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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 20-F**

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(Mark One)

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

OR

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

For the fiscal year ended December 31, 2019

OR

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

OR

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

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

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

Commission file number 333-179250

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**Navios South American Logistics Inc.**

(Exact name of Registrant as specified in its charter)

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**Not Applicable**

(Translation of Registrant's Name into English)

**Republic of Marshall Islands**

(Jurisdiction of incorporation or organization)

**Aguada Park Free Zone**

**Paraguay 2141, Of. 1603**

**Montevideo, Uruguay**

(Address of principal executive offices)

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

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

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

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

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

There is no public market for the registrant's common stock. There were 20,000 shares of the registrant's common stock, par value \$1.00 per share, issued and outstanding as of December 31, 2019.

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

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

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

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

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer   
Emerging Growth Company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13 (a) of the Exchange Act.

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

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

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

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

Item 17  Item 18

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

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*In this report, “Navios Logistics,” “Company,” “we,” “us” and “our” refer to Navios South American Logistics Inc. and its consolidated subsidiaries, as the context may require. We are incorporated as a Marshall Islands corporation. References to “Navios Holdings” are to Navios Maritime Holdings Inc., a Marshall Islands corporation. Navios Holdings is, along with its subsidiaries, our controlling stockholder. References to “Navios Shipmanagement” are to Navios Shipmanagement Inc., a Marshall Islands corporation.*

## **FORWARD-LOOKING STATEMENTS**

Certain statements under the captions “Item 3.D Risk Factors”, “Item 4 Information on the Company” and “Item 5 Operating and Financial Review and Prospects” and elsewhere in this report relating to our business and financial outlook (including our statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not historical facts, but rather are based on our current expectations, estimates and projections about our industry, and our beliefs and assumptions. Such statements include, in particular, statements about the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in vessel contract rates, changes in demand for the transportation or storage of grain and mineral commodities and petroleum products, our relationship with Navios Holdings and Navios Shipmanagement, the financial condition of Navios Holdings and its affiliates and Navios Shipmanagement and its affiliates, our ability to enter into innovative financing, changes in our operating expenses, including, drydocking and insurance costs, and costs related to changes in governmental rules and regulations or actions taken by regulatory authorities, political, economic and other issues specifically affecting South America and related government regulations, potential liability from pending or future litigation, general domestic and international political conditions, potential disruption of river or seaborne transportation due to accidents or political events, and other statements described in this report. In some cases, you can identify the forward-looking statements by the use of words such as “may,” “could,” “should,” “would,” “expect,” “plan,” “anticipate,” “intend,” “forecast,” “believe,” “estimate,” “predict,” “propose,” “potential,” “continue” or the negative of these terms or other comparable terminology.

These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which reflect our view only as of the date of this report. We are not obliged to update these statements or publicly release the result of any revisions to them to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in these forward-looking statements.

Forward-looking statements include, but are not limited to, such matters as:

- future operating or financial results and future revenues and expenses;
- our ability to implement our business strategy, including areas of possible expansion;
- general market conditions and international logistics and commodities transportation and storage trends, including contract rates, vessel values and factors affecting supply and demand;
- the loss of a customer, our relationships with our customers or the ability or willingness of a customer to perform its obligations under a contract;
- our financial condition and liquidity, including our ability to service our debt, comply with our financial covenants and obtain additional financing in the future to fund capital expenditures, acquisitions and other corporate activities;
- the ability of our contract counterparties to fulfill their obligations to us;
- our ability to expand and maintain relationships with existing customers and obtain new customers;
- our future capital expenditures and investments in the construction, acquisition and refurbishment of our vessels or port facilities (including the amount and nature thereof and the timing of completion thereof, the delivery and commencement of operations dates, expected downtime and lost revenue);
- our ability to leverage Navios Holdings’ and Navios Shipmanagement’s relationships and reputation within shipping industry to our advantage;
- our anticipated general and administrative expenses;

- fluctuations in currencies and interests rates;
- general political, economic and business conditions in Argentina, Brazil, Uruguay, Paraguay and in other countries in which we operate;
- environmental and regulatory conditions, including changes in laws and regulations or actions taken by regulatory authorities;
- general domestic and international political conditions, including unrest, wars, acts of piracy and terrorism;
- potential liability from pending or future litigation; and
- other factors discussed in “Item 3. Key Information — D. Risk Factors” of this annual report.

You should read this report completely and with the understanding that actual future results may be materially different from expectations. All forward-looking statements made in this report are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this report, and we do not undertake any obligation, other than as may be required by law, to update or revise any forward-looking statements to reflect changes in assumptions, the occurrence of unanticipated events, changes in future operating results over time or otherwise.

## **PART I**

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

Not Applicable.

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

Not Applicable.

### Item 3. Key Information

#### A. Selected Financial Data

The selected consolidated historical financial information as of December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017, are derived from our audited consolidated financial statements which are included elsewhere in this report. The selected consolidated historical financial information as of December 31, 2017, 2016 and 2015 and for the years ended December 31, 2016 and December 31, 2015 have been derived from our audited financial statements not included in this report. This information is qualified by reference to, and should be read in conjunction with, “Item 5. Operating and Financial Review and Prospects” and our consolidated financial statements and notes thereto included elsewhere in this report.

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
(Expressed in thousands of U.S. dollars, except per share data)					
<b>Statement of Income Data</b>					
Time charter, voyage and port terminals revenues	\$ 218,887	\$ 175,126	\$ 180,044	\$ 190,218	\$ 211,701
Sales of products	9,384	32,508	32,572	30,118	39,347
Time charter, voyage and port terminal expenses	(43,090)	(31,949)	(33,617)	(32,139)	(33,564)
Direct vessel expenses	(48,725)	(48,962)	(62,554)	(69,130)	(74,746)
Cost of products sold	(9,077)	(31,289)	(30,717)	(27,450)	(36,811)
Depreciation of vessels, port terminals and other fixed assets	(26,662)	(26,583)	(23,322)	(23,105)	(24,146)
Amortization of intangible assets and liabilities	(2,773)	(2,724)	(3,543)	(3,523)	(3,823)
Amortization of deferred drydock and special survey costs	(5,166)	(7,204)	(7,928)	(6,870)	(7,280)
General and administrative expenses	(17,393)	(15,064)	(16,665)	(14,294)	(14,008)
(Provision for) / recovery of losses on accounts receivable	(341)	(75)	(569)	(1,304)	52
Taxes other than income taxes	(7,745)	(7,056)	(9,018)	(9,740)	(11,976)
Gain on sale of assets	—	28	1,064	—	—
Interest expense and finance cost	(40,531)	(39,669)	(28,347)	(24,240)	(27,082)
Interest income	4,579	517	238	815	569
Foreign exchange differences, net	(1,596)	(1,355)	(726)	1,722	219
Other income, net	3,621	9,237	2,725	61	235
<b>Income/(loss) before income taxes</b>	<b>\$ 33,372</b>	<b>\$ 5,486</b>	<b>\$ (363)</b>	<b>\$ 11,139</b>	<b>\$ 18,687</b>
Income tax (expense)/ benefit	(1,233)	1,376	3,468	(982)	3,551
<b>Net income</b>	<b>\$ 32,139</b>	<b>\$ 6,862</b>	<b>\$ 3,105</b>	<b>\$ 10,157</b>	<b>\$ 22,238</b>
<b>Net income attributable to Navios Logistics’ stockholders</b>	<b>\$ 32,139</b>	<b>\$ 6,862</b>	<b>\$ 3,105</b>	<b>\$ 10,157</b>	<b>\$ 22,238</b>
<b>Earnings per share attributable to Navios Logistics’ stockholders, basic and diluted</b>	<b>\$ 1.61</b>	<b>\$ 0.34</b>	<b>\$ 0.16</b>	<b>\$ 0.51</b>	<b>\$ 1.11</b>

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
(Expressed in thousands of U.S. dollars, except per share data)					
<b>Weighted average number of shares, basic and diluted</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>	<b>20,000</b>
<b>Balance Sheet Data (at year end)</b>					
Current assets, including cash and cash equivalents	\$ 92,168	\$ 127,108	\$ 120,372	\$ 118,602	\$ 119,902
Total assets	890,158	863,303	868,015	855,180	785,619
Total long-term debt, net, including current portion	514,929	530,186	532,746	427,949	367,568
Total Navios Logistics' stockholders' equity	318,276	286,137	279,275	346,170	336,013

The following table sets forth the selected consolidated historical financial data for our business.

