2,477)	(5,532)
Income before income taxes		\$ 9,781	\$ 3,425	\$ 15,433	\$ 1,868
Income tax (expense)/ benefit		(85)	569	(432)	1,079
Net income		\$ 9,696	\$ 3,994	\$ 15,001	\$ 2,947
Basic and diluted net earnings per share		\$ 0.48	\$ 0.20	\$ 0.75	\$ 0.15
Weighted average number of shares, basic and diluted	8	20,000	20,000	20,000	20,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NAVIOS SOUTH AMERICAN LOGISTICS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of U.S. dollars)

	<u>Notes</u>	<u>Six Month Period Ended June 30, 2019 (unaudited)</u>	<u>Six Month Period Ended June 30, 2018 (unaudited)</u>
OPERATING ACTIVITIES:			
Net income		\$ 15,001	\$ 2,947
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash adjustments		17,939	18,928
Increase in operating assets		(9,777)	(12,712)
Decrease / (increase) in operating liabilities		4,100	(5,840)
Payments for drydock and special survey costs		(1,830)	(1,701)
Net cash provided by operating activities		25,433	1,622
INVESTING ACTIVITIES:			
Acquisition of vessels, port terminals and other fixed assets	3	(1,222)	(2,607)
Deposits for vessels, port terminals and other fixed assets		—	(3,438)
Loan to parent Company (related party)	7	(25,500)	—
Investments in debt securities (related party)	7	(17,642)	—
Disposal of debt securities (related party)	7	18,726	—
Proceeds from Notes Receivable		113	118
Net cash used in investing activities		(25,525)	(5,927)
FINANCING ACTIVITIES:			
Repayments of long-term debt	5	(5,452)	(3,034)
Repayment of Notes Payable	5	(2,132)	(2,146)
Net cash used in financing activities		(7,584)	(5,180)
Net decrease in cash and cash equivalents		(7,676)	(9,485)
Cash and cash equivalents and restricted cash, beginning of period		76,472	79,888
Cash and cash equivalents and restricted cash, end of period		\$ 68,796	\$ 70,403
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest, net of capitalized interest		\$ 19,219	\$ 17,890
Non cash investing and financing activities:			
Transfers from deposits for vessels, port terminals and other fixed assets		\$ —	\$ 32,032
Acquisition of vessels, port terminals and other fixed assets, net		\$ —	\$ (311)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NAVIOS SOUTH AMERICAN LOGISTICS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of U.S. dollars—except share data)

	<u>Number of shares</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance December 31, 2018	20,000	\$ 20	\$233,441	\$52,676	\$ 286,137
Net income	—	—	—	5,305	5,305
Balance March 31, 2019 (unaudited)	20,000	\$ 20	\$233,441	\$57,981	\$ 291,442
Net income	—	—	—	9,696	9,696
Balance June 30, 2019 (unaudited)	20,000	\$ 20	\$233,441	\$67,677	\$ 301,138
	<u>Number of shares</u>	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholders' Equity</u>
Balance December 31, 2017	20,000	\$ 20	\$233,441	\$45,814	\$ 279,275
Net loss	—	—	—	(1,047)	(1,047)
Balance March 31, 2018 (unaudited)	20,000	\$ 20	\$233,441	\$44,767	\$ 278,228
Net income	—	—	—	3,994	3,994
Balance June 30, 2018 (unaudited)	20,000	\$ 20	\$233,441	\$48,761	\$ 282,222

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NAVIOS SOUTH AMERICAN LOGISTICS INC.
UNAUDITED CONDENSED NOTES TO THE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in thousands of U.S. dollars—except share data)

NOTE 1: DESCRIPTION OF BUSINESS

Navios South American Logistics Inc. (“Navios Logistics” or the “Company”) was incorporated under the laws of the Republic of the Marshall Islands on December 17, 2007. Navios Logistics believes it is one of the largest logistics companies in the Hidrovia region of South America, focusing on the Hidrovia river system, the main navigable river system in the region, and on cabotage trades along the eastern coast of South America. Navios Logistics is focused on providing its customers integrated transportation, storage and related services through its port facilities, its large, versatile fleet of dry and liquid cargo barges and its product tankers. Navios Logistics serves the needs of a number of growing South American industries, including mineral and grain commodity providers as well as users of refined petroleum products. As of June 30, 2019, Navios Maritime Holdings Inc. (“Navios Holdings”) owned 63.8% of Navios Logistics’ stock.

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 Logistics’ consolidated statements of financial position, statements of changes in equity, statements of operations and cash flows for the periods presented. Adjustments consist of normal, recurring entries. 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 certain information and disclosures required under United States generally accepted accounting principles (“U.S. GAAP”) for complete financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes included in Navios Logistics’ 2018 annual report filed on Form 20-F with the Securities and Exchange Commission (“SEC”).

Adoption of new accounting pronouncements:

ASU 2016-02 Leases, ASC 842

On January 1, 2019, the Company adopted the requirements of ASU 2016-02, “Leases,” as amended (“ASC 842” or the “new lease standard”). ASC 842 increases transparency and comparability among organizations by requiring a lessee to record right-of-use assets and related lease liabilities on its balance sheet when it commences an operating lease. The Company adopted ASC 842 using the modified retrospective transition method. Under this method, the cumulative effect of applying the new lease standard is recorded with no restatement of any comparative prior periods presented. As provided by ASC 842, the Company elected to record the required cumulative effect adjustments to the opening balance sheet in the period of adoption rather than in the earliest comparative period presented. As a result, prior periods as reported by the Company have not been impacted by the adoption of ASU 2016-02. As required by ASC 842, the Company’s disclosures around its leasing activities have been significantly expanded to enable users of our condensed consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from lease arrangements (See Note 11).

(b) Principles of Consolidation:

The accompanying interim condensed consolidated financial statements include the accounts of Navios Logistics and its subsidiaries, both majority and wholly-owned. All significant intercompany balances and transactions between these entities have been eliminated in the consolidated statements.

Subsidiaries:

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

(c) Revenue Recognition:

On January 1, 2018, the Company adopted the provisions of ASC 606, Revenue from Contracts with Customers (ASC 606). The guidance provides a unified model to determine how revenue is recognized. In doing so, the Company makes judgments including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers control of the promised goods or services to its customers. Revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation.

The Company's contract revenues from time chartering are governed by ASC 842 "Leases". Upon adoption of ASC 606, the timing and recognition of earnings from time charter contracts to which the Company is party did not change from previous practice. The Company recognizes lease revenue as a combined single lease component for all time charters (operating leases) as the related lease component and non lease component will have the same timing and pattern of the revenue recognition of the combined single lease component. The performance obligations in a time charter contract are satisfied over term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. As a result of the adoption of these standards, there was no effect on the Company's opening retained earnings, consolidated balance sheets and consolidated statements of comprehensive (loss)/income.

Revenue is recorded when (i) services are rendered, (ii) the Company has signed a charter agreement or other evidence of an arrangement, (iii) the price is fixed or determinable and (iv) collection is reasonably assured. The Company generates revenue from contracts of affreightment/voyage contracts, time charters, bareboat charters, demurrages and contracts covering dry or liquid port terminal operations.

Revenue from contracts of affreightment ("COA")/voyage contracts relating to our barges is recognized ratably over the estimated relative transit time of each voyage. A voyage is deemed to commence upon the barge's arrival at the loading port, as applicable under the contract, and is deemed to end upon the completion of discharge under the current voyage. The percentage of transit time is based on the days traveled as of the balance sheet date divided by the total days expected for the voyage. The position of the barge at the balance sheet date is determined by the days traveled as of the balance sheet date over the total voyage of the pushboat having the barge in tow. Revenue arising from contracts that provide our customers with continuous access to convoy capacity is recognized ratably over the period of the contracts.

Since the adoption of Account Standard Codification ("ASC") 606, "Revenue from Contracts with Customers", the Company recognizes revenue ratably from the vessel's/barge's arrival at the loading port, as applicable under the contract, to when the charterer's cargo is discharged as well as defer costs that meet the definition of "costs to fulfill a contract" and relate directly to the contract. The adoption of this standard had no material effect on the Company's opening retained earnings, consolidated balance sheets and consolidated statements of operations.

Revenues from time chartering and bareboat chartering of vessels and barges are accounted for as operating leases and are thus recognized on a straight line basis as the average revenue over the rental periods of such charter agreements as service is performed, except for loss generating time charters, in which case the loss is recognized in the period when such loss is determined. A time charter involves placing a vessel or barge at the charterer's disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Short period charters for less than three months are referred to as spot-charters. Charters extending three months to a year are generally referred to as medium-term charters. All other charters are considered long-term.

Revenues from dry port terminals operations consist of an agreed flat fee per ton and cover the services performed to unload barges (or trucks), transfer the product into silos or stockpiles for temporary storage and then loading the ocean-going vessels. Revenues are recognized upon completion of loading the ocean-going vessels. Revenue arising from contracts that provide our customers with continuous access to port terminal storage and transshipment capacity is recognized ratably over the period of the contracts. Additionally, fees are charged for vessel dockage and for storage time in excess of contractually specified terms. Dockage revenues are recognized ratably up to completion of loading as the performance obligation is met evenly over the loading period. Storage fees are assessed and recognized at the point when the product remains in the silo storage beyond the contractually agreed time allowed. Storage fee revenue is recognized ratably over the storage period and ends when the product is loaded onto the ocean-going vessel.

Revenues from the liquid port terminal consist mainly of sales of petroleum products in the Paraguayan market and revenues from liquid port operations. Revenues from liquid port terminal operations consist of an agreed flat fee per cubic meter or a fixed rate over a specific period to cover the services performed to unload barges, transfer the products into the tanks for temporary storage and then load the trucks. Revenues from sales of products are recognized upon completion of loading the trucks. Revenues from liquid port terminal operations are recognized ratably over the storage period and ends when the product is loaded onto the trucks.

The following tables reflects the revenue earned per category for the three and six month periods ended June 30, 2019 and 2018:

	Six Month Period Ended	
	June 30, 2019	June 30, 2018
COA/Voyage revenues	\$ 27,794	\$ 19,552
Time chartering revenues	38,615	36,534
Dry port terminal revenues	36,657	34,591
Storage fees (dry port) revenues	896	341
Dockage revenues	1,603	1,530
Sale of products revenues	8,156	17,690
Liquid port terminal revenues	2,159	1,858

	Three Month Period Ended	
	June 30, 2019	June 30, 2018
COA/Voyage revenues	\$ 15,366	\$ 10,623
Time chartering revenues	20,661	17,988
Dry port terminal revenues	19,683	20,201
Storage fees (dry port) revenues	437	74
Dockage revenues	1,083	923
Sale of products revenues	2,097	9,265
Liquid port terminal revenues	932	860

(d) Recent Accounting Pronouncements:

In October 2018, the Financial Accounting Standards Board (“FASB”) issued ASU 2018-17, Consolidation (Topic 810): “Targeted Improvements to Related Party Guidance for Variable Interest Entities” (“ASU 2018-17”). ASU 2018-17 provides that indirect interests held through related parties in common control arrangements should be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. This is consistent with how indirect interests held through related parties under common control are considered for determining whether a reporting entity must consolidate a VIE. For public business entities the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, “Compensation-Retirement Benefits-Defined Benefit Plans (Topic 715-20): Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”). This update modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for public business entities that are SEC filers beginning in the first quarter of fiscal year 2021, and earlier adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”). This update modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and earlier adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles-Goodwill and Other (Topic 350)”. This update addresses concerns expressed about the cost and complexity of the goodwill impairment test and simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. The amendments in this ASU are required for public business entities and other entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The amendments are effective for public business entities that are SEC filers for fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities. The Company is currently assessing the impact that adopting this new accounting guidance will have on its condensed consolidated financial statements.

In June 2016, FASB issued ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”). This standard requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions, and reasonable and supportable forecasts in order to record credit losses in a more timely manner. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard is effective for interim and annual reporting periods beginning after December 15, 2019, although early adoption is permitted for interim and annual periods beginning after December 15, 2018. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements.

NOTE 3: VESSELS, PORT TERMINALS AND OTHER FIXED ASSETS, NET

Vessels, port terminals and other fixed assets, net consisted of the following:

<u>Tanker Vessels, Barges and Pushboats</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance December 31, 2018	\$ 525,714	\$ (182,586)	\$ 343,128
Additions	462	(9,541)	(9,079)
Write-off	(2,146)	866	(1,280)
Balance June 30, 2019	\$ 524,030	(191,261)	332,769
<u>Dry Port Terminals</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance December 31, 2018	\$ 224,170	\$ (27,318)	\$ 196,852
Additions	451	(3,419)	(2,968)
Balance June 30, 2019	\$ 224,621	(30,737)	193,884
<u>Oil Storage Plant and Port Facilities for Liquid Cargoes</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance December 31, 2018	\$ 29,190	\$ (12,457)	\$ 16,733
Additions	—	(2)	(2)
Balance June 30, 2019	\$ 29,190	(12,459)	16,731
<u>Other Fixed Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance December 31, 2018	\$ 7,396	\$ (4,522)	\$ 2,874
Additions	309	(308)	1
Balance June 30, 2019	\$ 7,705	(4,830)	2,875
<u>Total</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance December 31, 2018	\$ 786,470	\$ (226,883)	\$ 559,587
Additions	1,222	(13,270)	(12,048)
Write-off	(2,146)	866	(1,280)
Balance June 30, 2019	\$ 785,546	(239,287)	546,259

Certain assets of the Company have been pledged as collateral for loan facilities. As of June 30, 2019 and December 31, 2018, the net book value of such assets was \$108,011 and \$109,456, respectively.

On November 12, 2018, Navios Logistics acquired approximately 3.5 hectares of undeveloped land located in Port Murtinho region, Brazil. Navios Logistics plans to develop this land for its port operations. As of June 30, 2019, Navios Logistics had paid \$1,207 for the land acquisition.

In February 2017, two self-propelled barges of our fleet, Formosa and San Lorenzo, were sold for a total amount of \$1,109, to be paid in cash. Sale price will be received in installments in the form of lease payments through 2023. The barges may be transferred at the lessee's option at no cost at the end of the lease period.

Future minimum collections of Note receivable as of June 30, 2019, are as follows:

<u>Collections Due by Period</u>	<u>June 30, 2019</u>
June 30, 2020	\$ 192
June 30, 2021	202
June 30, 2022	38
June 30, 2023	—
June 30, 2024	131
Total future minimum note receivable collections	563
Less: amount representing interest	(64)
Present value of future minimum Note receivable collections ⁽¹⁾	\$ 499

(1) Reflected in the balance sheet as Note receivable current and non-current.