	2019	2018	2017	2016	2015
(Expressed in thousands of U.S. dollars, except other operating data)					
<b>Other Financial Data</b>					
Net cash provided by operating activities	\$ 62,344	\$ 21,158	\$ 36,971	\$ 21,879	\$ 44,985
Net cash used in investing activities	(75,504)	(19,646)	(46,321)	(91,173)	(27,039)
Net cash (used in)/ provided by financing activities	(17,707)	(4,928)	21,156	55,869	(8,370)
Book value per common share	15.91	14.31	13.96	17.31	16.80
EBITDA (1)	\$ 103,925	\$ 81,149	\$ 62,539	\$ 68,062	\$ 80,449
<b>Other Operating Data</b>					
Grain Port-tons of cargo moved	3,578,608	1,946,889	3,491,400	3,587,337	4,660,280
Iron ore Port-tons of cargo moved	1,281,514	1,057,518	551,000	—	—
Liquid Port-cubic meters of stored liquid cargos	397,033	317,352	251,467	212,992	207,299
Liquid Port-cubic meters of sales of products	16,002	43,711	53,082	49,379	56,178
Barge-cubic meters of liquid cargos	301,037	166,261	377,026	368,713	306,965
Barge-dry cargo tons	1,805,580	1,569,191	1,698,186	1,832,984	1,015,549
Cabotage-cubic meters of liquid cargos	1,542,360	1,254,033	1,308,502	1,513,584	1,836,506
Cabotage-available days	2,784	2,614	2,516	2,562	3,076
Cabotage-operating days	2,248	1,842	1,811	2,035	2,429
<b>Revenues per Segment</b>					
Port Business	\$ 102,103	\$ 99,320	\$ 86,098	\$ 66,386	\$ 81,729
Revenue-grain port	36,170	24,130	36,880	33,209	39,333
Revenue-iron ore port	52,517	38,943	13,805	—	—
Revenue-liquid port	4,032	3,739	2,841	3,059	3,049
Sales of products-liquid port	9,384	32,508	32,572	30,118	39,347
Barge Business	78,658	65,212	78,388	101,313	105,974
Cabotage Business	47,510	43,102	48,130	52,637	63,345

(1) EBITDA represents net income/(loss) attributable to Navios Logistics' stockholders before interest and finance costs, net, 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 accounting principles generally accepted in the United States 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.

## EBITDA Reconciliation to Net Income Attributable to Navios Logistics' Stockholders

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016	Year Ended December 31, 2015
	(Expressed in thousands of U.S. dollars)				
<b>Net income attributable to Navios Logistics' stockholders</b>	<b>\$ 32,139</b>	<b>\$ 6,862</b>	<b>\$ 3,105</b>	<b>\$ 10,157</b>	<b>\$ 22,238</b>
Depreciation of vessels, port terminals and other fixed assets	26,662	26,583	23,322	23,105	24,146
Amortization of intangible assets and liabilities	2,773	2,724	3,543	3,523	3,823
Amortization of deferred drydock and special survey costs	5,166	7,204	7,928	6,870	7,280
Interest income	(4,579)	(517)	(238)	(815)	(569)
Interest expense and finance cost	40,531	39,669	28,347	24,240	27,082
Income tax expense/ (benefit)	1,233	(1,376)	(3,468)	982	(3,551)
<b>EBITDA</b>	<b>\$ 103,925</b>	<b>\$ 81,149</b>	<b>\$ 62,539</b>	<b>\$ 68,062</b>	<b>\$ 80,449</b>

### B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

### D. Risk Factors

*You should carefully consider all of the information included in this report and the risks described below when evaluating our business and prospects. If any of the following risks actually occurs, our business, results of operations, financial condition or cash flows could be materially adversely affected. In that case, you might lose all or part of your investment in our debt securities. In evaluating our business, you should also refer to the other information set forth in this report, including "Operating and Financial Review and Prospects" and our consolidated financial statements and the related notes included herein.*

### Risks Relating to Our Industry and Our Business

**The international transportation industry is generally cyclical and volatile, and this may lead to volatility in, and reductions of, our vessel contract rates and volatility in our results of operations.**

The international transportation industry is generally both cyclical and volatile, with frequent fluctuations in contract rates. The markets in which we operate are still developing and the nature of the industry's cycle with respect to rates is difficult to determine, including the timing and amount of fluctuations in contract rates and spot market rates. However, we expect that our industry will exhibit significant cyclicity and volatility as it matures. The contract rates earned by the tankers in our cabotage business and barges and pushboats in our barge business will depend in part upon the state of the tankers, barges and pushboats market at the time we seek to charter them. We cannot control the forces affecting the supply and demand for these vessels or for the goods that they carry or predict the state of the respective markets on any future date.

Some of the factors that influence the demand for vessels include, but are not limited to:

- global and regional production of, and demand for, dry bulk commodities, in particular, soybean and iron ore, and petroleum and refined petroleum products;
- local government subsidies that affect the price of refined petroleum products;
- cabotage regulations in the region where we operate;
- embargoes and strikes; and
- changes in river, sea and other transportation patterns and the supply of and rates for alternative means of transportation.



Some of the factors that influence the supply of vessels include, but are not limited to:

- the number of newly constructed vessel deliveries in the area in which we operate;
- the scrapping rate of older vessels;
- the price of steel and other inputs;
- the number of vessels that are out of service at a given time;
- changes in licensing regulations and environmental and other regulations that may limit licenses, the useful life, carrying capacity or the operations of our fleet; and
- port or canal traffic and congestion.

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

A significant portion of our grain port business is derived from handling and storage of soybeans and other agricultural products produced in a region of navigable waters in South America on the Parana, Paraguay and Uruguay Rivers and part of the River Plate (the “Hidrovia Region”), which flow through Brazil, Bolivia, Uruguay, Paraguay and Argentina covering the entire length of the Parana River south of the Itaipu Dam, the entire length of the Paraguay River south of Corumba, the Uruguay River and the River Plate west of Buenos Aires, mainly during the season between April and September. This seasonal effect could, in turn, increase the inflow and outflow of barges and vessels in our dry port and cause the space in our silos to be exceeded, which in turn would affect our timely operations or our ability to satisfy the increased demand. Inability to provide services in a timely manner may have a negative impact on our clients’ satisfaction and result in loss of existing contracts or inability to obtain new contracts.

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

Our exposure to operating risks of vessel breakdown and accidents mainly arises in the context of our owned or bareboat chartered and operated vessels, including barges, tankers and pushboats. If any of the vessels in our fleet suffers damage, it may need to be repaired at a drydocking facility. The costs of drydocking are unpredictable and can be substantial. The loss of earnings while these vessels, barges and pushboats are being repaired and repositioned, as well as the actual cost of these repairs, could decrease our revenues and earnings substantially, particularly if a number of vessels, barges and pushboats are damaged or drydocked at the same time. For the fleet which is or may be chartered-in under time charters most operating risks relating to these time chartered vessels remain with their owners. If we pay hire on a chartered-in vessel or barge at a lower rate than the rate of hire it receives from a sub-charterer to whom we have chartered out the vessel, a breakdown or loss of the vessel due to an operating risk suffered by the owner will, in all likelihood, result in our loss of the positive spread between the two rates of hire. Breakdowns, accidents or drydocking costs involving our vessels and losses relating to chartered vessels that are not covered by insurance would result in a loss of revenue from the affected vessels, which may materially adversely affect our financial condition and results of operations.

**We are subject to certain operating risks in our port terminals that could affect the performance of our contractual commitments which could result in a loss of revenue, and which in turn could have a material adverse effect on our results of operations or financial condition.**

Our operations are subject to a number of risks affecting our port facilities. These risks include, but are not limited to, mechanical and electrical failure, accidents, personal injury, loss or theft of cargo, or damage, fires, explosions, business interruption, political conditions and hostilities, labor strikes, adverse weather conditions such as floods, natural disasters, accidents on waterways or in coastal routes or accidents in our loading or unloading terminals, including environmental accidents and collisions, each of which could potentially result in damages, penalties, fines, indemnities or costs payable to third parties and other claims against us. Our exposure to these operating risks in our port terminals may adversely affect our capacity to duly perform our contractual obligations under our take-or-pay contracts. The costs of repairing equipment, including but not limited to cranes, conveyor belts, stacker-reclaimer, shiploaders, or piers are unpredictable and can be substantial. The loss of earnings while these damages are being repaired, as well as the actual cost of these repairs, could decrease our revenues and earnings substantially, particularly if this leads to a default under our contracts, which would materially affect our financial condition and results of operations.

**We depend on a few significant customers for a large part of our revenues, and the loss of one or more of these customers could materially and adversely affect our revenues.**

In each of our businesses, we derive a significant part of our revenues from a small number of customers. We expect that a small number of customers will continue to generate a substantial portion of our revenues for the foreseeable future. For the year ended December 31, 2019, our largest customer, Vale International S.A. (“Vale”), accounted for 36.2% of our revenues, respectively, and our five largest customers accounted for approximately 64.2% of our revenues. For the year ended December 31, 2018, our three largest customers, Vale, Cammesa S.A. (“Cammesa”) and Axion Energy Paraguay S.A. (“Axion Energy”), accounted for 32.0%, 10.8% and 10.2% of our revenues, respectively, and our five largest customers accounted for approximately 65.4% of our revenues. For the year ended December 31, 2017, our three largest customers, Vale, YPF S.A. (“YPF”) and Axion Energy, accounted for 20.3%, 13.7% and 12.7% of our revenues, respectively, and our five largest customers accounted for approximately 61.9% of our revenues. In addition, some of our customers, including many of our most significant customers, operate their own vessels and/or barges as well as port terminals. These customers may decide to cease or reduce the use of our services for various reasons, including employment of their own vessels or port terminals as applicable. The loss of any of our significant customers, including our large take-or-pay customers or the change of the contractual terms of any one of our most significant take-or-pay contracts or any significant dispute with one of these customers could materially adversely affect our financial condition and our results of operations.

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 and/or the contracted operational performance;
- 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.

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

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

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

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

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

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

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

We charter-out our fleet, provide handling services for commodities and rent the space of our tanks, stockpiles and silos to other parties, who pay us hire on a daily rate or rate per ton or per cubic meter stored or moved. We also enter into spot market voyage contracts, for which we are paid a rate per ton to carry a specified cargo on a specified route. If the counterparties fail to meet their obligations, we could suffer losses on such contracts which could materially adversely affect our financial condition and results of operations. In addition, after a counterparty defaults on a contract, we would have to enter into new contracts at possibly lower rates. It is also possible that we would be unable to secure a contract at all. If we enter into new contracts at lower rates or are unable to replace the contracts, our financial condition and results of operations could be materially adversely affected.