NOTE 4: INTANGIBLE ASSETS OTHER THAN GOODWILL, NET

Intangible assets as of June 30, 2019 and December 31, 2018 consisted of the following:

<u>June 30, 2019</u>	<u>Acquisition Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value June 30, 2019</u>
Port terminal operating rights	53,152	(12,337)	40,815
Customer relationships	36,120	(21,037)	15,083
Total intangible assets	\$ 89,272	\$ (33,374)	\$ 55,898

<u>December 31, 2018</u>	<u>Acquisition Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value December 31, 2018</u>
Port terminal operating rights	53,152	(11,838)	41,314
Customer relationships	36,120	(20,150)	15,970
Total intangible assets	\$ 89,272	\$ (31,988)	\$ 57,284

Amortization expense for the three and six month periods ended June 30, 2019 amounted to \$693 and \$1,386, respectively (\$709 and \$1,339, respectively, for the three and six month periods ended June 30, 2018).

The aggregate amortization of intangibles will be as follows:

<u>Description</u>	<u>Within One Year</u>	<u>Year Two</u>	<u>Year Three</u>	<u>Year Four</u>	<u>Year Five</u>	<u>Thereafter</u>	<u>Total</u>
Port terminal operating rights	995	995	995	995	995	35,840	40,815
Customer relationships	1,775	1,775	1,775	1,775	1,775	6,208	15,083
Total	\$ 2,770	\$ 2,770	\$ 2,770	\$ 2,770	\$ 2,770	\$ 42,048	\$ 55,898

NOTE 5: BORROWINGS

Borrowings consisted of the following:

	<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Senior Notes	\$ 375,000	\$ 375,000
Term Loan B Facility	\$ 98,500	\$ 99,000
Notes Payable	\$ 24,696	\$ 26,875
BBVA loan	\$ 16,875	\$ 19,300
Term Bank loan	\$ 11,200	\$ 11,900
Credit agreement for a river and estuary tanker	\$ 4,116	\$ 5,909
Loan for Nazira	\$ 149	\$ 184
Total borrowings	530,536	538,168
Less: current portion	(15,072)	(14,578)
Less: deferred financing costs, net	(6,752)	(7,982)
Total long-term borrowings	<u>\$ 508,712</u>	<u>\$ 515,608</u>

Senior Notes

On April 22, 2014, Navios Logistics and its wholly-owned subsidiary Navios Logistics Finance (US) Inc. (“Logistics Finance” and, together with Navios Logistics, the “Co-Issuers”) issued \$375,000 in aggregate principal amount of Senior Notes due on May 1, 2022 (the “2022 Senior Notes”), at a fixed rate of 7.25%. The 2022 Senior Notes are unregistered and are fully and unconditionally guaranteed, jointly and severally, by all of Navios Logistics’ direct and indirect subsidiaries except for Horamar do Brasil Navegação Ltda (“Horamar do Brasil”), Naviera Alto Parana S.A. (“Naviera Alto Parana”) and Terra Norte Group S.A. (“Terra Norte”), which are deemed to be immaterial, and Logistics Finance, which is the co-issuer of the 2022 Senior Notes. The subsidiary guarantees are “full and unconditional,” except that the indenture provides for an individual subsidiary’s guarantee to be automatically released in certain customary circumstances, such as in connection with a sale or other disposition of all or substantially all of the assets of the subsidiary, in connection with the sale of a majority of the capital stock of the subsidiary, if the subsidiary is designated as an “unrestricted subsidiary” in accordance with the indenture, upon liquidation or dissolution of the subsidiary or upon legal or covenant defeasance or satisfaction and discharge of the 2022 Senior Notes.

The Co-Issuers have the option to redeem the 2022 Senior Notes in whole or in part, at their option, at any time on or after May 1, 2019, at a fixed price of 101.813%, which price declines ratably until it reaches par in 2020. Upon the occurrence of certain change of control events, the holders of the 2022 Senior Notes will have the right to require the Co-Issuers to repurchase some or all of the 2022 Senior Notes at 101% of their face amount, plus accrued and unpaid interest to the repurchase date.

As of June 30, 2019 and December 31, 2018, deferred financing costs associated with the 2022 Senior Notes amounted to \$3,964 and \$4,576, respectively. Interest expense associated with the 2022 Senior Notes amounted to \$6,797 and \$13,594 for the three and six month periods ended June 30, 2019, respectively, (\$6,797 and \$13,594 for the three and six month periods ended June 30, 2018, respectively).

The indenture governing the 2022 Senior Notes contains covenants which, among other things, limit the incurrence of additional indebtedness, issuance of certain preferred stock, the payment of dividends, redemption or repurchase of capital stock or making restricted payments and investments, creation of certain liens, transfer or sale of assets, entering into transactions with affiliates, merging or consolidating or selling all or substantially all of Navios Logistics’ properties and assets and creation or designation of restricted subsidiaries.

The indenture governing the 2022 Senior Notes includes customary events of default.

In addition, there are no significant restrictions on (i) the ability of the parent company, any issuer (or co-issuer) or any guarantor subsidiaries of the 2022 Senior Notes to obtain funds by dividend or loan from any of their subsidiaries or (ii) the ability of any subsidiaries to transfer funds to the issuer (or co-issuer) or any guarantor subsidiaries.

Term Loan B Facility

On November 3, 2017, Navios Logistics and Logistics Finance, as co-borrowers, completed the issuance of a \$100,000 Term Loan B Facility (the “Term Loan B Facility”). The Term Loan B Facility bears an interest rate of LIBOR plus 475 basis points and has a four-year term with 1.0% amortization per annum. The Term Loan B Facility is fully and unconditionally guaranteed, jointly and

severally, by all of Navios Logistics' direct and indirect subsidiaries except for Horamar do Brasil, Naviera Alto Parana and Terra Norte, which are deemed to be immaterial, and Logistics Finance, which is the co-borrower of the Term Loan B Facility. The subsidiary guarantees are "full and unconditional," except that the credit agreement governing the Term Loan B Facility provides for an individual subsidiary's guarantee to be automatically released in certain circumstances. The Term Loan B Facility is secured by first priority mortgages on four tanker vessels servicing Navios Logistics cabotage business (on August 28, 2019, one tanker vessel was added as collateral substituting two tanker vessels), as well as by assignments of the revenues arising from certain time charter contracts, and an iron ore port contract.

The Term Loan B Facility contains restrictive covenants including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B Facility also provides for customary events of default, including change of control.

As of June 30, 2019, a balance of \$98,500 was outstanding under the Term Loan B Facility.

As of June 30, 2019 and December 31, 2018, unamortized deferred financing costs associated with the Term Loan B Facility amounted to \$2,625 and \$3,188, respectively. Interest expense associated with the Term Loan B Facility amounted to \$1,838 and \$3,676 for the three and six month periods ended June 30, 2019, respectively (\$1,866 and \$3,396, respectively, for the three and six month periods ended June 30, 2018).

Notes Payable

In connection with the purchase of mechanical equipment for the expansion of its dry port terminal, the Company entered into an unsecured export financing line of credit for a total amount of \$41,964, including all related fixed financing costs of \$5,949, available in multiple drawings upon the completion of certain milestones ("Drawdown Events"). The Company incurs the obligation for the respective amount drawn by signing promissory notes ("Notes Payable"). Each drawdown is repayable in 16 consecutive semi-annual installments, starting six months after the completion of each Drawdown Event. Together with each Note Payable, the Company shall pay interest equal to six-month LIBOR. The unsecured export financing line is fully and unconditionally guaranteed by Ponte Rio S.A. As of June 30, 2019, the Company had drawn the total available amount and the outstanding balance of Notes Payable was \$24,696.

Interest expense associated with the Notes Payable amounted to \$445 and \$836 for the three and six month periods ended June 30, 2019, respectively (\$441 and \$860, respectively, for the three and six month periods ended June 30, 2018).

Other Indebtedness

On December 15, 2016, the Company entered into a \$25,000 facility with Banco Bilbao Vizcaya Argentaria Uruguay S.A. ("BBVA"), for general corporate purposes. The loan bears interest at a rate of LIBOR (180 days) plus 325 basis points. The loan is repayable in twenty quarterly installments, the first payment of which was due on June 19, 2017, and secured by assignments of certain receivables. As of June 30, 2019, the outstanding amount of the loan was \$16,875.

On May 18, 2017, the Company entered into a \$14,000 term loan facility (the "Term Bank Loan") in order to finance the acquisition of two product tankers. The Term Bank Loan bears interest at a rate of LIBOR (90 days) plus 315 basis points and is repayable in twenty quarterly installments with a final balloon payment of \$7,000 on the last repayment date. As of June 30, 2019, the outstanding amount of the Term Bank Loan was \$11,200. As of June 30, 2019 and December 31, 2018, unamortized deferred financing costs associated with the Term Bank Loan amounted to \$62 and \$73, respectively.

On August 17, 2018, the Company entered into a \$7,047 (€6,200) credit agreement in order to finance the 50% of the purchase price of a river and estuary tanker. The credit agreement bears interest at a fixed rate of 675 basis points and is repayable in 24 monthly installments with the final repayment in August 17, 2020. As of June 30, 2019, the outstanding amount of the credit agreement was \$4,116. As of June 30, 2019 and December 31, 2018, unamortized deferred financing costs associated with the credit agreement amounted to \$101 and \$145, respectively. On August 26, 2019, the Company prepaid the total outstanding balance of the credit agreement for a river and estuary tanker, which was \$3,523 (€3,100).

In connection with the acquisition of Hidronave S.A. on October 29, 2009, the Company assumed a \$817 loan facility that was entered into by Hidronave S.A. in 2001, in order to finance the construction of the pushboat Nazira. As of June 30, 2019, the outstanding loan balance was \$149. The loan facility bears interest at a fixed rate of 600 basis points. The loan is repayable in monthly installments of \$6 each and the final repayment must occur prior to August 10, 2021.

In connection with the loan and other long term liabilities, the Company is subject to certain covenants, commitments, limitations and restrictions.

The Company was in compliance with all the covenants of its borrowings as of June 30, 2019.

The annualized weighted average interest rates of the Company's total borrowings were 7.12% and 7.14% for the three and six month periods ended June 30, 2019, respectively, (7.11% and 6.95% for the three and six month periods ended June 30, 2018, respectively).

The maturity table below reflects future payments of the long-term debt outstanding as of June 30, 2019, for the next five years and thereafter.

<u>Year</u>	<u>Amount in thousands of U.S. dollars</u>
June 30, 2020	\$ 16,312
June 30, 2021	14,019
June 30, 2022	490,232
June 30, 2023	4,920
June 30, 2024	4,556
June 30, 2025 and thereafter	497
Total	<u>\$ 530,536</u>

NOTE 6: COMMITMENTS AND CONTINGENCIES

Navios Logistics has issued a guarantee and indemnity letter that guarantees the performance by Petrolera San Antonio S.A. (a consolidated subsidiary) of all its obligations to Vitol S.A. up to \$12,000. This guarantee expires on March 1, 2020.

On July 22, 2016, the Company guaranteed the compliance of certain obligations related to Edolmix S.A. and Energías Renovables del Sur S.A. (entities wholly owned by the Company) under their respective direct user agreements with the Free Zone of Nueva Palmira, for the amounts of \$847 and \$519, respectively.

The Company is subject to legal proceedings, claims and contingencies arising in the ordinary course of business. When such amounts can be estimated and the contingency is probable, management accrues the corresponding liability. While the ultimate outcome of lawsuits or other proceedings against the Company cannot be predicted with certainty, management does not believe the costs, individually or in aggregate of such actions will have a material effect on the Company's consolidated financial position, results of operations or cash flows.

On August 16, 2018, there was a fire incident at the iron ore port terminal in Nueva Palmira, Uruguay for which the Company maintains property and loss of earnings insurance coverage for such types of events (subject to applicable deductibles and other customary limitations). As of June 30, 2019, an insurance claim receivable of \$3,039 was recorded in the Company's prepaid expenses and other current assets. As of September 12, 2019, the full amount has been collected in relation to this insurance claim.

NOTE 7: TRANSACTIONS WITH RELATED PARTIES

As of June 30, 2019 and December 31, 2018, the amounts due from affiliate companies were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Navios Holdings	\$ 27,481	\$ 150

Amounts due from affiliate companies do not accrue interest and do not have a specific due date for their settlement.

The Navios Holdings Loan Agreement: On April 25, 2019, Navios Logistics entered into an agreement with Navios Holdings, pursuant to which, the Company have provided Navios Holdings with a secured credit facility of up to \$50,000 to be used for general corporate purposes, including the repurchase of 7.375% First Priority Ship Mortgage Notes due 2022 (the "2022 Notes"). This credit facility is secured by (i) any 2022 Notes purchased by Navios Holdings with these funds and (ii) equity interests in five companies that have entered into certain bareboat contracts. Each such bareboat contract has a 10-year term for a newbuilding bulk carrier and an option to acquire the related vessel. The credit facility is available in multiple drawings, has an arrangement fee of \$500, a fixed interest rate of 12.75% for the first year and a fixed interest rate of 14.75% for the second year, payable annually. The secured credit facility includes negative covenants substantially similar to the 2022 Notes and customary events of default. The credit facility matures in April 2021. During March 2019 and as of April 15, 2019, Navios Logistics purchased \$35,500 of the 2022 Notes from unaffiliated third parties in open market transactions for \$17,642 plus accrued interest. During the three and six month period ended June 30, 2019, the gain related to this debt security investment included in "Other expense, net" of the statements of operations was \$177 and \$1,085, respectively. As of September 12, 2019, \$50,000 was drawn under this facility of which \$18,726 was used to acquire the 2022 Notes from Navios Logistics.

General and administrative expenses: On August 29, 2019 Navios Logistics entered into an assignment agreement with Navios Corporation (“NC”) and Navios Shipmanagement Inc. (“NSM”), whereby the administrative services agreement originally entered into between Navios Logistics and Navios Holdings on April 12, 2011, first assigned to NC on May 28, 2014 and subsequently amended on April 6, 2016 (extending the duration of the agreement until December 2021), was assigned from NC to NSM. Thereafter NSM will continue to provide certain administrative management services to Navios Logistics. NSM will be reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Total general and administrative fees charged for the three and six month period ended June 30, 2019 amounted to \$286 and \$572, respectively (\$250 and \$500 for the three and six month periods ended June 30, 2018, respectively).

Lodging and travel services: Navios Logistics obtains lodging and travel services from Empresa Hotelera Argentina S.A./ (NH Lancaster) and Pit Jet S.A., both owned by members of the Lopez family, including Claudio Pablo Lopez, Navios Logistics’ Chief Executive Officer and Vice Chairman and Carlos Augusto Lopez, Navios Logistics’ Chief Commercial Officer—Shipping Division, each of whom has no controlling interest in those companies. Total charges were nil and \$8 for the three and six month periods ended June 30, 2019, respectively (\$18 and \$22 for the three and six month periods ended June 30, 2018, respectively), and amounts payable amounted to \$1 as of June 30, 2019 and \$4 as of December 31, 2018.

NOTE 8: SHARE CAPITAL

Common shares and shareholders

On August 4, 2010, the Company amended its articles of incorporation increasing its authorized share capital to 50,000,000 shares of common stock with a par value of \$0.01 per share.

As of June 30, 2019 and December 31, 2018, the Company has issued 20,000 shares of common stock, with a par value of \$1.00.

Holders of each share of common stock have one vote for each share held of record on all matters submitted to a vote of shareholders. Dividends on shares of common stock may be declared and paid from funds available to the Company.

NOTE 9: SEGMENT INFORMATION

Current accounting guidance establishes standards for reporting information about operating segments in annual financial statements and requires reporting of selected information about operating segments in interim financial reports issued to shareholders. Operating segments are components of a company of which separate financial information is available that is regularly evaluated by the chief operating decision makers in deciding how to allocate resources and assess performance. Chief operating decision makers use net income to evaluate operating performance of each segment. The guidance also establishes standards for related disclosures about a company’s products and services, geographical areas and major customers. The Company has determined that its reportable segments are those that are based on the Company’s method of internal reporting. Navios Logistics has three reportable segments: Port Terminal Business, Barge Business and Cabotage Business. The Port Terminal Business includes the dry port terminal operations and the liquid port terminal operations. A general description of each segment follows:

The Port Terminal Business segment

This segment includes the operating results of Navios Logistics’ dry port terminal and liquid port terminal operations.

(i) Dry port terminal operations

Navios Logistics owns and operates the largest independent bulk transfer and storage port terminal facilities in Uruguay based on throughputs. Its dry port terminal operations is comprised of two port terminals, one for agricultural and forest-related exports and one for mineral-related exports which are located in an international tax-free trade zone in the port of Nueva Palmira, Uruguay, at the convergence of the Parana and Uruguay rivers.

(ii) Liquid port terminal operations

Navios Logistics owns and operates an up-river port terminal with tank storage for refined petroleum products, oil and gas in San Antonio, Paraguay, approximately 17 miles by river from the capital of Asuncion. Its port terminal is one of the largest independent storage facilities for crude and petroleum products in Paraguay based on storage capacity.

The Barge Business segment

Navios Logistics services the Argentine, Bolivian, Brazilian, Paraguayan and Uruguayan river transportation markets through its fleet. Navios Logistics operates different types of pushboats and wet and dry barges for delivering a wide range of dry and liquid products between ports in the Parana, Paraguay and Uruguay River systems in South America (the Hidrovia or the “waterway”). Navios Logistics contracts its vessels either on a time charter basis or on a CoA basis.

The Cabotage Business segment

Navios Logistics owns and operates oceangoing vessels to support the transportation needs of its customers in the South American coastal trade business. Its fleet consists of six oceangoing product tanker vessels, a river and estuary tanker vessel and a bunker vessel. Navios Logistics contracts its vessels either on a time charter basis or on a CoA basis.

Inter-segment transactions, if any, are accounted for at current market prices.

The following table describes the results of operations of the three segments, the Port Terminal Business segment, the Barge Business segment and the Cabotage Business segment for the three and six month periods ended June 30, 2019 and 2018:

	Port Terminal Business Segment for the Three Month Period Ended June 30, 2019	Cabotage Business Segment for the Three Month Period Ended June 30, 2019	Barge Business Segment for the Three Month Period Ended June 30, 2019	Total
Time charter, voyage and port terminal revenues	\$ 22,489	\$ 13,334	\$ 22,691	\$ 58,514
Sales of products	2,097	—	—	2,097
Time charter, voyage and port terminal expenses	(4,476)	(212)	(7,112)	(11,800)
Direct vessel expenses	—	(7,714)	(7,016)	(14,730)
Cost of products sold	(2,046)	—	—	(2,046)
Depreciation and amortization	(2,032)	(873)	(4,405)	(7,310)
General and administrative expenses	(1,733)	(555)	(2,083)	(4,371)
Interest expense and finance cost, net	(3,896)	(1,027)	(4,342)	(9,265)
Other income / (expense), net	1,141	(1,179)	(1,270)	(1,308)
Income/(loss) before income taxes	11,544	1,774	(3,537)	9,781
Income tax (expense)/benefit	—	(314)	229	(85)
Net income/(loss)	\$ 11,544	\$ 1,460	\$ (3,308)	\$ 9,696
	Port Terminal Business Segment for the Three Month Period Ended June 30, 2018	Cabotage Business Segment for the Three Month Period Ended June 30, 2018	Barge Business Segment for the Three Month Period Ended June 30, 2018	Total
Time charter, voyage and port terminal revenues	\$ 22,187	\$ 10,447	\$ 18,164	\$ 50,798
Sales of products	9,265	—	—	9,265
Time charter, voyage and port terminal expenses	(4,283)	(304)	(4,454)	(9,041)
Direct vessel expenses	—	(6,650)	(7,990)	(14,640)
Cost of products sold	(8,641)	—	—	(8,641)
Depreciation and amortization	(1,965)	(688)	(4,499)	(7,152)
General and administrative expenses	(986)	(553)	(2,424)	(3,963)
Interest expense and finance cost, net	(4,155)	(1,195)	(4,647)	(9,997)
Other expense, net	(192)	(1,271)	(1,741)	(3,204)
Income/(loss) before income taxes	11,230	(214)	(7,591)	3,425
Income tax (expense)/benefit	—	(126)	695	569
Net income/(loss)	\$ 11,230	\$ (340)	\$ (6,896)	\$ 3,994

	Port Terminal Business Segment for the Six Month Period Ended June 30, 2019	Cabotage Business Segment for the Six Month Period Ended June 30, 2019	Barge Business Segment for the Six Month Period Ended June 30, 2019	Total
Time charter, voyage and port terminal revenues	\$ 41,813	\$ 25,021	\$ 41,387	\$ 108,221
Sales of products	8,156	—	—	8,156
Time charter, voyage and port terminal expenses	(8,393)	(1,250)	(11,633)	(21,276)
Direct vessel expenses	—	(14,465)	(12,879)	(27,344)
Cost of products sold	(7,954)	—	—	(7,954)
Depreciation and amortization	(4,068)	(1,746)	(8,842)	(14,656)
General and administrative expenses	(2,636)	(1,157)	(4,341)	(8,134)
Interest expense and finance cost, net	(8,260)	(2,315)	(8,528)	(19,103)
Other income/ (expense), net	1,195	(1,860)	(1,812)	(2,477)
Income/(loss) before income taxes	19,853	2,228	(6,648)	15,433
Income tax (expense)/benefit	—	(535)	103	(432)
Net income/(loss)	\$ 19,853	\$ 1,693	\$ (6,545)	\$ 15,001

	Port Terminal Business Segment for the Six Month Period Ended June 30, 2018	Cabotage Business Segment for the Six Month Period Ended June 30, 2018	Barge Business Segment for the Six Month Period Ended June 30, 2018	Total
Time charter, voyage and port terminal revenues	\$ 38,555	\$ 20,925	\$ 35,161	\$ 94,641
Sales of products	17,690	—	—	17,690
Time charter, voyage and port terminal expenses	(8,022)	(636)	(8,209)	(16,867)
Direct vessel expenses	—	(13,636)	(15,794)	(29,430)
Cost of products sold	(17,153)	—	—	(17,153)
Depreciation and amortization	(4,155)	(1,376)	(8,849)	(14,380)
General and administrative expenses	(1,907)	(1,110)	(4,870)	(7,887)
Interest expense and finance cost, net	(7,906)	(2,378)	(8,958)	(19,242)
Gain on sales of assets	28	—	—	28
Other expense, net	(238)	(1,983)	(3,311)	(5,532)
Income/(loss) before income taxes	16,892	(194)	(14,830)	1,868
Income tax benefit	—	—	1,079	1,079
Net income/(loss)	\$ 16,892	\$ (194)	\$ (13,751)	\$ 2,947

For the Barge Business segment and for the Cabotage Business segment, the Company's vessels operate on a regional basis and are not restricted to specific locations. Accordingly, it is not practicable to allocate the assets of these operations to specific locations. The total net book value of long-lived assets for vessels amounted to \$332,769 and \$343,128 as of June 30, 2019 and December 31, 2018, respectively.

All of the assets related to the Port Terminal Business segment are located in Uruguay and in Paraguay. The total net book value of long-lived assets for the Port Terminal Business segment amounted to \$210,615 and \$213,585 as of June 30, 2019 and December 31, 2018, respectively.

In addition, the net book value of intangible assets other than goodwill allocated to the Barge Business segment and to the Cabotage Business segment, collectively, amounted to \$15,083 and \$15,970 as of June 30, 2019 and December 31, 2018, respectively, while the net book value of intangible assets allocated to the Port Terminal segment amounted to \$40,815 and \$41,314 as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019 and December 31, 2018, goodwill totaling to \$22,142, \$40,868 and \$41,086 has been allocated to the three segments, the Port Terminal Business, the Barge Business and the Cabotage Business, respectively.

NOTE 10: 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.

Intercompany receivable loan from parent: The book value has been adjusted to reflect the net presentation of deferred interest income. The intercompany receivable loan from parent is fixed rate receivable and its fair value was determined based on quoted market prices.

Borrowings: The book value has been adjusted to reflect the net presentation of deferred financing costs. The outstanding balance of the floating rate loans continues to approximate their fair value, excluding the effect of any deferred finance costs. The 2022 Senior Notes, the credit agreement for the acquisition of a river and estuary tanker and the loan for the acquisition of Hidronave S.A. are fixed rate borrowings and their fair value was determined based on quoted market prices.

Note receivable: The carrying amount of the Note receivable approximates its fair value.

Notes Payable: The Notes Payable are floating rate obligations and their carrying amounts approximate their fair value as indicated in the table below.

The estimated fair values of the Company's financial instruments are as follows:

	June 30, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$ 68,796	\$ 68,796	\$ 76,472	\$ 76,472
Note receivable, including current portion	\$ 499	\$ 499	\$ 602	\$ 602
Intercompany receivable loan from parent	\$ 25,545	\$ 25,545	\$ —	\$ —
Senior notes	\$ (371,036)	\$ (364,635)	\$ (370,424)	\$ (343,373)
Term Loan B Facility	\$ (95,875)	\$ (98,254)	\$ (95,812)	\$ (98,505)
Notes payable, including current portion	\$ (24,696)	\$ (24,696)	\$ (26,875)	\$ (26,875)
Long-term debt, including current portion	\$ (32,177)	\$ (32,177)	\$ (37,075)	\$ (37,075)

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.

	Fair Value Measurements at June 30, 2019			
	Total	Level I	Level II	Level III
Cash and cash equivalents	\$ 68,796	\$ 68,796	\$ —	\$ —
Note receivable, including current portion	\$ 499	\$ 499	\$ —	\$ —
Intercompany receivable loan from parent	\$ 25,545	\$ —	\$ 25,545	\$ —
Senior Notes	\$ (364,635)	\$ (364,635)	\$ —	\$ —

	Fair Value Measurements at June 30, 2019			
	Total	Level I	Level II	Level III
Term Loan B Facility	\$ (98,254)	\$ —	\$ (98,254)	\$ —
Notes payable, including current portion ⁽¹⁾	\$ (24,696)	\$ —	\$ (24,696)	\$ —
Long-term debt ⁽¹⁾	\$ (32,177)	\$ —	\$ (32,177)	\$ —

	Fair Value Measurements at December 31, 2018			
	Total	Level I	Level II	Level III
Cash and cash equivalents	\$ 76,472	\$ 76,472	\$ —	\$ —
Note receivable, including current portion	\$ 602	\$ 602	\$ —	\$ —
Senior Notes	\$ (343,373)	\$ (343,373)	\$ —	\$ —
Term Loan B Facility	\$ (98,505)	\$ —	\$ (98,505)	\$ —
Notes payable, including current portion ⁽¹⁾	\$ (26,875)	\$ —	\$ (26,875)	\$ —
Long-term debt ⁽¹⁾	\$ (37,075)	\$ —	\$ (37,075)	\$ —

- 1) The fair value of the Company's debt is estimated based on currently available debt with similar contract terms, interest rates and remaining maturities as well as taking into account our creditworthiness.

NOTE 11: LEASES

On January 1, 2019, the Company adopted ASC 842. ASC 842 revises the accounting for leases. Under the new lease standard, lessees are required to recognize a right-of-use asset and a lease liability for substantially all leases. The new lease standard will continue to classify leases as either financing or operating, with classification affecting the pattern of expense recognition. The accounting applied by a lessor under the new guidance will be substantially equivalent to current lease accounting guidance.

The following are the type of contracts that fall under ASC 842:

Land lease agreements

As of June 30, 2019, Navios Logistics had land lease agreements whose remaining lease terms range from 46.7 years to 47.1 years.

Office lease agreements

As of June 30, 2019, Navios Logistics had office lease agreements whose remaining lease terms range from 0.7 years to 4.3 years.

In connection with its adoption of ASC 842, the Company elected the "package of 3" practical expedients permitted under the transition guidance based on which the Company is allowed to not (i) reassess whether any expired or existing contracts are considered or contain leases; (ii) reassess the lease classification for any expired or existing leases; and (iii) reassess initial direct costs for any existing leases.

Additionally, the Company elected the practical expedient allowed under the transition guidance of ASC 842 to not separate the lease and non-lease components related to a lease contract and to account for them as a single lease component for the purposes of the recognition and measurement requirements of ASC 842.

Prior to January 1, 2019, the Company recognized lease expense in accordance with then-existing U.S. GAAP ("prior GAAP"). Because both ASC 842 and prior GAAP generally recognize operating lease expense on a straight-line basis over the term of the lease arrangement and the Company only has operating lease arrangements, there were no differences between the timing and amount of lease expense recognized under the two accounting methodologies.

	June 30, 2019	January 1, 2019
Operating lease assets*		
Land lease agreements	7,542	7,427
Office lease agreements	1,513	1,619
Total	\$ 9,055	\$ 9,046

	<u>June 30, 2019</u>	<u>January 1, 2019</u>
Operating lease liabilities, current portion		
Land lease agreements	(227)	535
Office lease agreements	667	584
Total	<u>\$ 440</u>	<u>\$ 1,119</u>
Operating lease liabilities, net of current portion		
Land lease agreements	7,769	6,892
Office lease agreements	850	1,035
Total	<u>\$ 8,619</u>	<u>\$ 7,927</u>

At lease commencement, the Company determines a discount rate to calculate the present value of the lease payments in determining the lease classification and measurement of the lease liability. In determining the discount rate to be used at lease commencement, the Company used its incremental borrowing rate as there was no rate implicit in the land lease and the office lease agreements that was readily determinable. The incremental borrowing rate is the rate that reflects the interest a lessee would have to pay to borrow funds on a collateralized basis over a similar term. The Company then applied the respective incremental borrowing rates to each lease based on the remaining lease term of the specific lease. The incremental borrowing rate upon adoption was 7.25%.