**When our contracts expire, we may not be able to successfully replace them.**

The process for concluding contracts for our services, including port logistics services, vessel contracts and longer-term time charters generally involves a lengthy and intensive screening and vetting process and the submission of competitive bids. In addition to the quality and suitability of our ports and fleet, medium- and longer-term contracts tend to be awarded based upon a variety of other factors relating to the operator, including but not limited to:

- environmental, health and safety record;
- compliance with regulatory industry standards;
- reputation for customer service, technical and operating expertise;
- shipping and port operating experience and quality of operations, including cost-effectiveness;
- construction management experience, including the ability to procure on-time delivery of vessels according to customer specifications;
- ability to negotiate contract terms, including those allocating operational risks;
- competitiveness of the bid in terms of overall price; and
- general reputation in the industry.

As a result of these factors, when our contracts, including our long-term charters, expire, we cannot assure you that we will be able to successfully replace them promptly or at all or at rates sufficient to allow us to operate our business profitably or to meet our obligations, including payment of debt service to our noteholders or lenders. Our ability to renew the contracts on our current or future vessels by the time of their expiration or termination, and the rates payable under any replacement contracts, will depend upon, among other things, economic conditions in the sectors in which our vessels operate at that time, changes in the supply and demand for vessel capacity and changes in the supply and demand for the transportation and storage of commodities as described above.

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

**Our business can be affected by adverse weather conditions, effects of climate change and other factors beyond our control, that can affect production of the goods we transport and store as well as the navigability of the river system on which we operate.**

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

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

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

Our capital expenditures during 2017, 2018 and 2019 were \$46.5 million, \$19.6 million and \$7.9 million, respectively, mainly used to acquire and/or pay installments for among others one newbuilding estuary tanker vessel, three pushboats, and to expand our port terminal operations through the construction of an iron ore port terminal facility and the development of a new upriver terminal. In order to follow our current strategy for growth, we will need to fund future asset or business acquisitions, increase working capital levels and increase capital expenditures.

In the future, we will also need to make capital expenditures required to maintain our current ports, fleet and infrastructure. Cash generated from our earnings may not be sufficient to fund all of these measures. Accordingly, we may need to raise capital through borrowings or the sale of debt or equity securities. Our ability to obtain bank financing or to access the capital markets for future offerings may be limited by our financial condition at the time of any such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we fail to obtain the funds necessary for capital expenditures required to maintain our ports, fleet and infrastructure, we may be forced to take vessels out of service or curtail operations, which could materially harm our revenues and profitability. If we fail to obtain the funds that might be necessary to acquire new vessels, expand our existing infrastructure, or increase our working capital or capital expenditures, we might not be able to grow our business and our earnings could suffer. Furthermore, despite covenants under the indenture governing the 7.25% Senior Notes due 2022 (the “2022 Senior Notes”) and the Term Loan B Facility (See “Item 5.B. Liquidity and Capital Resources — Long-term Debt Obligations”) and the agreements governing our other indebtedness, we will be permitted to incur additional indebtedness which would limit cash available for working capital and to service our indebtedness.

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

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

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

- quality, design or engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- work stoppages or other labor disturbances at the shipyard;
- bankruptcy or other financial crisis of the shipbuilder;
- a backlog of orders at the shipyard;
- political or economic disturbances;
- weather interference or catastrophic event, such as a major earthquake or fire;
- requests for changes to the original vessel specifications;
- shortages of or delays in the receipt of necessary construction materials, such as steel;
- inability to finance the construction or conversion of the vessels; or
- inability to obtain requisite permits or approvals.

If delivery of a vessel is materially delayed, it could materially adversely affect our future earnings.

**We own and operate an up-river port terminal in San Antonio, Paraguay that we believe is well-positioned to become a hub for industrial development based upon the depth of the river in the area and the convergence between land and river transportation. If the port does not become a hub for industrial development, our future prospects could be materially and adversely affected.**

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

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

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

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

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

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

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

Our business is materially affected by government regulation to protect the environment, health and safety in the form of international conventions, national, state and local laws, customs inspections and related procedures, and regulations in force in the jurisdictions in which our ports are located and our fleet operates, as well as in the country or countries of their registration. Because such conventions, laws and regulations are often revised, we cannot predict the ultimate cost of complying with such conventions, laws and regulations, or the impact thereof on the fair market price or useful life of our vessels, or on the operation of our ports. Changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by inland self-regulatory organizations and customer requirements or competition, may require us to make capital and other expenditures. In order to satisfy any such requirements, we may be required to take one or more of our vessels out of service for extended periods of time, with corresponding losses of revenues. In the future, market conditions may not justify these expenditures or enable us to operate our vessels, particularly older vessels, profitably during the remainder of their economic lives, which could have a material adverse effect on our results of operations. This could lead to significant asset write-downs. For example, the recent phase-out of single-hulled vessels require us to either replace, modify or shift the utilization of some of our single-hulled vessels.

Additional conventions, laws and regulations may be adopted that could limit our ability to do business, require capital expenditures or otherwise increase our cost of doing business, which may materially and adversely affect our operations, as well as the shipping industry generally. In various jurisdictions, legislation has been enacted or is under consideration that would impose more stringent requirements on air pollution and other ship emissions, including emissions of greenhouse gases and ballast water discharged from vessels. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to our operations. Violations of such requirements can result in substantial penalties, and in certain instances, seizure or detention of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and customers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental and safety concerns have created a demand for vessels that conform to higher environmental and safety standards. We are required to maintain operating standards for all of our vessels for operational safety, quality maintenance, continuous training of our officers and crews, and compliance with international, national and local laws and regulations. We believe that our vessels and operations are in substantial compliance with applicable environmental and safety laws, regulations and standards. However, because such laws and regulations are frequently changing and may impose increasingly stricter requirements or be enforced more strictly, future requirements may limit our ability to do business, increase our operating costs, force the early retirement of our vessels, and/or affect their resale value, all of which could have a material adverse effect on our financial condition and results of operations. There is also a risk that any non-compliance that may be found to exist could lead to penalties or fines, that these could be imposed regardless of fault or intent, and that they could materially adversely affect our financial position.

In addition, various international and domestic laws have been adopted that impose liability to pay damages or compensation for environmental loss or other damage resulting from ship operations, notably through pollution by oil or other hazardous or noxious substances. Relevant international laws include the International Convention for Civil Liability for Oil Pollution Damage (the "CLC") (which imposes liability for pollution damage caused by the escape or discharge of persistent oil from a tanker), and the International Convention on Civil Liability for Bunker Oil Pollution Damage 2001 (which applies to oil pollution damage from the bunkers of vessels other than tankers falling within CLC). Domestic legislation also exists that imposes similar liabilities in respect of pollution damage, notably in respect of incidents falling outside these international regimes. We could also become subject to personal injury or property or natural resources damage claims relating to exposure to, or releases of, regulated materials associated with our current or historic operations. In addition, we are subject to insurance or other financial assurance requirements relating to oil spills and other pollution incidents and are in material compliance with these requirements.

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

For a more detailed discussion regarding the details of these international and domestic laws, please see "Item 4.B. Business Overview."

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

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

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

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

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

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

**Our failure to receive required approvals for or timely complete construction and commence full operation or secure satisfactory commercial contracts of our planned Port Murtinho port terminal facility could negatively affect our business operations, and we may experience difficulty managing our growth as we expand our business.**

We are currently developing a multipurpose upriver port terminal in Port Murtinho in the State of Mato Grosso do Sul, Brazil for exports of agricultural commodities and imports of fertilizers and fuel products. In 2018, we purchased approximately 3.5 hectares of undeveloped, river-front land located in Port Murtinho in which the new terminal is expected to be constructed. We have developed a master plan for the new terminal, and we have commenced the licensing process. We expect to begin construction in 2020.

While we have available land in Brazil where we plan to develop the new terminal, we need to receive required authorizations from several governmental authorities. If these authorities deny our request for authorization, or if existing authorizations are revoked, we will not be able to proceed with construction. If we fail to secure commercial agreements with prospective clients to our satisfaction, we may decide to delay or not proceed with this investment. Further, there can be no assurance that we will complete the expected development of the new terminal or complete construction of the new terminal as scheduled or without cost overrun. Even if construction is completed on a timely basis, there can be no assurance that full operation of the new terminal will commence as expected. In addition, we may not be able to attract a sufficient number of skilled workers to meet the needs of the new terminal. If we experience delays in construction or commencement of the full operations, increased costs or lack of skilled labor or other unforeseen events, our business, financial condition and results of operations could be materially adversely affected.

The planning, construction and development of our new terminal will also impose significant additional responsibilities on our management and staff, and may require us to increase the number of our personnel. We will also have to increase our customer base to provide continued activity for the new terminal. Our initial operating and financial systems may not be adequate as we implement our development and construction plans, and our attempts to improve these systems may be ineffective. If we are unable to operate our financial and operations systems effectively or to recruit suitable employees as we expand our operations, we may be unable to effectively control and manage our larger operation. Although it is impossible to predict what errors might occur as the result of inadequate controls, it is generally harder to manage a larger operation than a smaller one and, accordingly, more likely that errors will occur as operations grow. Additional management infrastructure and systems will be required in connection with such growth to attempt to avoid such errors.

**Rising crew costs, fuel prices and other cost increases may adversely affect our profits.**

At December 31, 2019, we employed 401 land-based employees and 548 seafarers as crew on our vessels. Crew costs are a significant expense for us. Recently, the limited supply of and increased demand for well-qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which we generally bear under our time and spot contracts. Additionally, labor union activity in the Hidrovia Region may create pressure for us to pay higher crew salaries and wages. In addition, fuel is one of the largest operating expenses in our barge and cabotage businesses, when the revenue is contracted mainly by ton per cargo shipped. The prices for and availability of fuel may be subject to rapid change or curtailment, respectively, due to, among other things, new laws or regulations, interruptions in production by suppliers, imposition of restrictions on energy supply by government, worldwide price levels and market conditions. Currently, most of our long-term contracts provide for the adjustment of freight rates based on changes in the fuel prices and crew costs. We may be unable to include similar provisions in these contracts when they are renewed or in future contracts with new customers. To the extent our contracts do not pass-through changes in fuel prices to our clients, we will be forced to bear the cost of fuel price increases. We may hedge in the futures market all or part of our exposure to fuel price variations. We cannot assure you that we will be successful in hedging our exposure. In the event of a default by our contractual counterparties or other circumstance affecting their performance under a contract, we may be subject to exposure under, and may incur losses in connection with, our hedging instruments, if any. In certain jurisdictions, the price of fuel is affected by high local taxes and may become more expensive than prevailing international prices. We may not be able to pass onto our customers the additional cost of such taxes and may suffer losses as a consequence of such inability. Such increases in crew and fuel costs may materially adversely affect our results of operations.

**Disruptions in world financial markets and the resulting governmental action in Europe, the United States and in other parts of the world could have a material adverse impact on our ability to obtain financing required to acquire vessels or new businesses. Furthermore, such a disruption would materially adversely affect our results of operations, financial condition and cash flows.**

Global financial markets and economic conditions remain subject to significant vulnerabilities. Continuing turmoil and hostilities in Iran, Iraq, Afghanistan, Syria, Ukraine, other current conflicts, the refugee crisis in Europe and Middle East, continuing concerns relating to Brexit and concerns regarding the coronavirus in Asia and other parts of the world have led to increased volatility in global credit and equity markets. Several European countries including Greece, have been affected by increasing public debt burdens and weakening economic growth prospects. This has all materially affected the financial conditions of banks in those countries, including those with which we maintain cash deposits and equivalents, or on which we rely on to finance our vessel and new business acquisitions. Cash deposits and cash equivalents in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. We maintain cash deposits and equivalents in excess of government-provided insurance limits at banks in certain European countries, which may expose us to a loss of cash deposits or cash equivalents.

The ability of banks and credit institutions to finance new projects, including the acquisition of new vessels in the future, was for a time uncertain. A recurrence of global economic weakness may adversely affect the financial institutions that provide our credit facilities and may impair their ability to continue to perform under their financing obligations to us, which could have an impact on our ability to fund current and future obligations.

Furthermore, we may experience difficulties obtaining financing commitments, including commitments to refinance our existing debt as payments come due under our credit facilities, in the future if lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. Due to the fact that we would possibly cover all or a portion of the cost of any new acquisition with debt financing, such uncertainty, combined with restrictions imposed by our current debt, could hamper our ability to finance vessels or other assets and new business acquisitions. In addition, the economic uncertainty worldwide has made demand for shipping services volatile and has reduced charter rates, which may adversely affect our results of operations and financial condition. Currently, the economies of the United States, the European Union (the "EU"), China, Japan, other Asian Pacific countries and India are the main driving force behind the development in seaborne transportation. Reduced demand from such economies has in the past driven decreased rates and vessel values.



We could face risks attendant to changes in economic environments, changes in interest rates, and instability in certain securities markets, among other factors. Major market disruptions and the uncertainty in market conditions and the regulatory climate in the United States, Europe and worldwide could adversely affect our business or impair our ability to borrow amounts under any future financial arrangements. The current market conditions may last longer than we anticipate. These recent and developing economic and governmental factors could have a material adverse effect on our results of operations, financial condition or cash flows.

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

We provide services through our ports and employ our fleet in highly competitive markets. The river and sea coastal logistics market is international in scope and we compete with many different companies, including other port or vessel owners and major oil companies.

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

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

Our competitors may be able to offer their customers lower prices, higher quality service and greater name recognition than we do. Accordingly, we may be unable to retain our current customers or to attract new customers.

**If we fail to fulfill the oil majors’ vetting processes, it could materially adversely affect the employment of our tanker vessels in the spot and period markets, and consequently our results of operations.**

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

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

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

The hull and machinery of every commercial vessel with certain characteristics must be classed by a classification society that is authorized and is customarily a member of the International Association of Classification Societies Ltd. (“IACS”). The classification society must certify that a vessel has been built and maintained in accordance with the rules of such organization and complies with the applicable rules and regulations of the country whose flag such vessel flies and the international conventions of which that country is a member. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and with international conventions such as the United Nations Safety of Life at Sea Convention (“SOLAS”). Most of our owned fleet is currently enrolled with Lloyd’s Register of Shipping and RINA (Italian Naval Register).

Vessels, pushboats and barges must undergo an annual survey, an intermediate survey and a special survey. For oceangoing vessels, in lieu of a special survey, a vessel’s machinery may be on a continuous survey cycle, under which the machinery and/or its hull would be surveyed periodically over a five-year period. Certain of our vessels are on continuous survey cycles for machinery inspection. Every oceangoing vessel is also required to be drydocked every two to three years on intermediate survey and every five years on special survey, while pushboats are required to be drydocked every six years on special survey for inspection of the underwater parts of such vessel and every three years for a floating intermediate survey and barges are required to be drydocked up to every eight years on special survey for inspection of the underwater parts of such vessel and every two years for a floating intermediate survey.

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

**Our vessels could be subject to seizure through maritime arrest or government requisition.**

Crew members, suppliers of goods and services to a vessel, barge or pushboat, shippers of cargo, and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting the vessel or, under the “sister ship” theory of liability followed in some jurisdictions, arrest the vessel that is subject to the claimant’s maritime lien or any other vessel owned or controlled by the same owner. In addition, a government could seize ownership of one of our vessels or take control of a vessel and effectively become her charterer at charter rates dictated by the government. Generally, such requisitions occur during a period of war or emergency. The maritime arrest, government requisition or any other seizure of one or more of our vessels could interrupt our operations, reducing related revenue and earnings, and may require us to pay very large sums of money to have the arrest lifted.

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

Our vessels operate in South America where smugglers may attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. Under some jurisdictions, vessels used for the conveyance of illegal drugs could subject the vessels to forfeiture to the government of such jurisdiction. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims, which could have a material adverse effect on our business, results of operations, cash flows and financial condition.

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

We periodically employ some of our fleet on a spot basis. As of December 31, 2019, 80% of our cabotage fleet and 22% of our barge fleet on a dwt tons basis was employed under time charter or CoA contracts. The remaining percentage of our barge fleet and cabotage fleet were employed in the spot market. The spot charter market can be competitive and freight rates within this market may be volatile with the timing and amount of fluctuations in spot rates being difficult to determine. Longer-term contracts provide income at pre-determined rates over more extended periods of time. The cycles in our target markets have not yet been clearly determined but we expect them to exhibit significant volatility as the South American markets mature. We cannot assure you that we will be successful in keeping our fleet fully employed in these short-term markets, or that future spot rates will be sufficient to enable such fleet to be operated profitably, as spot rates may decline below the operating cost of vessels. A significant decrease in spot market rates or our inability to fully employ our fleet by taking advantage of the spot market would result in a reduction of the incremental revenue received from spot chartering and could materially adversely affect our results of operations, and operating cash flow.

**Because the fair market values of vessels may fluctuate significantly, we may incur losses when we sell vessels.**

Vessel values have historically been highly volatile. The market value of our vessels may fluctuate significantly in the future, and we may incur losses when we sell vessels, which would adversely affect our financial condition and results of operations. Some of the factors that affect the fair market value of vessels, all of which are beyond our control, are:

- prevailing level of vessel contract rates;
- number of newly constructed vessel deliveries;
- number of vessels scrapped or otherwise removed from the total fleet;
- changes in environmental and other regulations that may limit the useful life of vessels;
- changes in global and local commodity supply and demand;
- types and sizes of vessels;
- development and viability of other modes of transportation and increase in use of other modes of transportation;
- number of vessels of similar type and size currently on the market for sale;
- cost of newly constructed vessels;
- where the vessels were built and as-built specifications;
- the availability of finance or lack thereof for ordering newbuildings or for facilitating ship sale and purchase transactions;
- the cost of retrofitting or modifying existing vessels to respond to technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise;
- governmental or other regulations; and
- general economic and market conditions affecting the shipping industry.