The table below presents the components of the Company's lease expense for the three and six month periods ended June 30, 2019 and 2018:

	<u>Three Month Period Ended June 30, 2019</u>	<u>Three Month Period Ended June 30, 2018</u>
Lease expense for land lease agreements	135	78
Lease expense for office lease agreements	166	177
Total	<u>\$ 301</u>	<u>\$ 255</u>
	<u>Six Month Period Ended June 30, 2019</u>	<u>Six Month Period Ended June 30, 2018</u>
Lease expense for land lease agreements	271	153
Lease expense for office lease agreements	340	351
Total	<u>\$ 611</u>	<u>\$ 504</u>

Lease expenses from land lease and office lease agreements are included in the condensed consolidated statement of operations within the captions "Time charter, voyage and port terminal expenses" and "General and administrative expenses", respectively.

The Company entered into new lease liabilities amounting to \$201 during the six month period ended June 30, 2019.

The table below provides the total amount of lease payments on an undiscounted basis on our land lease and office lease agreements as of June 30, 2019:

	<u>Land Leases</u>	<u>Office Space</u>	<u>Total</u>
June 30, 2020	556	760	1,316
June 30, 2021	556	660	1,216
June 30, 2022	556	107	663
June 30, 2023	556	97	653
June 30, 2024	556	32	588
June 30, 2025 and thereafter	23,280	—	23,280
Total	<u>\$26,060</u>	<u>\$1,656</u>	<u>\$27,716</u>
Operating lease liabilities including current portion	<u>\$ 7,542</u>	<u>\$1,517</u>	<u>\$ 9,059</u>
Discount based on incremental borrowing rate	<u>\$18,518</u>	<u>\$ 139</u>	<u>\$18,657</u>

As of December 31, 2018, the Company's future minimum commitments under office lease agreements were as follows:

	<u>Office space</u>
December 31, 2019	697
December 31, 2020	631
December 31, 2021	297
December 31, 2022	107
December 31, 2023	81
December 31, 2024 and thereafter	—
Total	<u>\$1,813</u>

As of June 30, 2019, the weighted average remaining lease terms of our land lease and office lease agreements were 46.8 and 2.5 years, respectively.

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.

Date: September 12, 2019

NAVIOS SOUTH AMERICAN LOGISTICS INC.

By: /s/ Claudio Pablo Lopez

Claudio Pablo Lopez
Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Exhibit
10.1	Loan Agreement, dated April 25, 2019, between Navios Maritime Holdings Inc., as borrower, and Navios South American Logistics Inc., as lender.
10.2	Assignment Agreement, dated August 29, 2019, among Navios Corporation, Navios South American Logistics Inc. and Navios Shipmanagement Inc.

Private and Confidential

DATED 25 April 2019

NAVIOS MARITIME HOLDINGS INC. (1)

as borrower

and

NAVIOS SOUTH AMERICAN LOGISTICS INC. (2)

as lender

LOAN AGREEMENT

in respect of

a loan of up to USD50,000,000

in up to ten Advances

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THIS AGREEMENT is dated 25 April 2019 and made **BETWEEN**:

- (1) **NAVIOS MARITIME HOLDINGS INC.** as Borrower; and
- (2) **NAVIOS SOUTH AMERICAN LOGISTICS INC.** as Lender.

IT IS AGREED as follows:

1 **PURPOSE AND DEFINITIONS**

1.1 **Purpose**

This Agreement sets out the terms and conditions upon which the Lender agrees to make available to the Borrower a loan facility of up to USD50,000,000 in up to ten Advances for general corporate purposes (including to enable it to repurchase the Notes and to pay fees and expenses related to the loan facility).

1.2 **Definitions**

In this Agreement, unless the context otherwise requires:

“**Account Pledge**” the US governed law pledge required to be executed hereunder by the Borrower over its Securities Account;

“**Advance**” means the principal amount of each drawing to be made in respect of the Loan pursuant to Clause 2.2;

“**Banking Day**” means a day on which dealings in deposits in USD are carried on in the London Interbank Eurocurrency Market and a day (other than Saturday or Sunday) on which banks are open for general business in London, Piraeus, Hamburg and New York City;

“**Bareboat Owners**” means each of the companies listed in Schedule 6 and in the plural means all of them;

“**Bareboat Owners’ Shares Pledge**” means, in relation to each Bareboat Owner, a pledge of all the shares of and in that Bareboat Owner required to be executed hereunder by the Shareholder in favour of the Lender, in such form as the Lender may agree or require in its sole discretion, and in the plural means all of them;

“Borrowed Money” means Indebtedness in respect of (i) money borrowed and debit balances at banks, (ii) any bond, note, loan stock, debenture or similar debt instrument, (iii) acceptance or documentary credit facilities, (iv) receivables sold or discounted (otherwise than on a non-recourse basis), (v) deferred payments for assets or services acquired, (vi) finance leases and hire purchase contracts, (vii) swaps, forward exchange contracts, futures and other derivatives, (viii) any other transaction (including without limitation forward sale or purchase agreements) having the commercial effect of a borrowing or of any of (ii) to (vii) above and (ix) guarantees in respect of Indebtedness of any person falling within any of (i) to (viii) above;

“Borrower” means Navios Maritime Holdings Inc. a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960;

“Certified Copy” means in relation to any document delivered or issued by or on behalf of any company, a copy of such document certified as a true, complete and up to date copy of the original by any of the directors or officers for the time being of such company or by such company’s attorneys or solicitors;

“Closing Date” means the date on which the conditions precedent set out in Clause 9 have been satisfied or waived by the Lender;

“Commitment” means, in relation to the Loan, the maximum amount which the Lender has agreed to lend to the Borrower under clause 2.1 as reduced by any relevant term of this Agreement;

“Compliance Certificate” means a certificate substantially in the form set out in schedule 5 signed by a director of the Borrower;

“Default” means any Event of Default or any event or circumstance which with the giving of notice or lapse of time or the satisfaction of any other condition (or any combination thereof) would constitute an Event of Default;

“**Dollars**” and “**USD**” mean the lawful currency of the USA and in respect of all payments to be made under any of the Loan Documents means funds which are for same day settlement in the New York Clearing House Interbank Payments System (or such other US dollar funds as may at the relevant time be customary for the settlement of international banking transactions denominated in US dollars);

“**Drawdown Date**” means, in respect of an Advance, any date being a Banking Day falling during the Drawdown Period, on which that Advance is, or is to be, made available;

“**Drawdown Notice**” means a notice substantially in the form of schedule 1;

“**Drawdown Period**” means the period commencing on the Closing Date and ending on the earlier of (i) 31 December 2019 or such other date as the Lender and the Borrower may agree and (ii) any date on which the Commitment is finally cancelled or fully drawn under the terms of this Agreement;

“**Encumbrance**” means any mortgage, charge, pledge, lien, hypothecation, assignment, title retention, preferential right, option, trust arrangement or security interest or any other encumbrance, security or arrangement conferring howsoever a priority of payment in respect of any obligation of any person;

“**Event of Default**” means any of the events or circumstances listed in clause 10.1;

“**Execution Date**” means the date on which this Agreement has been executed by all the parties hereto;

“**Existing Term Loan B**” means the Credit Agreement dated as of November 3, 2017 among Navios South American Logistics Inc. and Navios Logistics Finance (US) Inc., as the Borrowers, the Several Lenders from Time to Time Party thereto, Morgan Stanley Senior Funding, Inc., as Administrative Agent, Morgan Stanley Senior Funding, Inc., as Sole Lead Arranger and Bookrunner and S. Goldman Advisors LLC, as Manager;

“**Facility Period**” means the period starting on the Drawdown Date and ending on such date as the Lender determines that all payment obligations whatsoever of the Borrower under or pursuant to the Loan Documents whensoever arising, actual or contingent, have been irrevocably paid;

“FATCA” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations or other associated official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or

(c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction;

“FATCA Application Date” means:

(a) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014; or

(b) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraph (a) above, the first date from which such payment may become subject to a deduction or withholding required by FATCA;

“FATCA Deduction” means a deduction or withholding from a payment under a Loan Document required by FATCA;

“FATCA Exempt Party” means a party that is entitled to receive payments free from any FATCA Deduction;

“Group” means at any relevant time the Borrower and its subsidiaries but not including any subsidiary which is listed on any public stock exchange;

“Group Member” means any member of the Group;

“Indebtedness” means any obligation howsoever arising (whether present or future, actual or contingent, secured or unsecured as principal, surety or otherwise) for the payment or repayment of money;

“Indenture Excerpt” means the excerpt from the Secured Indenture set out in Schedule 3;

“Interest Period” means each period for the calculation of interest in respect of the Loan ascertained in accordance with clauses 3.2 and 3.3;

“Latest Accounts” means, in respect of any financial year of the Group, the latest financial statements required to be prepared pursuant to clause 8.1.6;

“Legal Reservations” means:

- (a) the principle that equitable remedies may be granted or refused at the discretion of a court, the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;
- (b) the time barring of claims under applicable limitation laws, the possibility that an undertaking to assume liability for or indemnify a person against non-payment of UK stamp duty may be void and defences of set-off or counterclaim;
- (c) any general principles, reservations or qualifications, in each case as to matters of law as set out in any legal opinion;
- (d) the principle that any additional interest imposed under any relevant agreement may be held to be unenforceable on the grounds that it is a penalty and thus void;
- (e) the principle that, in certain circumstances, security granted by way of fixed charge may be characterised as a floating charge or that security purported to be constituted by way of an assignment may be recharacterised as a charge;
- (f) the principle that the courts of England may not give effect to an indemnity for legal costs incurred by an unsuccessful litigant; and
- (g) similar principles, rights and defences under the laws of any Pertinent Jurisdiction

“Lender” means Navios South American Logistics Inc., a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960;

“Loan” means the principal amount borrowed by the Borrower under this Agreement or (as the context may require) the principal amount owing to the Lender under this Agreement at any relevant time (as the same shall be increased from time to time by the capitalisation of interest in accordance with clause 3.1);

“Loan Documents” means this Agreement and the Security Documents;

“Material Adverse Effect” means, a material adverse effect on:

- (a) the business, assets or financial condition of the Borrower; or
- (b) the ability of the Borrower to perform its obligations under the Loan Documents; or
- (c) subject to the Legal Reservations and the Perfection Requirements, the validity or enforceability of, or the effectiveness or ranking of, any Encumbrance granted or purporting to be granted pursuant to any of the Security Documents;.

“Notes” means those of the 7.375% First Priority Ship Mortgage Notes due in 2022 issued pursuant to the Secured Indenture that have been or will be purchased with the proceeds of the Loan;

“Permitted Encumbrance” means any Encumbrance created pursuant to or expressly permitted by the Loan Documents and Permitted Liens or otherwise permitted by the Lender and any lien arising by the operation of law;

“Perfection Requirements” means the making or procuring of appropriate registrations, filings, endorsements, notarisations, stampings and/or notifications of the Security Documents and/or the security expressed to be created under the Security Documents determined by the legal advisers to the Lender to be necessary in any Pertinent Jurisdiction for the enforceability or production in evidence of the relevant Security Document to the extent such matters are complied with within any timeframe specified by law or the relevant Security Document;

“Pertinent Jurisdiction” means any jurisdiction in which or where any Security Party is incorporated, resident, domiciled, has a permanent establishment or assets which are secured under the Security Documents;

“Proceedings” means any litigation, arbitration, legal action or complaint or judicial, quasi-judicial or administrative proceedings whatsoever arising or instigated by anyone in any court, tribunal, public office or other forum whatsoever and wheresoever (including, without limitation, any action for provisional or permanent attachment of any thing or for injunctive remedies or interim relief and any action instigated on an ex parte basis);

“Prohibited Person” means a person that is:

- (a) listed on, or owned or controlled by a person listed on any Sanctions List;
- (b) located, organised or resident in, a country or territory that is the target of country-wide Sanctions; or
- (c) otherwise a target of Sanctions.

“Register” has the meaning specified in clause 15.3

“Repayment Date” means the date which falls 24 months after the Closing Date;

“Required Authorisation” means any authorisation, consent, declaration, licence, permit, exemption, approval or other document, whether imposed by or arising in connection with any law, regulation, custom, contract, security or otherwise howsoever which must be obtained at any time from any person, government entity or central bank or other self-regulating or supra-national authority in order to enable the Borrower lawfully to draw the Loan and/or to enable any Security Party lawfully and continuously to continue its corporate existence and/or perform all its obligations whatsoever whensoever arising under the Loan Documents and/or grant security under the Security Documents and/or to ensure the continuous validity and enforceability thereof;

“**Sanctions**” means any economic or trade sanctions laws, regulations, embargoes or restrictive measures administered, enacted or enforced by:

- (a) the United States government;
- (b) the United Nations;
- (c) the European Union or any of its Member States;
- (d) the United Kingdom;
- (e) any country to which any Security Party is bound; or
- (f) the respective governmental institutions and agencies of any of the foregoing, including without limitation, the Office of Foreign Assets Control of the US Department of Treasury (“**OFAC**”), the United States Department of State, and Her Majesty’s Treasury (“**HMT**”) (together “**Sanctions Authorities**”).

“**Sanctions List**” means the “Specially Designated Nationals and Blocked Persons” list issued by OFAC, the “Consolidated List of Financial Sanctions Targets and Investment Ban List” issued by HMT, or any similar list issued or maintained or made public by any of the Sanctions Authorities.

“**Second Secured Indenture**” means the Indenture dated as of 21 November 2017 for USD 305,000,000 issued by the Borrower and Navios Maritime Finance II (US) Inc. for 11.25% Senior Secured Notes due in 2022;

“**Secured Indenture**” means the Indenture dated as of 29 November 2013 for USD 650,000,000 issued by the Borrower and Navios Maritime Finance II (US) Inc. for 7.375% First Priority Ship Mortgage Notes due in 2022;

“**Securities Account**” means a securities or brokerage account in the name of the Borrower and any associated cash account and includes any other account designated in writing by the Lender to be a Securities Account for the purpose of this Agreement;

“**Security Documents**” means, the Account Pledge, the Bareboat Owners’ Shares Pledges (unless released pursuant to the terms of this Agreement) and any other documents designated by the Borrower and the Lender as “Security Documents” or any other documents as may have been or shall from time to time after the date of this Agreement be executed in favour of the Lender to guarantee and/or to govern and/or to secure payment of all or any part of the Loan, interest thereon and other moneys from time to time owing by the Borrower pursuant to this Agreement;

“**Security Party**” means the Borrower, the Shareholder or any other person who may at any time be a party to any of the Loan Documents (other than the Lender);

“**Senior Notes**” means the Lender’s 7.250% Senior Noted due 2022;

“**Shareholder**” means Anemos Maritime Holdings Inc., a company incorporated in the Marshall Islands and having its registered office at Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960;

“**subsidiary**” of a person means any company or entity directly or indirectly controlled by such person, and for this purpose “control” means either the ownership of more than fifty per cent (50%) of the voting share capital (or equivalent rights of ownership) of such company or entity;

“**Taxes**” includes all present and future income, corporation, capital or value-added taxes and all stamp and other taxes and levies, imposts, deductions, duties, charges and withholdings whatsoever together with interest thereon and penalties in respect thereto, if any, and charges, fees or other amounts made on or in respect thereof (and “Taxation” shall be construed accordingly);

“**Unlawfulness**” means any event or circumstance which either is or, as the case may be, might in the reasonable opinion of the Lender become the subject of a notification by the Lender to the Borrower under clause 12.1; and

Words and expressions defined in Schedule 4 shall have the meaning given to them when used in Schedule 3.

1.3 **Construction**

In this Agreement, unless the context otherwise requires:

- 1.3.1 clause headings and the index are inserted for convenience of reference only and shall be ignored in the construction of this Agreement;
- 1.3.2 references to clauses and schedules are to be construed as references to clauses of, and schedules to, this Agreement and references to this Agreement include its schedules;
- 1.3.3 references to (or to any specified provision of) this Agreement or any other document shall be construed as references to this Agreement, that provision or that document as in force for the time being and as duly amended and/or supplemented and/or novated;
- 1.3.4 references to a “regulation” include any present or future regulation, rule, directive, requirement, request or guideline (whether or not having the force of law) of any Government Entity, central bank or any self-regulatory or other supra-national authority (including, without limitation, any regulation implementing or complying with (1) the “*International Convergence of Capital Measurement and Capital Standards, a Revised Framework*” published by the Basel Committee on Banking Supervision in June 2004, in the form existing on the date of this Agreement (“**Basel II**”) and/or (2) Basel III and/or (3) Basel IV and (4) any other law or regulation which, at any time and from time to time, implements and/or amends and/or supplements and/or re-enacts and/or supersedes, whether in whole or in part, Basel II and/or Basel III and/or Basel IV (including CRD IV and CRR), and whether such implementation, application or compliance is by a Government Entity, a lender or any company affiliated to it);

- 1.3.5 references to any person in or party to this Agreement shall include reference to such person's lawful successors and assigns and references to the Lender shall also include a Transferee;
- 1.3.6 words importing the plural shall include the singular and vice versa;
- 1.3.7 references to a time of day are, unless otherwise stated, to London time;
- 1.3.8 references to a person shall be construed as references to an individual, firm, company, corporation or unincorporated body of persons or any Government Entity;
- 1.3.9 references to a "guarantee" include references to an indemnity or any other kind of assurance whatsoever (including, without limitation, any kind of negotiable instrument, bill or note) against financial loss or other liability including, without limitation, an obligation to purchase assets or services as a consequence of a default by any other person to pay any Indebtedness and "guaranteed" shall be construed accordingly;
- 1.3.10 references to any statute or other legislative provision are to be construed as references to any such statute or other legislative provision as the same may be re-enacted or modified or substituted by any subsequent statute or legislative provision (whether before or after the date hereof) and shall include any regulations, orders, instruments or other subordinate legislation issued or made under such statute or legislative provision;

- 1.3.11 a certificate by the Lender as to any amount due or calculation made or any matter whatsoever determined in connection with this Agreement shall be conclusive and binding on the Borrower except for manifest error;
- 1.3.12 if any document, term or other matter or thing is required to be approved, agreed or consented to by the Lender such approval, agreement or consent must be obtained in writing unless the contrary is stated; and
- 1.3.13 the words “other” and “otherwise” shall not be construed *eiusdem generis* with any foregoing words where a wider construction is possible.

1.4 **Contracts (Rights of Third Parties Act) 1999**

Except for clause 17.6.4 no part of this Agreement shall be enforceable under the Contracts (Rights of Third Parties) Act 1999 by a person who is not a party to this Agreement.

2 **THE LENDER’S COMMITMENT, LOAN AND USE OF PROCEEDS**

2.1 **The Commitment**

In reliance upon each of the representations and warranties in clause 7, the Lender agrees to make available by way of loan to the Borrower on the terms of this Agreement the principal sum of up to USD50,000,000 for general corporate purposes (including to enable it to repurchase the Notes and to pay fees and expenses related to the loan facility).

2.2 **Drawdown**

On the terms and subject to the conditions of this Agreement, the Loan shall be advanced in up to ten Advances, each on a Drawdown Date following receipt by the Lender from the Borrower of a Drawdown Notice not later than 10 a.m. London time on the Banking Day before such proposed Drawdown Date. A Drawdown Notice shall be effective on actual receipt by the Lender and, once given, shall be irrevocable.

2.3 **Amount**

The principal amount specified in a Drawdown Notice for borrowing on a Drawdown Date shall, subject to the terms of this Agreement, not exceed (i) USD50,000,000 less (ii) the aggregate of such amounts as may prior thereto have been made available under this Agreement.

2.4 **Availability**

Upon receipt of a Drawdown Notice complying with the terms of this Agreement the Lender shall, subject to the provisions of clause 9, make an Advance available to the Borrower on the relevant Drawdown Date in payment to such account as the Borrower shall specify in the relevant Drawdown Notice.

2.5 **Cancellation**

If any part of the Loan is not drawn down by the end of the Drawdown Period, the Commitment shall thereupon be automatically cancelled and the Lender shall have no further obligation under this Agreement.

2.6 **Use of Proceeds**

The Lender shall have no responsibility for the Borrower's use of the proceeds of the Loan and is not bound to monitor or verify the application of any amount borrowed pursuant to the terms of this Agreement.

3 **INTEREST**

3.1 **Interest rate**

The Loan shall bear interest in respect of each Interest Period, at the rate of:

- (a) up to and including the first anniversary from the date hereof, 12.75% per annum; and
- (b) thereafter, 14.75% per annum,

in each case payable on the last day of such Interest Period, provided that, following the successful re-financing of (i) the Senior Notes and (ii) the Existing Term Loan B, if the Borrower elects to be released from all its obligations under the Bareboat Owners' Shares' Pledge, then an additional rate in the amount of 3.00% per annum shall accrue over the interest rate referred to in paragraphs (a) and (b) above respectively with such additional interest to accrue and to be added to the Loan at the end of each Interest Period and to be payable on the Repayment Date provided that the Borrower may, at its option, pay all or any part of such capitalised interest in cash at any time.

3.2 **Selection of Interest Periods**

Subject to clause 3.3, the Borrower may by notice received by the Lender not later than 10:00 a.m. on the third Banking Day before the beginning of each Interest Period specify whether such Interest Period shall have a duration of twelve (12) months or such shorter period as the Borrower may select and the Lender may agree.

3.3 **Determination of Interest Periods**

Subject to Clause 3.3.1, every Interest Period shall be of the duration determined pursuant to clause 3.2 but so that:

3.3.1 the first Interest Period in respect of the Loan shall start on the date the Loan is drawn and each subsequent Interest Period shall start on the last day of the previous Interest Period;

3.3.2 if the Borrower fails to specify the duration of an Interest Period in accordance with the provisions of clause 3.2 and this clause 3.3, such Interest Period shall have a duration of twelve (12) months or such other period as shall comply with this clause 3.3.

3.4 **Default interest**

If the Lender fails to receive any sum whatsoever on its due date for payment under any of the Loan Documents, the Borrower must pay interest on such sum on demand from the due date up to the date of actual payment (as well after as before judgment) at a rate of two (2.0) per cent per annum over the interest rate referred to in Clause 3.1. Such interest shall be due and payable on demand, shall accrue daily and shall be compounded annually.

4 **REPAYMENT AND PREPAYMENT**

4.1 **Repayment**

Subject as otherwise provided in this Agreement, the Borrower must repay the Loan on the Repayment Date.

4.2 **Voluntary prepayment**

The Borrower may prepay the Loan in whole or in part (being USD1,000,000 or any larger sum which is a whole multiple of USD1,000,000) at any time without premium or penalty.

4.3 **Mandatory Prepayment**

The Borrower shall prepay the Loan:

4.3.1 in full upon the occurrence of a “Change of Control” (as such term is defined in the Secured Indenture);

4.3.2 in full upon any Indebtedness being incurred by the Borrower contrary to the provisions of Clause 7.1.17 and the terms of this Agreement on the date such Indebtedness incurs; and

4.3.3 upon any of the Notes being retired by the Borrower, in an amount equal to the average price paid by the Borrower for Notes that have, at any time, being credited to the Securities Account multiplied by the number of Notes so retired, on the date such Notes are retired.

4.4 **Amounts payable on prepayment**

Any prepayment of all or part of the Loan under this Agreement shall be made together with:

4.4.1 accrued interest on the amount to be prepaid to the date of such prepayment;

4.4.2 any additional amount payable under clause 6.6;

4.4.3 if of the whole Loan, all other sums payable by the Borrower to the Lender under this Agreement or any of the other Loan Documents.

4.5 **Notice of prepayment; reduction of repayment instalments**

4.5.1 No prepayment may be effected under clause 4.2 unless the Borrower shall have given the Lender at least three (3) Banking Day's prior written notice of its intention to make such prepayment. Every notice of prepayment shall be effective only on actual receipt by the Lender, shall be irrevocable, shall specify the amount to be prepaid and shall oblige the Borrower to make such prepayment on the date specified.

4.5.2 The Borrower may not prepay any part of the Loan except as expressly provided in this Agreement.

4.5.3 No amount prepaid may be reborrowed.

5 **FEES AND EXPENSES**

5.1 **Fees**

The Borrower agrees to pay to the Lender on the Closing Date (whether from the proceeds of the Loan or elsewhere) a non-refundable upfront fee of USD500,000.

5.2 **Expenses**

The Borrower agrees to reimburse the Lender on a full indemnity basis on demand for all expenses and/or disbursements whatsoever:

5.2.1 in respect of, legal fees certified by the Lender as having been incurred by it from time to time and at any time and all other expenses and/or disbursements certified by the Lender as having been incurred by it in relation to the negotiation, consideration, approval and structuring of this Agreement and the arrangements contemplated hereby:

5.2.2 in connection howsoever with the negotiation, preparation, execution and, where relevant, registration of the Loan Documents and of any contemplated or actual amendment, indulgence or the granting of any waiver or consent howsoever in connection with any of the Loan Documents; and

5.2.3 in contemplation or furtherance of, or otherwise howsoever in connection with, the exercise or enforcement of, or preservation of any rights, powers, remedies or discretion under any of the Loan Documents or any amendment thereto or consideration of the Lender's rights thereunder or any action proposed or taken with interest at the rate referred to in clause 3.3 from the date on which such expenses and/or disbursements were demanded by the Lender to the date of payment (as well after as before judgment).

5.3 **Value Added Tax**

All fees and expenses payable under to this clause 5 must be paid with value added tax or any similar tax (if any) properly chargeable thereon. Any value added tax chargeable in respect of any services supplied by the Lender under this Agreement must, on delivery of the value added tax invoice, be paid in addition to any sum agreed to be paid hereunder.

5.4 **Stamp and other duties**

The Borrower must pay all stamp, documentary, registration or other like duties or taxes (including any duties or taxes payable by the Lender) imposed on or in connection with any Loan Documents or the Loan and agree to indemnify the Lender against any liability arising by reason of any delay or omission by the Borrower to pay such duties or taxes other than to the extent such duties or taxes arise as a result of the Lender transferring its Loan or Commitments under this Agreement.

6 **PAYMENTS AND TAXES; ACCOUNTS AND CALCULATIONS**

6.1 **No set-off or counterclaim**

All payments to be made by the Borrower under any of the Loan Documents must be made in full, without any set-off or counterclaim whatsoever and, subject to clause 6.6, free and clear of any deductions or withholdings, in USD not later than 11 a.m. London time on the due date to such account of the Lender as the Lender may from time to time notify to the Borrower.

6.2 **Payment by the Lender**

The proceeds of the Loan to be advanced by the Lender to the Borrower under this Agreement must be remitted by in USD on the relevant Drawdown Date to the account or accounts specified in the relevant Drawdown Notice.

6.3 **Non-Banking Days**

When any payment under any of the Loan Documents would otherwise be due on a day which is not a Banking Day, the due date for payment shall be extended to the next following Banking Day.

6.4 **Calculations**

All interest and other payments of an annual nature under any of the Loan Documents shall accrue from day to day and be calculated on the basis of actual days elapsed and a 360 day year.

6.5 **Currency of account**

If any sum due from the Borrower under any of the Loan Documents, or under any order or judgment given or made in relation thereto or for any other reason whatsoever, must be converted from the currency (“the first currency”) in which the same is payable thereunder into another currency (“the second currency”) for the purpose of (i) making or filing a claim or proof against the Borrower, (ii) obtaining an order or judgment in any court or other tribunal or (iii) enforcing any order or judgment given or made in relation thereto, the Borrower undertakes to indemnify and hold harmless the Lender from and against any loss suffered as a result of any discrepancy between (a) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (b) the rate or rates of exchange at which the Lender may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. Any amount due from the Borrower under this clause 6.5 shall be due as a separate debt and shall not be affected by judgment being obtained for any other sums due under or in respect of any of the Loan Documents and the term “rate of exchange” includes any premium and costs of exchange payable in connection with the purchase of the first currency with the second currency.

6.6 **Grossing-up for Taxes**

If at any time the Borrower must make any deduction or withholding in respect of Taxes from any payment due under any of the Loan Documents, the sum due from the Borrower in respect of such payment must then be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Lender receives on the due date for such payment (and retains, free from any liability in respect of such deduction or withholding), a net sum equal to the sum which it would have received had no such deduction or withholding been made and the Borrower agrees to indemnify the Lender on demand against any losses or costs certified by the Lender to have been incurred by it by reason of any failure of the Borrower to make any such deduction or withholding or by reason of any increased payment not being made on the due date for such payment. The Borrower must promptly deliver to the Lender any receipts, certificates or other proof evidencing the amounts (if any) paid or payable in respect of any deduction or withholding as aforesaid. . The Lender shall use commercially reasonable efforts (including the delivery of properly completed and executed Tax forms or documentation prescribed by applicable law) to reduce or eliminate any deduction or withholding for Taxes from any payment due under any of the Loan Documents and to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to this clause 6.6.

6.7 **Loan account**

The Lender agrees to maintain a control account showing the Loan and other sums owing by the Borrower under the Loan Documents and all payments in respect thereof being made from time to time. The control account shall, in the absence of manifest error, absent prompt objection by the Borrower, be conclusive as to the amount from time to time owing by the Borrower under the Loan Documents.