**Our industry has inherent operational risks that may not be adequately covered by our insurance.**

The operation of vessels in international and regional trade is inherently risky. Although we carry insurance for our fleet covering risks commonly insured against by vessel owners and operators, such as hull and machinery insurance, war risks insurance and protection and indemnity insurance, all risks may not be adequately insured against, any particular claim may not be paid and any indemnification paid due to the occurrence of a casualty covered by our policies may not be sufficient to entirely compensate us for the damages suffered. We do not currently maintain loss of hire, credit risk or defense insurance, which would cover the loss of revenue if any of our contracts were terminated prior to their expiration and our legal costs to recover related damages. We also do not maintain off-hire insurance, which would cover the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to the vessel from accidents. We maintain business interruption insurance (subject to customary limitations and deductibles) for our port facilities. Furthermore, we do not maintain strike insurance, which would protect us from loss of revenue due to labor disruptions, except at our dry and wet port terminals. Accordingly, any extended vessel off-hire, due to an accident, labor disruption or other reason, could have a material adverse effect on our business. Any claims covered by insurance would be subject to deductibles, and since it is possible that a large number of claims may be brought, the aggregate amount of these deductibles could be material.

We may be unable to procure adequate insurance coverage for our fleet or port terminals at commercially reasonable rates in the future. For example, more stringent environmental regulations have led in the past to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results. Changes in the insurance markets attributable to terrorist attacks may also make certain types of insurance more difficult for us to obtain. In addition, the insurance that may be available to us in the future may be significantly more expensive than our existing coverage.

Even if our insurance coverage is adequate to cover our losses, we may not be able to timely obtain a replacement vessel or other asset in the event of a loss. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet and port terminals. Our insurance policies also contain deductibles, limitations and exclusions, which can result in significant increased overall costs to us.

**Because we obtain some of our insurance through protection and indemnity associations, we may also be subject to calls, or premiums, in amounts based not only on our own claim records, but also on the claim records of all other members of the protection and indemnity associations.**

We may be subject to calls, or premiums, in amounts based not only on our claim records but also on the claim records of all other members of the protection and indemnity associations through which we receive insurance coverage for tort liability, including pollution-related liability. Our payment of these calls could result in significant expenses to us, which could have a material adverse effect on our business, results of operations and financial condition and our indebtedness.

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

Tax laws and regulations are highly complex and subject to interpretation. Consequently, we are subject to changing tax laws, treaties and regulations in and between countries in which we operate. Our income tax expense is based upon our interpretation of tax laws in effect in various countries at the time that the expense was incurred. A change in these tax laws, treaties or regulations, or in the interpretation thereof, or in the valuation of our deferred tax assets, could result in a materially higher tax expense or a higher effective tax rate on us, and such change could be significant to our financial results. If any tax authority successfully challenges our operational structure, inter-company pricing policies or the taxable presence of our key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, our effective tax rate on our earnings could increase substantially and our earnings and cash flows from these operations could be materially adversely affected.

**We are a majority-owned subsidiary of Navios Holdings, through which significant controlling stockholders, along with members of our management team, may exert considerable influence over our actions in ways that may not serve the interests of investors.**

Navios Holdings and Peers Business Inc. (“Peers”) are our significant stockholders. Navios Holdings owns 63.8% of our outstanding common stock, and Angeliki Frangou, our Chairman, beneficially owns approximately 31.0% of the outstanding common stock of Navios Holdings. Peers, which is owned by Claudio Pablo Lopez, our Chief Executive Officer, Horacio Enrique Lopez, our Chief Operating Officer — Shipping Division, and Carlos Augusto Lopez, our Chief Commercial Officer — Shipping Division, owns 36.2% of our outstanding common stock. Navios Holdings and Peers, as the beneficial owners of our common stock have the power to control our actions and the outcome of matters on which our stockholders are entitled to vote. Navios Holdings, Ms. Frangou and the Lopez family may pursue interests different from the interest of our debt holders in determining these matters.

In addition, we and our shareholders are party to a shareholders’ agreement. Pursuant to this shareholders’ agreement, when we became subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), the shares of our common stock held by Navios Holdings were to convert into shares of Class B Common Stock, with each share of Class B Common Stock entitling its holder to ten votes per share. Navios Holdings has currently waived such conversion provision. If and when the conversion occurs, it will permit Navios Holdings to control our business even if it does not hold a majority economic interest in our company. On November 19, 2019, Navios Holdings entered into a shareholder agreement with Peers granting certain protections to minority shareholders in certain events. See “Item 7. Major Shareholders and Related Party Transactions.”

**We have meaningful relationships with Navios Holdings and Navios Shipmanagement, and we depend on them for certain services and benefit from their global networks to obtain competitive financing. If conflicts of interest arise or if our relationship with Navios Shipmanagement ends or is significantly altered, our business and results of operations could be materially adversely affected.**

Navios Holdings developed considerable experience and a global network of relationships during its over 60-year history of investing and operating in the maritime industry, and Navios Shipmanagement, provides us with services, discussed more fully below. We believe our relationships with Navios Holdings and Navios Shipmanagement, including our ability to leverage their global network of relationships and relationships with commercial and other banks, will enable us to engage in innovative financing and to access debt and capital markets financing on favorable terms. We believe that we can use our relationship with Navios Shipmanagement and the established reputation of its business in order to obtain favorable long-term time contracts and attract new customers. If our relationships with either of Navios Holdings or Navios Shipmanagement end or are significantly altered, our business, results of operations and financial position could be materially adversely affected.

On August 29, 2019, we entered into an assignment agreement with Navios Corporation and Navios Shipmanagement, whereby the administrative services agreement originally entered into between us and Navios Holdings on April 12, 2011, first assigned to Navios Corporation on May 28, 2014 and subsequently amended on April 6, 2016 to extend the duration of the agreement until December 2021 (as amended, the “Administrative Services Agreement”), was assigned from Navios Corporation to Navios Shipmanagement. On August 30, 2019, Navios Holdings announced that it sold its ship management business, including Navios Shipmanagement, to N Shipmanagement Acquisition Corp., an entity affiliated with Angeliki Frangou. We cannot be certain that Navios Shipmanagement will not have conflicts of interest. While an effort has been made, and will continue to be made, to enter into transactions with affiliated persons and other related parties at rates and on terms as favorable as would be charged by others, and the indenture governing the notes offered hereby will prohibit us from entering into transactions with our affiliates on terms that are materially less favorable to us than those that would have been obtained in comparable transactions with unrelated parties, there will always be an inherent conflict of interest between our interests and those of our affiliates and related parties, including Ms. Frangou and Navios Shipmanagement.

Navios Shipmanagement will continue to provide us with certain administrative management services and will be reimbursed for reasonable costs and expenses incurred in connection with the provision of these services. Pursuant to the Administrative Services Agreement, Navios Shipmanagement will continue to provide certain services to us, including bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and integration of any acquired businesses. We rely on Navios Shipmanagement to perform obligations under the Administrative Services Agreement. If we undergo a change of control, Navios Shipmanagement may terminate the Administrative Services Agreement upon 120 days’ notice. If the Administrative Services Agreement is terminated or our relationship with Navios Shipmanagement ends or is significantly altered, we may not have access to these services or be able to capitalize on Navios Shipmanagement’s global network of relationships to source acquisitions, obtain competitive debt financing and engage in innovative financing and could incur operational difficulties or losses. In addition, we may not benefit from the same financial flexibility our association with which Navios Shipmanagement provides us and, as a result, may not be able to access debt financing on favorable terms, or at all. See the section entitled “Item 7. Major Shareholders and Related Party Transactions—B. Certain Relationships and Related Party Transactions—Administrative Services Agreement” in this Form 20-F.

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

Some of our directors, officers and principal stockholders have affiliations with entities that have similar business activities to those conducted by us. Our controlling stockholder, Navios Holdings, is a global, vertically integrated seaborne shipping and logistics company which operates numerous businesses focused on the transport and transshipment of dry bulk commodities including iron ore, coal and grain. In addition, certain of our directors are also directors of shipping companies and they may enter similar businesses in the future. These other affiliations and business activities may give rise to certain conflicts of interest in the course of such individuals’ affiliation with us. Although we do not prevent our directors, officers and principal stockholders from having such affiliations, we use our best efforts to cause such individuals to comply with all applicable laws and regulations in addressing such conflicts of interest. Our officers and employee directors devote their full time and attention to our ongoing operations, and our non-employee directors devote such time as is necessary and required to satisfy their duties as directors of a company.

**Our success depends upon our management team and other employees, and if we are unable to attract and retain key management personnel and other employees, our results of operations may be negatively impacted.**

Our success depends to a significant extent upon the abilities and efforts of our management team and our ability to retain them. In particular, many members of our senior management team, including our Chairman, our Chief Executive Officer, our Chief Financial Officer, our Chief Operating Officers and our Chief Commercial Officer, have extensive experience in the logistics and shipping industries. If we were to lose their services for any reason, it is not clear whether any available replacements would be able to manage our operations as effectively. The loss of any of the members of our management team could impair our ability to identify and secure vessel contracts, to maintain good customer relations and to otherwise manage our business, which could have a material adverse effect on our financial performance and our ability to compete. We do not maintain key man insurance on any of our officers. Further, the efficient and safe operation of our fleet and ports requires skilled and experienced crew members and employees. Difficulty in hiring and retaining such crew members and employees could adversely affect our results of operations.

**We are incorporated in the Republic of the Marshall Islands, a country that does not have a well-developed body of corporate law, which may negatively affect the ability of public stockholders to protect their interests.**

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

**We, and certain of our officers and directors may be difficult to serve with process as we and our subsidiaries are incorporated in various jurisdictions outside the United States and certain of our officers and directors may reside outside of the United States.**

We are incorporated under the laws of the Republic of the Marshall Islands, and our subsidiaries are organized under the laws of the Republic of the Marshall Islands, Panama, Uruguay, Argentina, Paraguay, Brazil and the British Virgin Islands, and all of our assets are located outside of the United States. Our business is operated primarily from our office in Uruguay, Argentina, Paraguay and Brazil. In addition, our directors and officers are all non-residents of the United States, and all or a substantial portion of the assets of these non-residents are located outside the United States. As a result, it may be difficult or impossible for investors to bring an action against us or against these individuals in the United States if such investors believe that their rights have been infringed under securities laws or otherwise. Although investors may bring an original action against us or our affiliates in the courts of the Marshall Islands, and the courts of the Marshall Islands may impose civil liability, including monetary damages, against us or our affiliates for a cause of action arising under Marshall Islands law, it may be impracticable for investors to do so.

**We are a holding company, and depend entirely on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial and other obligations.**

We are a holding company, and as such we have no significant assets other than the equity interests of our subsidiaries. Our subsidiaries conduct all of our operations and own all of our operating assets. As a result, our ability to service our indebtedness and satisfy our obligations depends on the performance of our subsidiaries and their ability to distribute funds to us. The ability of our subsidiaries to make distributions to us may be restricted by, among other things, restrictions under our credit facilities and applicable laws of the jurisdictions of their incorporation or organization. For example, our subsidiaries' future credit agreements may contain significant restrictions on the ability of our subsidiaries to pay dividends or make other transfers of funds to us. Further, some countries in which our subsidiaries are incorporated require our subsidiaries to receive central bank approval before transferring funds out of that country. If we are unable to obtain funds from our subsidiaries, we will not be able to service our debt and satisfy our obligations unless we obtain funds from other sources, which may not be possible.

**We are a "foreign private issuer" which exempts us from certain SEC requirements.**

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

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K; and
- the provisions of Regulation FD aimed at preventing issuers from making selective disclosures of material information.

Accordingly, investors in the 2022 Senior Notes will not be able to obtain information of the type described above.

**Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the European Union and other jurisdictions/authorities.**

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

## Iran

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

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

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

- Sanctions on the purchase or acquisition of U.S. dollar banknotes by the Government of Iran;
- Sanctions on Iran’s trade in gold or precious metals;
- Sanctions on the direct or indirect sale, supply, or transfer to or from Iran of graphite, raw, or semi-finished metals such as aluminum and steel, coal, and software for integrating industrial processes;
- Sanctions on significant transactions related to the purchase or sale of Iranian rials, or the maintenance of significant funds or accounts outside the territory of Iran denominated in the Iranian rial;
- Sanctions on the purchase, subscription to, or facilitation of the issuance of Iranian sovereign debt; and
- Sanctions on Iran’s automotive sector.

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

- Sanctions on Iran’s port operators, and shipping and shipbuilding sectors, including on the Islamic Republic of Iran Shipping Lines (IRISL), South Shipping Line Iran, or their affiliates;
- Sanctions on petroleum-related transactions with, among others, the National Iranian Oil Company (NIOC), Naftiran Intertrade Company (NICO), and National Iranian Tanker Company (NITC), including the purchase of petroleum, petroleum products, or petrochemical products from Iran;
- Sanctions on transactions by foreign financial institutions with the Central Bank of Iran and designated Iranian financial institutions under Section 1245 of the National Defense Authorization Act for Fiscal Year 2012 (NDAA);
- Sanctions on the provision of specialized financial messaging services to the Central Bank of Iran and Iranian financial institutions described in Section 104(c)(2)(E)(ii) of the Comprehensive Iran Sanctions and Divestment Act of 2010 (CISADA);
- Sanctions on the provision of underwriting services, insurance, or reinsurance; and
- Sanctions on Iran’s energy sector.

In two Executive Orders issued in 2019, U.S. secondary sanctions against Iran were expanded to include the Iron, Steel, Aluminum, and Copper Sectors of Iran. The new, additional sanctions, which are pursuant to an Executive Order issued on January 10, 2020, may be imposed against any individual owning, operating, trading with, or assisting sectors of the Iranian economy including construction, manufacturing, textiles, and mining. As a result, trade with Iran in almost all industry sectors is now off limits for U.S. as well as non-U.S. persons, except for trade in medicine/medical items and food and agricultural commodities.

The new sanctions imposed in 2020 also authorize the imposition of sanctions on a foreign financial institution upon a determination that the foreign financial institution has, on or after January 10, 2020, knowingly conducted or facilitated any significant financial transaction: i) for the sale, supply, or transfer to or from Iran of significant goods or services used in connection with a prohibited sector of the Iranian economy, or (ii) for or on behalf of any person whose property and interests in property are blocked.

U.S. Iran sanctions also prohibit U.S. as well as non-U.S. persons from engaging in significant transactions with any individual or entity that the U.S. government has designated as an Iran sanctions target.

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

- Graphite and certain raw or semi-finished metals such as corrosion-resistant high-grade steel, iron, aluminum and alloys, titanium and alloys and nickel and alloys (as listed in Annex VIII to EU Regulation 267/2012 as updated by EU Regulation 2015/1861 (the “EU Regulation”));
- Goods listed in the Nuclear Suppliers Group list (listed in Annex I to the EU Regulation);
- Goods that could contribute to nuclear-related or other activities inconsistent with the JCPOA (as listed in Annex II to the EU Regulation); and
- Software designed for use in nuclear/military industries (as listed in Annex VIIA to the EU Regulation).

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

#### Russia/Ukraine

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

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

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

With respect to Russia, the United States has also taken a number of steps toward implementing aspects of the Countering America’s Adversaries Through Sanctions Act (“CAATSA”), a major piece of sanctions legislation.



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

#### Venezuela-Related Sanctions

The U.S. sanctions with respect to Venezuela prohibit various financial and other transactions and activities, dealings with designated Venezuelan government officials and entities, and curtail the provision of financing to Petroleos de Venezuela, S.A. (“PdVSA”) and other government entities, and they also prohibit U.S. persons from purchasing oil from PdVSA. Additionally, U.S. (blocking) sanctions may be imposed on any (non-U.S.) person that has materially assisted, sponsored, or provided financial, material, or technological support for, or goods or services to or in support of, or any blocked entity such as PdVSA.

EU sanctions against Venezuela are primarily governed by EU Council Regulation 2017/2063 of 13 November 2017 concerning restrictive measures in view of the situation in Venezuela. This includes financial sanctions and restrictions on listed persons and an arms embargo, and related prohibitions and restrictions including restrictions related to internal repression.

#### US Executive Orders

The following Executive Orders govern the U.S. sanctions with respect to Venezuela.

- 13884 - Blocking Property of the Government of Venezuela – (August 5, 2019)
- 13857 - Taking Additional Steps to Address the National Emergency with Respect to Venezuela (January 25, 2019)
- 13850 - Blocking Property of Additional Persons Contributing to the Situation in Venezuela (November 1, 2018)
- 13835 - Prohibiting Certain Additional Transactions with Respect to Venezuela (May 21, 2018)
- 13827 - Taking Additional Steps to Address the Situation in Venezuela (March 19, 2018) – prohibits all transactions related to, provision of financing for, and other dealings in, by a United States person or within the United States, in any digital currency, digital coin, or digital token, (the Petro) that was issued by, for, or on behalf of the Government of Venezuela on or after January 9, 2018.
- 13808 - Imposing Additional Sanctions with Respect to the Situation in Venezuela (August 24, 2017) – This executive Order prohibits transactions involving, dealings in, and the provision of financing for (by (US persons) of:
  - New debt with a maturity of greater than 90 days of PdVSA;
  - New debt with a maturity of greater than 30 days or new equity of the Government of Venezuela, other than debt of PdVSA;
  - Bonds issued by the Government of Venezuela prior to August 25, 2017, the EO’s effective date;
  - Dividend payments or other distributions of profits to the Government of Venezuela from any entity directly or indirectly owned or controlled by the Government of Venezuela; or
  - Direct or indirect purchase by U.S. persons or persons within the U.S. of securities from the Government of Venezuela, other than securities qualifying as new debt with a maturity of less than or equal to 90 or 30 days as covered by the EO (Section 1).
- 13692-Blocking Property and Suspending Entry of Certain Persons Contributing to the Situation in Venezuela (March 8, 2015) – blocks designated Venezuelan government officials.

#### Other U.S. Economic Sanctions Targets

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

#### Other EU Economic Sanctions Targets

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

## Compliance

Considering the aforementioned U.S. prohibitions of as well as EU sanctions and the nature of our business, there is a sanctions risk for us due to the worldwide nature of the shipping and logistics business, which we seek to minimize by the implementation of our corporate Economic Sanctions Compliance Policy and Procedures and our compliance with all applicable sanctions and embargo laws and regulations. Although we intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations, and the law may change. Moreover, despite, for example, relevant provisions in our contracts forbidding the use of our assets in trade that would violate economic sanctions, our counterparties may nevertheless violate applicable sanctions and embargo laws and regulations and those violations could in turn negatively affect our reputation and be imputed to us. In addition, given our relationship with Navios Holdings, we cannot give any assurance that an adverse finding against Navios Holdings by a governmental or legal authority or others with respect to the matters discussed herein or any future matter related to regulatory compliance by Navios Holdings or ourselves will not have a material adverse impact on our business, reputation or the value of our securities.