6.8 **Partial payments**

If, on any date on which a payment is due to be made by the Borrower under any of the Loan Documents, the amount received by the Lender from the Borrower falls short of the total amount of the payment due to be made by the Borrower on such date then, without prejudice

to any rights or remedies available to the Lender under any of the Loan Documents, the Lender must apply the amount actually received from the Borrower in or towards discharge of the obligations of the Borrower under the Loan Documents in the following order, notwithstanding any appropriation made, or purported to be made, by the Borrower:

- 6.8.1 first, in or towards payment, on a pro-rata basis, of any unpaid costs and expenses of the Lender under any of the Loan Documents;
- 6.8.2 secondly, in or towards payment of any fees payable to the Lender under, or in relation to, the Loan Documents which remain unpaid;
- 6.8.3 thirdly, in or towards payment to the Lender of any accrued interest owing in respect of the Loan which shall have become due under any of the Loan Documents but remains unpaid;
- 6.8.4 fourthly, in or towards payment to the Lender of any principal in respect of the Loan which shall have become due but remains unpaid;
- 6.8.5 fifthly, in or towards payment to the Lender of any other sum which shall have become due under any of the Loan Documents but remains unpaid (and, if more than one such sum so remains unpaid, on a pro rata basis).

The order of application set out in clauses 6.8.1 to 6.8.5 may be varied by the Lender without any reference to, or consent or approval from, the Borrower.

6.9 **FATCA**

6.9.1 Subject to Clause 6.9.3 below, each party shall, within ten (10) Banking Days of a reasonable request by another party:

- (a) confirm to that other party whether it is:
 - (i) a FATCA Exempt Party; or
 - (ii) not a FATCA Exempt Party; and
- (b) supply to that other party such forms, documentation and other information relating to its status under FATCA (including its applicable passthru percentage or other information required under the Treasury Regulations or other official guidance including intergovernmental agreements) as that other party reasonably requests for the purposes of that other party's compliance with FATCA.

- 6.9.2 If a party confirms to another party pursuant to Clause 6.9.1(a) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that party shall notify that other party reasonably promptly.
- 6.9.3 Clause 6.9.1(a) above shall not oblige the Lender to do anything which would or might in its reasonable opinion constitute a breach of:
- (a) any law or regulation;
 - (b) any policy of the Lender;
 - (c) any fiduciary duty; or
 - (d) any duty of confidentiality.
- 6.9.4 If the Borrower is required to make a FATCA Deduction, the Borrower shall make that FATCA Deduction and any payment required in connection with that FATCA Deduction within the time allowed and in the minimum amount required by FATCA;
- 6.9.5 The Borrower shall promptly upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of a FATCA Deduction) notify the Lender accordingly; and
- 6.9.6 Within thirty days of making either a FATCA Deduction or any payment required in connection with that FATCA Deduction, the Borrower shall deliver to the Lender evidence satisfactory to the Lender that the FATCA Deduction has been made or (as applicable) any appropriate payment paid to the relevant governmental or taxation authority.

7 REPRESENTATIONS AND WARRANTIES

7.1 Continuing representations and warranties

The Borrower represents and warrants to the Lender that:

7.1.1 Due incorporation

each of the Security Parties is duly incorporated and validly existing in good standing, under the laws of the Marshall Islands as a corporation and has power to carry on its respective business as it is now being conducted and to own its property and other assets to which it has unencumbered legal and beneficial title except as disclosed to the Lender in writing;

7.1.2 Corporate power

each of the Security Parties has power to execute, deliver and perform its obligations and, as the case may be, to exercise its rights under the Loan Documents to which it is a party; all necessary corporate, shareholder and other action has been taken to authorise the execution, delivery and on the execution of the Loan Documents performance of the same and no limitation on the powers of the Borrower to borrow or any other Security Party to howsoever incur liability and/or to provide or grant security will be exceeded as a result of borrowing any part of the Loan;

7.1.3 Binding obligations

subject to the Legal Reservations and the Perfection Requirements, the Loan Documents, when executed, will constitute valid and legally binding obligations of the relevant Security Parties enforceable in accordance with their respective terms and admissible in evidence and the Security Documents will create first priority Encumbrances;

7.1.4 No conflict with other obligations

the execution and delivery of, the performance of its obligations under, and compliance with the provisions of, the Loan Documents by the relevant Security Parties will not (i) contravene in any material respect any existing applicable law, statute, rule or regulation or any judgment, decree or permit of any Pertinent Jurisdiction to which any Security Party or other member of the Group is subject, (ii) conflict with, or result in any breach of any of the terms of, or constitute a default under, any agreement or other instrument to which any Security Party or any other member of the Group is a party or is subject or by which it or any of its property is bound which is likely to have a Material Adverse Effect, (iii) contravene or conflict with any provision of the constitutional documents of any Security Party or (iv) result in the creation or imposition of, or oblige any Security Party to create, any Encumbrance (other than a Permitted Encumbrance) on any of the undertakings, assets, rights or revenues of any Security Party secured under the Security Documents;

- 7.1.5 No default
no Default has occurred which is continuing;
- 7.1.6 No litigation or judgments
no Proceedings are current, pending or, to the knowledge of the officers of the Borrower, threatened against any Security Party or any other Group Members or their assets which could have a Material Adverse Effect and there exist no judgments, orders, injunctions which would materially affect the obligations of any Security Party under the Loan Documents other than have been publicly disclosed by the Borrower prior to the Execution Date;
- 7.1.7 No filings required
it is not necessary to ensure the legality, validity, enforceability or admissibility in evidence of any of the Loan Documents that they or any other instrument be notarised, filed, recorded, registered or enrolled in any court, public office or elsewhere in any Pertinent Jurisdiction or that any stamp, registration or similar tax or charge be paid in any Pertinent Jurisdiction on or in relation to the Loan Documents and each of the Loan Documents is in proper form for its enforcement in the courts of each Pertinent Jurisdiction;
- 7.1.8 Required Authorisations and legal compliance
all Required Authorisations have been obtained or effected and are in full force and effect and no Security Party has in any way contravened any applicable law, statute, rule or regulation (including all such as relate to money laundering);
- 7.1.9 Choice of law
the choice of English law to govern this Agreement and the Bareboat Owners' Shares Pledge, the choice of US law to govern the Account Pledge and the submissions by the Security Parties to the jurisdiction of the English courts and the obligations of the Security Parties associated therewith, are valid and binding;

- 7.1.10 No immunity
no Security Party nor any of their assets is entitled to immunity on the grounds of sovereignty or otherwise from any Proceedings whatsoever;
- 7.1.11 Financial statements correct and complete
the Latest Accounts of the Borrower in respect of the relevant financial year as delivered to the Lender present fairly and accurately the financial position of the Borrower for the financial year, ended on such date and, as at such date, the Borrower had no material liabilities (contingent or otherwise) or any unrealised or anticipated losses which are not disclosed by, or reserved against or provided for in, such financial statements or notes thereto;
- 7.1.12 Pari passu
the obligations of the Borrower under this Agreement are direct, general and unconditional obligations of the Borrower and rank at least pari passu with all present and future unsubordinated Indebtedness of the Borrower except for obligations which are mandatorily preferred by operation of law and not by contract;
- 7.1.13 Information/ Material Adverse Effect
all written factual information, whatsoever provided by any Security Party to the Lender in connection with the negotiation and preparation of the Loan Documents or otherwise provided hereafter in relation to, or pursuant to this Agreement is true and accurate in all material respects and not misleading and the Borrower's public filings do or will not omit material facts and all reasonable enquiries have been made to verify the facts and statements contained therein as of such date and there has not occurred a Material Adverse Effect on any Security Party since such information was provided to the Lender;
- 7.1.14 Freedom from Encumbrances
save as otherwise disclosed in writing by the Borrower to the Lender on or prior to the date of this Agreement, no properties or rights which are, or are to be, the subject of any of the Security Documents nor any part thereof will be subject to any Encumbrance except Permitted Encumbrances;

- 7.1.15 Copies true and complete
the copies of the constitutional documents of the Security Parties delivered or to be delivered to the Lender pursuant to clause 9.1 are, or will when delivered be, true and complete copies; and there have been no amendments or variations thereof;
- 7.1.16 Indebtedness
no Security Party has incurred any Indebtedness other than as permitted under the Secured Indenture and the Second Secured Indenture or as otherwise disclosed to the Lender in writing or as disclosed in the Group's public filings;
- 7.1.17 Use of proceeds
the Borrower shall apply the Loan only for the purposes specified in clauses 1.1. and 2.1;
- 7.1.18 Filings
subject to any permissible extensions, the Borrower has filed all material tax and other fiscal returns required to be filed with any tax authority to which it is subject;
- 7.1.19 Office
the Borrower does not have an office in England;
- 7.1.20 Prohibited Persons, unlawful activity
- (a) none of the Group Members are a Prohibited Person; and
 - (b) to the best of its knowledge, no title in any property or other assets subject to an Encumbrance created by a Loan Document has been obtained in breach of any existing applicable law, statute, rule or regulation;
- 7.1.21 Insolvency
none of the Security Parties is unable or has admitted inability to pay its debts as they fall due, has suspended making payments on any of its debts or has announced an intention to do so, is or has become insolvent; or, save as disclosed to the Lender prior to the Execution Date, or has suffered the declaration of a moratorium in respect of any of its Indebtedness;

7.1.22 Sanctions

no Security Party nor any director, officer, agent, employee of any Security Party or any person acting on behalf of any Security Party, is a Prohibited Person nor acts directly or indirectly on behalf of a Prohibited Person; and

7.2 **Repetition of representations and warranties**

On the Execution Date, the Drawdown Date and on the first day of each Interest Period, the Borrower shall be deemed to repeat the representations and warranties in clause 7.1 updated mutatis mutandis as if made with reference to the facts and circumstances existing on such day.

8 **UNDERTAKINGS**

8.1 **General**

The Borrower undertakes with the Lender that, from the Execution Date until the end of the Facility Period, it will:

8.1.1 Notice of Default and Proceedings

promptly inform (and any public filing of the Borrower containing the relevant information about the matters hereafter described shall constitute compliance with this covenant to inform) the Lender of (a) when required under the Secured Indenture and the Second Secured Indenture, any Default (including the occurrence of any Event of Default under (and as defined in) the Secured Indenture or the Second Secured Indenture,, in which case the Borrower shall also provide to the Lender copies of all demands or notices made in connection therewith) and of any other circumstances or occurrence which might materially and adversely affect the ability of the Borrower to perform its obligations under any of the Loan Documents and (b) as soon as the same is instituted or formally threatened in writing, details of any Proceedings involving the Borrower which could have a Material Adverse Effect on the Borrower and will from time to time, if so reasonably requested by the Lender, confirm to the Lender in writing that, save as otherwise stated in such confirmation, no Default has occurred and is continuing and no such Proceedings are on foot or have been formally threatened in writing;

8.1.2 Authorisation

obtain or cause to be obtained, maintain in full force and effect and comply fully with all Required Authorisations, provide the Lender, upon request, with Certified Copies of the same and do, or cause to be done, all other acts and things which may from time to time be necessary under any applicable law for the continued due performance of all the obligations of the Security Parties under each of the Loan Documents;

8.1.3 Corporate Existence/Ownership

ensure that each Security Party maintains its corporate existence as a body corporate duly organised and validly existing and in good standing under the laws of the Pertinent Jurisdiction and ensure that the Borrower is owned and controlled, directly or through other companies, by the persons disclosed to the Lender prior to the date hereof;

8.1.4 Use of proceeds

- (a) use the Loan exclusively for the purposes specified in clauses 1.1 and 2.1; and
- (b) any Notes purchased using the proceeds of the Loan shall be immediately credited to the Securities Account;

8.1.5 Pari passu

ensure that its obligations under this Agreement shall at all times rank at least pari passu with all its present and future unsecured and unsubordinated Indebtedness with the exception of any obligations which are mandatorily preferred by law and not by contract;

8.1.6 Financial statements

provide the Lender (or procure that is provided):

- (a) as soon as possible, but in no event later than 120 days after the end of each of its financial years, annual audited (prepared in accordance with US GAAP by a firm of accountants acceptable to the Lender) consolidated balance sheet and profit and loss accounts of the Borrower (commencing with the financial year ending 31 December 2019) and public filing in respect of the Borrower shall constitute delivery;

- (b) as soon as possible, but in no event later than 90 days after the end of each of its first three financial quarters, commencing with the first financial quarter of 2019, the Borrower's unaudited consolidated balance sheet and profit and loss accounts for that 3 month period certified as to their correctness by its chief financial officer;
- (c) prior to the start of each of its financial years, an annual forecast in respect of the Borrower;
- (d) details of any litigation, arbitration, administrative proceedings, Default and any other events or circumstances which are likely to have a Material Adverse Effect on the Borrower;

8.1.7 Compliance Certificates

deliver to the Lender on the dates on which the financial statements must be delivered to the Lender under clause 8.1.6(b), a Compliance Certificate and such other supporting information as the Lender may require;

8.1.8 Provision of further information

provide the Lender with such financial or other information concerning the Borrower, all vessels (including those under construction) owned, acquired, sold or managed by any Group Member, or any of its subsidiaries, including, commitments, financial standing, operations and in relation to Borrowed Moneys, repayment of Borrowed Money, as the Lender may from time to time reasonably require;

8.1.9 Compliance with Laws and payment of taxes

comply in all material respects with all relevant applicable laws, statutes, directives, decrees, rulings and analogous rules (including, but not limited to, those relating to Sanctions) and regulations (other than in the case of Sanctions) where failure to do so would be reasonably likely to have a Material Adverse Effect and pay all taxes for which it is liable as they fall due unless disputed in good faith;

8.1.10 Bareboat Owners' Shares Pledge etc.

It is hereby agreed that the Borrower may elect at any time, following the successful re-financing of (a) the Senior Notes and (b) the Existing Term Loan B, to request the Lender to release the Borrower from all its obligations under the Bareboat Owners' Shares' Pledges, in which case the provisions of clause 3.1 shall apply and the Lender shall promptly provide to the Borrower with an unconditional release of the Bareboat Owners Shares' Pledges;

8.1.11 Secured Indenture

comply with all of its obligations under the Secured Indenture which are set out in the Indenture Excerpt and the Borrower further agrees:

- (a) any terms defined in the Secured Indenture shall have those meanings when used in the Indenture Excerpt;
- (b) no waiver or variation of any term of the Secured Indenture by any person shall waive or vary the Borrower's obligations hereunder to comply with the obligations in the Indenture Excerpt, except with the consent of the Lender;
- (c) the Borrower shall continue to be bound by its obligations as set out in the Indenture Excerpt following a Covenant Defeasance (as defined in the Secured Indenture) or a Legal Defeasance (as defined in the Secured Indenture) or other termination or cancellation of the Secured Indenture; and