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

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

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

In the ordinary course of business, we rely on information technology networks and systems to process, transmit, and store electronic information, and to manage or support a variety of business processes and activities. Additionally, we collect and store certain data, including proprietary business information and customer and employee data, and may have access to other confidential information in the ordinary course of our business. Despite our cybersecurity measures designed to protect and secure our data, our information technology networks and infrastructure may be vulnerable to damage, disruptions, or shutdowns due to attack by hackers or breaches, employee error or malfeasance, data leakage, power outages, computer viruses and malware, telecommunication or utility failures, systems failures, natural disasters, or other catastrophic events. Any such events could result in legal claims or proceedings, liability or penalties under privacy or other laws, disruption in operations, and damage to our reputation, which could have a material adverse effect on our business, financial condition, cash flows and results of operations. As of December 31, 2019, the Company was not aware of any material cybersecurity incident.

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

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

## **Risks Relating to Argentina**

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

### **The economic conditions of Argentina may affect the financial condition and results of operations of the Argentine subsidiaries.**

The financial situation and the results of its operations of our Argentine subsidiaries depend to a large extent on political, macroeconomic and regulatory circumstances in Argentina. The Argentine economy has experienced significant volatility in recent years, including several periods of low or negative growth and high and variable levels of inflation and devaluation. If Argentina's economic conditions tend to deteriorate, if inflation in Argentina accelerates further or if the measures the Argentine government has taken to attract or retain foreign investment and international financing are not effective, such events could adversely affect the country's financial condition, economic growth and social stability and in turn could affect our business, the financial condition and results of operations of our local subsidiaries as well as the value of certain of our assets.

As a result, both the policies that could be adopted by the Argentine government and future economic, macroeconomic, regulatory, social and political circumstances in Argentina could have a material adverse effect on the business, financial condition or results of operations of our local subsidiaries.

### **The impact of the political developments in Argentina remains uncertain and could adversely affect the Argentine economy.**

The government led by Alberto Fernández elected in October 27, 2019, took office on December 10, 2019. Since then, the Fernandez administration has announced and introduced significant economic and policy reforms.

On December 21, 2019, the Argentine Congress approved the "Social Solidarity and Productive Reactivation Law", which entered into force on December 23, 2019. This law declared a public emergency in economic, financial, fiscal, administrative, pension, tariff, energy, health and social matters, and introduced several tax changes in Argentina, such as income tax, personal assets tax, taxation on the purchase of foreign currency and export duties on certain services.

On December 13, 2019, the Fernandez administration published Decree 34/2019, which states the public occupational emergency for a period of 180 days and establishes the right of the affected workers to receive a double legal compensation in case of dismissal without just cause. Additionally, Decree 14/2020 established a minimum and uniform salary increase for all employees of the private sector.

The Argentinean government is under negotiations with the IMF to restructure the current debts of the Argentina with the IMF. No assurances can be made on whether the debt will be restructured or not. Any failure to restructure the debt can lead to a default scenario which could adversely affect the result of our operations and financial condition.

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

Argentina has faced and continues to face high inflationary pressures. Over the last few years, the Argentine government has implemented certain programs aimed at controlling inflation and monitoring the prices of many goods and services, including price agreements between the Argentine government and private sector companies. Inter-annual inflation recorded for the years 2018 and 2019 reached 47.6% and 53.8%, respectively. The increase in salaries and public expenditure under the new administration could have a direct influence on inflation.

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

The economic environment and factors in Argentina were determined to be highly inflationary as of December 31, 2019, nevertheless, the Company does not consider inflation to be a significant risk factor to the cost of doing business in the foreseeable future as the functional currency of the Company's Argentinian subsidiary is the U.S. dollar. In addition, the day-to-day operations of the Company's Argentinian subsidiary are dependent on the economic environment of the Company's U.S. dollar currency.

**The current and future foreign exchange policy of Argentina may affect the ability of our Argentine subsidiaries to make money remittances outside of Argentina.**

In Argentina, since the amendment of the convertibility law in December 2001, the Argentine government has imposed several restrictions on the purchase of foreign currency in the exchange market and the transfer of funds outside of Argentina, substantially limiting the ability of companies to retain foreign currency or make payments abroad. Beginning in December 2015, the Argentine government gradually eased such restrictions, until their complete lifting in 2017. However, on September 1, 2019 the Argentine government reinstated exchange controls and restrictions on transfers abroad. These new controls and restrictions apply with respect to, among other things, access to the foreign exchange market for purchase of foreign currencies, payment of financial debts abroad, payment of dividends in foreign currency abroad, payment for imports of goods and services and the obligation to repatriate and settle in Argentine pesos the proceeds of exports of goods and services.

The foreign exchange control regulations in Argentina may restrict our local subsidiaries from accessing the Argentine foreign exchange market to acquire U.S. dollars and from transferring funds outside of Argentina.

As part of the foreign exchange restrictions, an Argentine financial institution may at its absolute discretion refuse to carry out a transfer of funds out of Argentina or may request a formal approval from the Argentine Central Bank before proceeding with the transfer of funds out of Argentina.

The Argentine government could maintain these exchange controls, impose new controls, strengthen transfer restrictions or impose other requirements that may impair the ability of our local subsidiaries to access the foreign exchange market, acquire US dollars, or transfer funds abroad of Argentina. Any or all of these actions could materially affect the ability of the local subsidiaries to transfer funds abroad, and therefore affecting our ability to service our debt and satisfy our obligations.

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

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

**Fluctuations in the value of the peso could adversely affect the Argentine economy, and consequently our results of operations or financial condition.**

The Peso has suffered significant devaluations against the U.S. dollar in the past and has continued to devalue against the U.S. dollar in recent months. The peso depreciated approximately 14.3% against the U.S. dollar in 2012, 32.6% in 2013, 31.1% in 2014, 52.5% in 2015, 19.5% in 2016, 17.5% in 2017, 100% in 2018, and 56% in 2019. The devaluation of the Argentine peso has had a negative impact on the ability of certain Argentine businesses to honor their foreign currency-denominated debt and has also led to very high inflation and significantly reduced real wages. If the Argentine peso is further significantly devalued, the Argentine economy and our business could be adversely affected. Significant variations in the comparative value of the Argentine peso to the U.S. dollar could adversely affect our business and results of operations.

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

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

### **Future policies of the Argentine government may affect the economy as well as our operations.**

During the past years the Argentine government took several actions to re-nationalize concessions and public services companies that were privatized in the 1990's, such as YPF, Aguas Argentinas S.A. and Aerolíneas Argentinas S.A. Future expropriations, nationalizations or requisitions, as well as changes in taxation, laws, regulations or policies affecting foreign trade, investment, or others that may be adopted by the Fernandez administration could adversely affect our business, financial condition and results of operations.

Although the current administration has not implemented or advocated any nationalization or expropriation measures, similar measures, such as mandatory renegotiation or modification of existing contracts among others, that may be adopted by the Argentine government in the future could adversely affect our business, financial condition and results of operations.

### **Risks Relating to Uruguayan Free Zone Regulation**

Certain of our subsidiaries in Uruguay are operating as direct free trade zone users under free zone user agreements with the Free Zones Division of the Uruguayan Department of Trade ("Free Zone User Agreements") allowing them to operate in isolated public and private areas within national borders and to enjoy tax exemptions and other benefits, such as a generic exemption on present and future national taxes including the Corporate Income Tax, Value-Added Tax and Wealth Tax. Other benefits that our subsidiaries enjoy are simplified corporate law provisions, the ability to negotiate preferential public utility rates with government agencies and government guarantees of maintenance of such benefits and tax exemptions. Free trade zone users do not need to pay import and export tariffs to introduce goods from abroad to the free trade zone, to transfer or send such goods to other free trade zones in Uruguay or send them abroad. However, our subsidiaries may lose all the tax benefits granted to them if they breach or fail to comply with the Free Zone User Agreements or regulations governing free trade zones.

The following are some of the causes under which the Uruguay Department of Trade — Free Zones Division may terminate the Free Zone User Agreements prior to expiration: the non fulfillment of the obligations to improve the land, as per the terms of each Free Zone User Agreements; breaches of the terms of the Free Zone User Agreements or the Free Zone Act No. 15,921; violation of labor laws; failure to pay agreed fees to the Uruguayan authorities; failure to make required social security contributions; or the commission of illegal acts or acts expressly forbidden by the Free Zone User Agreements. Should Corporacion Navios Sociedad Anonima ("CNSA") or Corporacion Navios Granos S.A. ("Granos") lose their free zone user status, they will not be able to operate as free zone users and therefore to operate their terminal facilities.

The right of the Uruguay Department of Trade — Free Zones Division to early terminate the Free Zone User Agreements is subject to an explanation on the specific factual and legal reasons in which such decision is based. Generic decisions will not be admissible, just like not all breaches by the free zone users will entitle the Uruguayan Department of Trade — Free Zones Division to early terminate the Free Zone User Agreements. Such a decision must therefore be proportional to the noncompliance's nature.

### **Other Risks Relating to the Countries in which We Operate**

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

We are an international company and conduct all of our operations outside of the United States, and we expect to continue doing so for the foreseeable future. These operations are performed in countries that are historically less developed and stable than the United States, such as Argentina, Brazil, Bolivia, Paraguay and Uruguay.

Some of the other risks we are generally exposed to through our operations in emerging markets include among others:

- political and economic instability, changing economic policies and conditions, and war and civil disturbances;
- recessions in economies of countries in which we have business operations;
- frequent government interventions into the country's economy, including changes to monetary, fiscal and credit policy;

- the imposition of additional withholding, income or other taxes, or tariffs or other restrictions on foreign trade or investment, including currency exchange controls and currency repatriation limitations;
- the modification of our status or the rules and regulations relating to the international tax-free trade zone in which we operate our dry port;
- the imposition of executive and judicial decisions upon our vessels by the different governmental authorities associated with some of these countries;
- the imposition of or unexpected adverse changes in foreign laws or regulatory requirements;
- longer payment cycles in foreign countries and difficulties in collecting accounts receivable;
- difficulties and costs of staffing and managing our foreign operations;
- compliance with anti-bribery laws; and
- acts of terrorism.