- (d) the Borrower will not vary any material term of the Secured Indenture without the prior written consent of the Lender, however this will not affect its right of partial or full prepayment of the Secured Indenture;

8.1.12 Sanctions

will not and will use reasonable endeavours to ensure that no Group Member does, conduct or undertake any business:

- (a) in breach of any Sanctions of:
 - (i) the United Nations Security Council;
 - (ii) the European Union;
 - (iii) the United Kingdom;
 - (iv) the United States of America
 - (v) the Marshall Islandsas they apply to their members or nationals; or
- (b) in any trade, carriage of goods or business which is forbidden by the laws of the United Kingdom or the United States of America as they apply to their members or nationals, or any law applicable to the Borrower; or
- (c) in carrying illicit or prohibited goods; or
- (d) in a way which may make it liable to be condemned by a prize court or destroyed, seized or confiscated; or
- (e) to the knowledge of the Borrower, by or for the benefit of a Prohibited Person;

- 8.1.13 Delivery of reports
deliver to the Lender upon request a copy of each report, circular, notice or like document issued by the Borrower to its shareholders or creditors generally;
- 8.1.14 Securities Account
hold the Notes in the Securities Account throughout the Facility Period, subject to any of the Notes being retired, following which the provisions of clause 4.3.3 shall apply;
- 8.1.15 Dividends
declare or pay dividends in accordance with the terms of the Secured Indenture for so long as no Event of Default has then occurred which is continuing, or would occur as a result of such declaration and/or payment;
- 8.1.16 Investments and payments
make certain investments and payments always in accordance with the terms of the Secured Indenture for so long as no Event of Default has then occurred which is continuing, or would occur as a result of such investment /or payment.
- 8.2 **Negative undertakings**
The Borrower undertakes with the Lender that, from the Execution Date until the end of the Facility Period, it will not, without the prior written consent of the Lender:
- 8.2.1 Negative pledge
without prejudice to the Secured Indenture, permit any Encumbrance (other than a Permitted Encumbrance or as otherwise disclosed in writing by the Borrower to the Lender on or prior to the date of this Agreement) to subsist, arise or be created or extended over any shares owned by the Borrower to secure or prefer any present or future Indebtedness or other liability or obligation of any Group Member or any other person;

- 8.2.2 **Ownership**
permit any Change of Control (as such term is defined in the Indenture Excerpt);
- 8.2.3 **No merger or transfer**
enter into any form of amalgamation, merger, consolidation, liquidation, dissolution, change in its organisational structure or any form of reconstruction or reorganisation (unless such change, reconstruction or reorganisation would not adversely affect the security constituted hereunder);
- 8.2.4 **Transactions**
enter into any transactions with or involving such a person or company on terms which are, in any respect, less favourable to the Borrower than those which it could obtain at arm's length; or
- 8.2.5 **Prohibited Persons**
, and shall use reasonable endeavours to procure that no Group Member will, have any course of dealings, directly or indirectly, with any Prohibited Person.
- 8.3 **Secured Indenture**
Notwithstanding anything in clause 8.2 of this Agreement:
- (a) any terms, transactions or events permitted by the Indenture Excerpt; and
 - (b) save as otherwise expressly provided in clause 8.2, any other terms or transactions or events permitted by the Secured Indenture,
- shall be deemed to be permitted under clause 8.2 of this Agreement.
- 9 **CONDITIONS**
- 9.1 **Documents and evidence**
The Lender's obligation to make available the Loan is subject to the following conditions precedent:

- 9.1.1 that on or before the Drawdown Date, the Lender has received the documents described in Schedule 2 in form and substance satisfactory to the Lender;
- 9.1.2 the representations and warranties contained in clause 7.1 being then true and correct as if each was made with respect to the facts and circumstances existing at such time; and
- 9.1.3 no Default shall have occurred and be continuing and no Default would result from the making of the Loan.
- 9.2 **Waiver of conditions precedent**
- The conditions specified in this clause 9 are inserted solely for the benefit of the Lender and may be waived by the Lender in whole or in part and with or without conditions.
- 9.3 **English language**
- All documents required to be delivered under and/or supplied in connection with any of the Loan Documents must either be in the English language or accompanied by an English translation certified by a notary, lawyer or consulate acceptable to the Lender.
- 10 **EVENTS OF DEFAULT**
- 10.1 **Events**
- Each of the following events shall constitute an Event of Default (whether such event shall occur voluntarily or involuntarily or by operation of law or regulation or in connection with any judgment, decree or order of any court or other authority or otherwise, howsoever):
- 10.1.1 **Non-payment:** the Borrower fails to pay any sum payable by it under any of the Loan Documents at the time, in the currency and in the manner stipulated in the Loan Documents (and so that, for this purpose, sums payable (i) under clause 4.1 shall be treated as having been paid at the stipulated time if (a) received by the Lender within five (5) days of the dates therein referred to and (b) such delay in receipt is caused by administrative or other delays or errors within the banking system and (ii) on demand shall be treated as having been paid at the stipulated time if paid within five (5) Banking Days of demand); or

- 10.1.2 **Breach of other obligations:** any Security Party commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under any of the Loan Documents (other than those referred to in clause 10.1.1 above) unless such breach or omission, in the reasonable opinion of the Lender is capable of remedy, in which case the same shall constitute an Event of Default if it has not been remedied within thirty (30) Business Days of the Lender giving written notice to the Borrower of, or the Borrower becoming aware of the occurrence thereof; or
- 10.1.3 **Misrepresentation:** any representation or warranty made or deemed to be made or repeated by or in respect of any Security Party in or pursuant to any of the Loan Documents or in any notice, certificate or statement referred to in or delivered under any of the Loan Documents is or proves to have been incorrect or misleading in any material respect unless the circumstances giving rise to the misrepresentation are in the reasonable opinion of the Lender capable of remedy and are remedied within thirty 30 Business Day of the Lender giving written notice to the Borrower of, or the Borrower becoming aware of, the occurrence thereof; or
- 10.1.4 **Cross-default:** any Indebtedness of the Borrower (which is not intra group or subordinated debt) in excess of USD30,000,000 is not paid when due (subject to applicable grace periods) or any Indebtedness of the Borrower becomes (whether by declaration or automatically in accordance with the relevant agreement or instrument constituting the same) due and payable prior to the date when it would otherwise have become due (unless as a result of the exercise by the Borrower of a voluntary right of prepayment), or any creditor of the Borrower becomes entitled to declare any such Indebtedness due and payable or any facility or commitment available to the Borrower relating to Indebtedness is withdrawn, suspended or cancelled by reason of any default (however described) of the person concerned (unless the relevant creditor has granted to the Borrower a waiver in respect thereof) ; or
- 10.1.5 **Execution:** any uninsured judgment or order made against the Borrower in an amount in excess of USD30,000,000 is not stayed, appealed against or complied with within twenty (20) days or a creditor attaches or takes possession of, or a distress, execution, sequestration or other process is levied or enforced upon or sued out against, any of the undertakings, assets, rights or revenues of the Borrower and is not discharged within thirty (30) days; or
- 10.1.6 **Insolvency:** the Borrower is unable or admits inability to pay its debts as they fall due; suspends making payments on all or substantially all of its debts or announces an intention to do so; becomes insolvent; or suffers the declaration of a moratorium in respect of all or substantially all of its Indebtedness; or

- 10.1.7 **Dissolution:** any corporate action, Proceedings or other steps are taken to dissolve or wind-up the Borrower or an order is made or resolution passed for the dissolution or winding up of the Borrower; or
- 10.1.8 **Administration:** any petition is presented, notice given or other steps are taken anywhere to appoint an administrator of any Security Party or an administration order is made in relation to any Security Party; or
- 10.1.9 **Appointment of receivers and managers:** any administrative or other receiver is appointed anywhere of any Security Party or any part of its assets and/or undertaking or any other steps are taken to enforce any Encumbrance over all or any part of the assets of any Security Party; or
- 10.1.10 **Compositions:** any corporate action, legal proceedings or other procedures are taken, by the Borrower or by any of its creditors with a view to the general readjustment or rescheduling of all or substantially all of its Indebtedness, or to proposing any kind of composition, compromise or arrangement involving such company and all or substantially all of its creditors; or
- 10.1.11 **Analogous proceedings:** there occurs, in relation to a Security Party, in any country or territory in which it carries on business or to the jurisdiction of whose courts any part of its assets is subject, any event which, in the reasonable opinion of the Lender, appears in that country or territory to correspond with, or have an effect equivalent or similar to, any of those mentioned in clauses 10.1.6 to 10.1.10 (inclusive) in respect of the Borrower or the Borrower otherwise becomes subject, in any such country or territory, to the operation of any law relating to insolvency, bankruptcy or liquidation; or
- 10.1.12 **Cessation of business:** any Security Party suspends or ceases to carry on its business; or
- 10.1.13 **Seizure:** all or a material part of the undertaking, assets, rights or revenues of, or shares or other ownership interests in, the Borrower are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government entity; or
- 10.1.14 **Invalidity:** any of the Loan Documents shall, other than as a result of any act or omission of the Lender, at any time and for any reason become invalid or unenforceable or otherwise cease to remain in full force and effect, or if the validity or enforceability of any of the Loan Documents shall at any time and for any reason be contested by any Security Party which is a party thereto, or if any Security Party shall deny that it has any, or any further, liability thereunder; or

- 10.1.15 **Unlawfulness:** any Unlawfulness occurs or it becomes impossible or unlawful at any time for any Security Party, to fulfil any of the covenants and obligations expressed to be assumed by it in any of the Loan Documents or for the Lender to exercise the rights or any of them vested in it under any of the Loan Documents or otherwise; or
- 10.1.16 **Repudiation:** any Security Party repudiates any of the Security Documents or does or causes or permits to be done any act or thing evidencing an intention to repudiate any of the Security Documents; or
- 10.1.17 **Encumbrances enforceable:** any Encumbrance (other than Permitted Liens) in respect of any of the property (or part thereof) which is the subject of any of the Security Documents becomes enforceable; or
- 10.1.18 **Material events:** any other event occurs or circumstance arises which, in the reasonable opinion of the Lender, is likely to have a Material Adverse Effect or, if such event or circumstance is capable of remedy it is not remedied within 15 Business Days of the earlier of (i) the Lender notifying the Borrower of such event or (ii) the Borrower becoming aware of the same; or
- 10.1.19 **Litigation:** any Proceedings are current, pending or threatened against any of the Security Parties which could have a Material Adverse Effect; or
- 10.1.20 **Required Authorisations:** any Required Authorisation is revoked or withheld or modified or is otherwise not granted or fails to remain in full force and effect or if any exchange control or other law or regulation shall exist which would make any transaction under the Loan Documents or the continuation thereof, unlawful or would prevent the performance by any Security Party of any term of any of the Loan Documents;

- 10.1.21 **Change of Control:** there occurs a “Change of Control” (as such term is defined in the Indenture Excerpt);
- 10.1.22 **Money Laundering:** any Security Party is in breach of or fails to observe any law, requirement, measure or procedure implemented to combat “money laundering” as defined in Article 1 of the Directive (91/308 EEC) of the Council of the European Communities.
- 10.2 **Acceleration**
- The Lender may, without prejudice to any other rights of the Lender, at any time after the happening of an Event of Default so long as the same is continuing by notice to the Borrower:
- 10.2.1 declare that the obligation of the Lender to make the Commitment available shall be terminated, whereupon the Commitment shall immediately be cancelled; and/or
- 10.2.2 declare that the Loan and all interest accrued and all other sums payable whensoever under the Loan Documents have become due and payable, whereupon the same shall, immediately or in otherwise accordance with the terms of such notice, become due and payable; and/or
- 10.2.3 exercise any or all of its rights, remedies, powers or discretions under the Loan Documents.
- 10.3 **Demand basis**
- If, under clause 10.2.2, the Lender has declared the Loan to be due and payable on demand, at any time thereafter the Lender may by further notice to the Borrower demand repayment of the Loan on such date as may be specified whereupon the Loan shall become due and payable accordingly with all interest accrued and all other sums payable under this Agreement.
- 11 **INDEMNITIES**
- 11.1 **General indemnity**
- The Borrower agrees to indemnify the Lender on demand, without prejudice to any of the Lender’s other rights under any of the Loan Documents, against any loss (including loss of interest), cost or expense which the Lender shall certify as sustained at any time by it in connection with this Agreement, including (without limitation) any such loss, cost or expense

arising from any action, claim, suit or proceeding directly or indirectly related to this Agreement, the other Loan Documents or the Loan (excluding any default by the Lender determined by a court of competent jurisdiction to have resulted from (i) the gross negligence, bad faith or wilful misconduct of the Lender or (ii) a material breach of the Loan Documents by the Lender).

12 **UNLAWFULNESS AND INCREASED COSTS MITIGATION**

12.1 **Unlawfulness**

Regardless of any other provision of this Agreement, in the event that the Lender notifies the Borrower that by reason of:

- (a) the introduction of or any change in any applicable law or regulation or any change in the interpretation or application thereof; or
- (b) compliance by the Lender with any directive, request or requirement (whether or not having the force of law) of any central bank or Government Entity

it becomes unlawful or it is prohibited by or contrary to such directive request or requirement for the Lender to maintain or give effect to any of its obligations in connection howsoever with this Agreement then (i) the Commitment shall be reduced to zero and (ii) the Borrower shall be obliged to prepay the Loan either immediately or on a future date (specified in the Lender's notice) not being earlier than the latest date permitted by the relevant law, regulation, directive, request or requirement with interest and commitment commission accrued to the date of prepayment and all other sums payable whensoever by the Borrower under this Agreement.

12.2 **Increased costs**

If the Lender certifies to the Borrower that at any time the effect of any applicable law, regulation or regulatory requirements or the interpretation or application thereof or any change therein is to:

- 12.2.1 subject the Lender to Taxes or change the basis of Taxation of the Lender relating to any payment under any of the Loan Documents (other than Taxes or Taxation on the overall net income of the Lender imposed in the jurisdiction in which its principal or lending office under this Agreement is located); and/or

- 12.2.2 increase the cost to, or impose an additional cost on, the Lender in making or keeping the Commitment available or maintaining or funding all or part of the Loan; and/or
- 12.2.3 reduce the amount payable or the effective return to the Lender under any of the Loan Documents; and/or
- 12.2.4 require the Lender to make a payment or forgo a return on or calculated by reference to any amount received or receivable by the Lender under any of the Loan Documents; and/or

then and in each such case (subject to clause 12.3) the Borrower must on demand either:

- (a) pay to the Lender the amount which the Lender certifies (in a certificate setting forth the basis of the computation of such amount but not including any matters which the Lender or its holding company regards as confidential) is required to compensate the Lender for such liability to Taxes, cost, reduction, payment, forgone return or loss; or
- (b) prepay the Loan, in respect of which prepayment the terms of clause 4.3 shall apply.

12.3 **Exception**

Nothing in clause 12.2 shall entitle the Lender to receive any amount relating to compensation for any such liability to Taxes, increased or additional cost, reduction, payment, foregone return or loss to the extent that the same is the subject of an additional payment under clause 5.3, 5.4 or 6.6.

13 **SECURITY, SET-OFF AND MISCELLANEOUS**

13.1 **Application of moneys**

All moneys received by the Lender under or pursuant to any of the Loan Documents and expressed to be applicable in accordance with the provisions of this clause 13.1 shall be applied by the Lender as follows:

- 13.1.1 first in or toward payment of all unpaid fees, sums which have been demanded by way of indemnity and expenses which may be owing to the Lender under any of the Loan Documents;
- 13.1.2 secondly in or towards payment of any arrears of interest owing in respect of the Loan or any part thereof;
- 13.1.3 thirdly in or towards repayment of the Loan (whether the same is due and payable or not);
- 13.1.4 fourthly in or towards payment to the Lender of any other sums which the Lender certifies are owing to it under any of the Loan Documents; and
- 13.1.5 fifthly the surplus (if any) shall be paid to the Borrower.

13.2 **Set-off**

- 13.2.1 The Borrower authorises the Lender following the occurrence of a Default that is continuing (without prejudice to any of the Lender's rights at law, in equity or otherwise), at any time and without notice to the Borrower, to apply any dividend to which the Borrower (as shareholder in the Lender) is then entitled in or towards satisfaction of any sum due and payable from the Borrower to the Lender under any of the Loan Documents.

- 13.2.2 The Lender shall not be obliged to exercise any right given to it by this clause 13.2. The Lender shall notify the Borrower prior to the exercise or purported exercise of any right of set-off.
- 13.2.3 Nothing in this clause 13.2 shall be effective to create a charge or other security interest.
- 13.3 **Further assurance**
- The Borrower will, at its expense, execute, sign, perfect and do, and will procure the execution, signing, perfecting and doing by each of the other Security Parties of, any and every such further assurance, document, act or thing as in the reasonable opinion of the Lender may be necessary or desirable for perfecting the security contemplated or constituted by the Loan Documents.
- 13.4 **Conflicts**
- In the event of any conflict between this Agreement and any of the other Loan Documents executed by the Borrower, the provisions of this Agreement shall prevail.
- 13.5 **No implied waivers, remedies cumulative**
- No failure or delay on the part of the Lender to exercise any power, right or remedy under any of the Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by the Lender of any power, right or remedy preclude any other or further exercise thereof or the exercise of any other power, right or remedy. The remedies provided in the Loan Documents are cumulative and are not exclusive of any remedies provided by law. No waiver by the Lender shall be effective unless it is in writing.
- 13.6 **Severability**
- If any provision of this Agreement is prohibited, invalid, illegal or unenforceable in any jurisdiction, such prohibition, invalidity, illegality or unenforceability shall not affect or impair howsoever the remaining provisions thereof or affect the validity, legality or enforceability of such provision in any other jurisdiction.

13.7 **Force Majeure**

Regardless of any other provision of this Agreement the Lender shall not be liable for any failure to perform the whole or any part of this Agreement resulting directly or indirectly from (i) the action or inaction or purported action of any governmental or local authority (ii) any strike, lockout, boycott or blockade (including any strike, lockout, boycott or blockade effected by or upon the Lender or any of its representatives or employees) (iii) any act of God (iv) any act of war (whether declared or not) or terrorism (v) any failure of any information technology or other operational systems or equipment affecting the Lender or (vi) any other circumstances whatsoever outside the Lender's control.

13.8 **Amendments**

This Agreement may be amended or varied only by an instrument in writing executed by both parties hereto who irrevocably agree that the provisions of this clause 13.8 may not be waived or modified except by an instrument in writing to that effect signed by both of them.

13.9 **Counterparts**

This Agreement may be executed in any number of counterparts and all such counterparts taken together shall be deemed to constitute one and the same agreement which may be sufficiently evidenced by one counterpart.

13.10 **English language**

All documents required to be delivered under and/or supplied whensoever in connection howsoever with any of the Loan Documents and all notices, communications, information and other written material whatsoever given or provided in connection howsoever therewith must either be in the English language or accompanied by an English translation certified by a notary, lawyer or consulate acceptable to the Lender.

14 **ACCOUNT**

14.1 **General**

The Borrower undertakes with the Lender that it will ensure that:

14.1.1 it will on or before the Drawdown Date, open the Securities Account in respect of the Notes held in its name; and

14.1.2 all moneys payable to the Borrower in respect of the Notes shall, unless and until the Lender directs to the contrary, be paid to the Securities Account, and pending any such payment into the Securities Account any amount received by the Borrower will be held on Trust for the Lender.

14.2 **Securities Account: withdrawals**

The moneys then standing to the credit of the Securities Account may be applied from time to time (i) firstly to make the payments required under this Agreement and (ii) secondly, subject to no Event of Default having occurred and to there being at any time sufficient funds to maintain or pay amounts due under (i) as they fall due, for the general corporate purposes of the Borrower.

14.3 **Application of account**

At any time after the occurrence of an Event of Default, the Lender may, without notice to the Borrower, apply all moneys then standing to the credit of the Securities Account (together with interest from time to time accruing or accrued thereon) in or towards satisfaction of any sums outstanding to the Lender under the Loan Documents in the manner specified in clause 13.1.

14.4 **Charging of account**

The Securities Account and all amounts from time to time standing to the credit thereof shall be subject to the security constituted and the rights conferred by the Account Pledge.

15 **ASSIGNMENT, TRANSFER AND DISCLOSURE**

15.1 **Benefit and burden**

This Agreement shall be binding upon, and ensure for the benefit of, the Lender and the Borrower and their respective successors.

15.2 **No assignment by Borrower**

The Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Lender. Neither the Borrower nor any affiliate of the Borrower may become a Lender or a sub-participant.

15.3 **Assignment by Lender**

The Lender may not assign, sell, sub-participate all or any part of its rights under any Loan Document to another branch, subsidiary or affiliate of the Lender, another first class bank or financial institution, a member of the European System of Central Banks, an insurance company, a trust corporation or a capital investment company, without the prior written consent of the Borrower. . The Lender, acting solely for this purpose as an agent of the Borrower, shall maintain a register for the recordation of the names and addresses of any such assignee or participant of the Lender, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each such assignee or participant pursuant to the terms hereof from time to time (the “**Register**”). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Lender, and any such assignee or participant of Lender shall treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower, the Lender and any such assignee or participant of the Lender, at any reasonable time and from time to time upon reasonable prior notice. It is the intention that this Loan Agreement be treated as a registered obligation and in “registered form” within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations thereunder.

15.4 **Disclosure of information**

The Lender may disclose to a prospective assignee, transferee or to any other person who may propose entering into contractual relations with the Lender in relation to this Agreement such information about or in connection with any of the Security Parties and the Loan Documents as the Lender considers appropriate, provided that the Lender shall consult with the Borrower prior to disclosing (i) any such information which is not public or contained in the Loan Agreement and/or (ii) any documentation other than a copy of this Agreement or any other Security Document.

16 **NOTICES**

16.1 **General**

16.1.1 unless otherwise specifically provided herein, every notice under or in connection with this Agreement shall be given in English by letter delivered personally and/or sent by post and/or transmitted by fax;

16.1.2 in this clause “notice” includes any demand, consent, authorisation, approval, instruction, certificate, request, waiver or other communication.

16.2 **Addresses for communications, effective date of notices**

16.2.1 Subject to clause 16.2.2 notices to the Borrower shall be deemed to have been given and shall take effect when received in full legible form by the Borrower at the address and/or the fax number appearing below (or at such other address or fax number as the Borrower may hereafter specify for such purpose to the Lender by notice in writing);

Address 7, Avenue de Grande Bretagne

Office 11B2

MC 98000 Monaco

Fax no: +377 9798-2141

notwithstanding the provisions of clause 16.2.1, a notice of Default and/or a notice given pursuant to clause 10.2 or clause 10.3 shall be deemed to have been given and shall take effect when delivered, sent or transmitted by the Lender to the Borrower to the address or fax number referred to in clause 16.2.1;

16.2.2 notices to the Lender shall be deemed to be given, and shall take effect, when received in full legible form by the Lender at the address and/or the fax number appearing below (or at any such other address or fax number as the Lender may hereafter specify for such purpose to the Borrower by notice in writing);

Address Aguada Park Free Zone
 Paraguay 2141, Of. 1603
 Montevideo, Uruguay

Fax no: +598 2927-2219

if under clause 16.2.1 or clause 16.2.2 a notice would be deemed to have been given and effective on a day which is not a working day in the place of receipt or is outside the normal business hours in the place of receipt, the notice shall be deemed to have been given and to have taken effect at the opening of business on the next working day in such place.

17 **GOVERNING LAW**

17.1 **Law**

This Agreement and any non-contractual obligations arising out of or in connection with it is governed by and shall be construed in accordance with English law.

18 **JURISDICTION**

18.1 **Exclusive jurisdiction**

Subject to clause 18.4 below, the Borrower and the Lender hereby irrevocably agree that the courts of England shall have exclusive jurisdiction:

18.1.1 to settle any disputes or other matters whatsoever arising under or in connection with this Agreement (or any non-contractual obligation arising out of or in connection with this Agreement) and any disputes or other such matters arising in connection with the negotiation, validity or enforceability of this Agreement or any part thereof, whether the alleged liability shall arise under the laws of England or under the laws of some other country and regardless of whether a particular cause of action may successfully be brought in the English courts; and

18.1.2 to grant interim remedies or other provisional or protective relief.

18.2 **Submission and service of process**

Subject to clause 18.4 below, the Borrower and the Lender accordingly irrevocably and unconditionally submit to the jurisdiction of the English courts. Without prejudice to any other mode of service the Borrower:

18.2.1 irrevocably empowers and appoints Messrs Hill Dickinson Services (London) Ltd at present of The Broadgate Tower, 20 Primrose Street, London, EC2A 2EW, England as its agent to receive and accept on its behalf any process or other document relating to any proceedings before the English courts in connection with this Agreement;

18.2.2 agrees to maintain such an agent for service of process in England from the date hereof until the end of the Facility Period;

18.2.3 agrees that failure by a process agent to notify the Borrower of service of process will not invalidate the proceedings concerned;

18.2.4 without prejudice to the effectiveness of service of process on its agent under clause 18.2.1 above but as an alternative method, consents to the service of process relating to any such proceedings by mailing or delivering a copy of the process to its address for the time being applying under clause 16.2;

18.2.5 agrees that if the appointment of any person mentioned in clause 18.2.1 ceases to be effective, the Borrower shall immediately appoint a further person in England to accept service of process on its behalf in England and, failing such appointment within seven (7) days the Lender shall thereupon be entitled and is hereby irrevocably authorised by the Borrower in those circumstances to appoint such person by notice to the Borrower.

18.3 **Forum non conveniens and enforcement abroad**

The Borrower and the Lender:

18.3.1 waive any right and agree not to apply to the English court or other court in any jurisdiction whatsoever to stay or strike out any proceedings commenced in England on the ground that England is an inappropriate forum and/or that proceedings have been or will be started in any other jurisdiction in connection with any dispute or related matter falling within clause 17.1; and

18.3.2 agree that a final non-appealable judgment or order of an English court in a dispute or other matter falling within clause 18.1 shall be conclusive and binding on the Borrower and the Lender and may be enforced against them in the courts of any other jurisdiction.

18.4 **Right of Lender, but not Borrower, to bring proceedings in any other jurisdiction**

18.4.1 nothing in this clause 18 limits the right of the Lender to bring proceedings in connection with the enforcement of its security, or the enforcement or recovery of any judgment debt or judicial award or order made (i) in each case, in the courts of England and (ii) under or in relation to this Agreement or any Security Document, including third party proceedings, against the Borrower, or to apply for interim remedies, in any other court and/or concurrently in more than one jurisdiction; and

18.4.2 the obtaining by the Lender of judgment in one jurisdiction shall not prevent the Lender from bringing or continuing proceedings in any other jurisdiction proceedings in connection with the enforcement of its security, or the enforcement or recovery of any judgment debt or judicial award or order made (i) in each case, in the courts of England and (ii) under or in relation to this Agreement or any Security Document, whether or not these shall be founded on the same cause of action.

IN WITNESS whereof the parties to this Agreement have caused this Agreement to be duly executed on the date first above written.

Execution page

BORROWER

SIGNED by /s/ Vasiliki Papaefthymiou)
for on behalf of)
NAVIOS MARITIME HOLDINGS INC.)

LENDER

SIGNED by /s/ Ioannis Karyotis)
for on behalf of)
NAVIOS SOUTH AMERICAN LOGISTICS INC.)

ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT (the "Assignment"), is made this August 29, 2019, by and between NAVIOS CORPORATION (the "NC"), NAVIOS SOUTH AMERICAN LOGISTICS INC. ("NSAL") and NAVIOS SHIPMANAGEMENT INC. ("Assignee") and relates to the Administrative Services Agreement (the "Agreement") entered into between NSAL and Navios Maritime Holdings Inc. on April 12, 2011 as such Agreement was assigned to NC via an assignment dated May 28, 2014 and subsequently amended on April 6, 2016.

RECITALS:

- A. NC has provided NSAL with administrative services pursuant to the Agreement;
- B. NC wishes to assign to Assignee, and Assignee wishes to assume, the Agreement; and
- C. NSAL is willing to consent to assignment of the Agreement to Assignee, subject to the terms and conditions set forth below.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties, intending to be legally bound, mutually agree as follows:

SECTION 1. Assignment. Subject to the terms hereinafter set forth, NC hereby assigns to Assignee all of its right, title and interest and all of its covenants, obligations and duties under the Agreement.

SECTION 2. Acceptance. Assignee hereby accepts the foregoing assignment.

SECTION 3. Consent of NSAL. NSAL hereby consents to the foregoing assignment.

SECTION 4. Release. NSAL hereby releases and discharges NC from any and all claims, debts, or demands which NSAL may have, or may ever have, against NC that arise or relate to NC's or Assignee's performance or non-performance of its contractual duties and obligations under the Agreement.

SECTION 5. Execution in Counterparts. This Assignment Agreement may be executed in several counterparts, and such counterparts shall constitute a single instrument.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have executed this Agreement by their duly authorized signatories with effect on the date first above written.

NAVIOS SOUTH AMERICAN LOGISTICS INC.

By: /s/ Ioannis Karyotis

Name: Ioannis Karyotis

Title: CFO

NAVIOS SHIPMANAGEMENT INC.

By: /s/ Pantazis Michalas

Name: Pantazis Michalas

Title: Operations Manager

NAVIOS CORPORATION

By: /s/ Shunji Sasada

Name: Shunji Sasada

Title: President