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

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

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

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

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

We engage in regional commerce with a variety of entities. Although our operations expose us to certain levels of foreign currency risk, our revenues are predominantly U.S. dollar-denominated at the present. Additionally, our South American subsidiaries transact certain operations in Uruguayan pesos, Paraguayan guaranies, Argentinean pesos and Brazilian reals; however, all of the subsidiaries' primary cash flows are U.S. dollar-denominated. Currencies in Argentina and Brazil have fluctuated significantly against the U.S. dollar in the past. As of December 31, 2019, 2018 and 2017 approximately 53.4%, 48.6% and 60.3%, respectively, of our expenses were incurred in currencies other than U.S. dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Expenses incurred in foreign currencies against which the U.S. dollar falls in value can increase, thereby decreasing our income. A greater percentage of our transactions and expenses in the future may be denominated in currencies other than U.S. dollars. As part of our overall risk management policy, we may attempt to hedge these risks in exchange rate fluctuations from time to time but cannot guarantee we will be successful in these hedging activities. Future fluctuations in the value of local currencies relative to the U.S. dollar in the countries in which we operate may occur, and if such fluctuations were to occur in one or a combination of the countries in which we operate, our results of operations or financial condition could be materially adversely affected.

## **Risks Relating to Our Indebtedness**

**We have substantial debt and may incur substantial additional debt, which could adversely affect our financial health and our ability to obtain financing in the future, react to changes in our business and make payments on the 2022 Senior Notes, the Term Loan B Facility and our other obligations.**

At December 31, 2019, we had \$520.4 million in aggregate principal amount of debt, including the 2022 Senior Notes and the Term Loan B Facility, outstanding.

Our substantial debt could have important consequences to our business, lenders of the Term Loan B Facility and holders of the 2022 Senior Notes, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, vessel or other acquisitions or general corporate purposes and our ability to satisfy our obligations with respect to the 2022 Senior Notes or the Term Loan B Facility may be impaired in the future, or such financing may not be available on favorable terms;
- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness, thereby reducing the funds available to us for other purposes;
- it may be more difficult for us to satisfy our obligations to our lenders and noteholders, resulting in possible defaults on and acceleration of such indebtedness;
- we may be more vulnerable to general adverse economic and industry conditions;
- we may be at a competitive disadvantage compared to our competitors with less debt or comparable debt at more favorable interest rates and that, as a result, may be better positioned to withstand economic downturns;
- our ability to refinance indebtedness may be limited or the associated costs may increase; and
- our flexibility to adjust to changing market conditions and ability to withstand competitive pressures could be limited, or we may be prevented from carrying out capital spending that is necessary or important to our growth strategy and efforts to improve operating margins or our business.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating results are not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt, or seeking additional equity capital or bankruptcy protection. We may not be able to effect any of these remedies on satisfactory terms, or at all.

**Despite our current indebtedness levels, we and our subsidiaries may be able to incur substantially more debt in the future, including secured debt. This could further exacerbate the risks associated with our substantial indebtedness.**

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. The agreements governing the terms of our indebtedness permit us to incur substantial additional indebtedness in accordance with the terms of such agreements. At December 31, 2019, we had \$520.4 million in aggregate principal amount of debt, including the 2022 Senior Notes and the Term Loan B Facility, outstanding. Any secured indebtedness permitted under the 2022 Senior Notes would be effectively senior to the 2022 Senior Notes to the extent of the value of the assets securing such indebtedness, as would all indebtedness of non-guarantor subsidiaries. We also may incur new indebtedness if we expand our business or purchase new vessels or for other purposes. If new debt is added to our current debt levels, the related risks that we now face would increase and we may not be able to meet all our debt obligations, including the repayment of the 2022 Senior Notes or the Term Loan B Facility. In addition, the indenture governing the 2022 Senior Notes and the Term Loan B Facility do not prevent us from incurring obligations that do not constitute indebtedness as defined therein.

**The agreements and instruments governing our debt contain restrictions and limitations that could significantly impact our ability to operate our business and adversely affect the holders of the 2022 Senior Notes.**

The indenture governing the 2022 Senior Notes and the Term Loan B Facility imposes significant operating and financial restrictions on us, including those that limit our ability to engage in actions that may be in our long-term interests. These restrictions, among others, may limit our ability to:

- incur guarantees or additional indebtedness;

- create certain liens on our assets;
- make investments;
- engage in mergers and acquisitions and sell all or substantially all of our properties or assets;
- pay dividends or redeem capital stock;
- create or permit restrictions on the ability of our restricted subsidiaries to pay dividends or make other distributions to us;
- engage in sale and leaseback transactions;
- sell vessels or other assets;
- change the flag, class or commercial and technical management of our vessels or terminate the management agreements we have relating to each vessel; and
- transfer or sell any of our vessels.

Therefore, we may be restricted from engaging in some corporate and commercial actions that we believe would be in the best interest of our business, which may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. The interests of the holders of the notes may be different from our respective interests or the interests of our stockholders. Any future credit agreement or other indebtedness may include similar or more restrictive provisions.

We are required to be in compliance with the covenants contained in the indenture governing the 2022 Senior Notes and those of the Term Loan B Facility. In addition, our future credit agreements may require that we maintain other specific financial covenants. We may be required to take action to reduce our debt or to act in a manner contrary to our business objectives to meet these ratios and satisfy these covenants and ratios. Events beyond our control, including changes in the economic and business conditions in the markets in which we operate, may affect our ability to comply with these covenants. We cannot assure you that we will meet these ratios or satisfy these covenants or that our lender will waive any failure to do so. A breach of any of the covenants in, or our inability to maintain the required financial ratios under, our credit agreements would prevent us from borrowing additional money under the facilities and could result in a default under them.

Our future debt is likely to be secured by mortgages on our vessels, barges or ports, vessels under construction pursuant to shipbuilding contracts, guarantees by our subsidiaries and/or other related assets, such as assignments of insurances and earnings or some combination of the foregoing. If a default occurs under future credit facilities, the lenders could elect to declare such debt, together with accrued interest and other fees and expenses, to be immediately due and payable and foreclose on the collateral, including our vessels, barges, ports or other assets securing that debt. In a case where a credit facility was used to finance the scheduled payments as they come due under shipbuilding contracts, such a default could result in default by us under the associated shipbuilding contract and possible foreclosure of our rights in the related newbuild. In addition, a payment default under a shipbuilding contract would give the shipyard the right to terminate the contract without any further obligation to finish construction and may give it rights against us for having failed to make the required payments.

Any loss of vessels or assets could significantly decrease our ability to generate positive cash flow from operations and, therefore, to service our debt. Moreover, if the lenders under a credit facility or other agreement in default were to accelerate the debt outstanding under that facility, it could result in a cross default under other debt. If all or part of our debt were to be accelerated, we may not have or be able to obtain sufficient funds to repay it upon acceleration. This could have serious consequences to our financial condition and results of operations and could cause us to become bankrupt or insolvent. Our ability to comply with these covenants in future periods will also depend substantially on the value of our assets, our success at keeping our costs low, our ability to successfully implement our overall business strategy and our charter rates. Any future credit agreement or amendment may contain similar or more restrictive covenants.

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

Our ability to make scheduled payments on, or to refinance our obligations under, our debt, will depend on our financial and operating performance, which, in turn, will be subject to prevailing economic and competitive conditions and to the financial and business factors, many of which may be beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, that currently anticipated business opportunities will be realized on schedule or at all, or that future borrowings will be available to us in amounts sufficient to enable us to service our indebtedness and any amounts borrowed under future credit facilities, or to fund our other liquidity needs.



We will use cash to pay the principal and interest on our debt. These payments limit funds otherwise available for working capital, capital expenditures, vessel acquisitions and other purposes. As a result of these obligations, our current liabilities may exceed our current assets. We may need to take on additional debt as we expand fleet or port terminals, which could increase our ratio of debt to equity. The need to service our debt may limit funds available for other purposes and our inability to service debt in the future could lead to acceleration of our debt and foreclosure on our owned vessels.

We cannot assure you that we will be able to refinance any of our indebtedness or obtain additional financing, particularly because of our anticipated high levels of indebtedness and the indebtedness incurrence restrictions imposed by the agreements governing our indebtedness, as well as prevailing market conditions. We could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our indebtedness service and other obligations.

The indenture governing the 2022 Senior Notes restricts our ability to dispose of assets and use the proceeds from any such dispositions. If we do not reinvest the proceeds of asset sales in our business (in the case of asset sales of non-collateral with respect to such indebtedness) or in new vessels or other related assets that are mortgaged in favor of a lender under a credit facility (in the case of assets sales of collateral securing), we may be required to use the proceeds to repurchase senior indebtedness other than the 2022 Senior Notes. Our Term Loan B Facility contains similar restrictions. We cannot assure you we will be able to consummate any asset sales, or if we do, what the timing of the sales will be or whether the proceeds that we realize will be adequate to meet indebtedness service obligations when due.

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

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

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

In addition, the banks currently reporting information used to set LIBOR will likely stop such reporting after 2021, when their commitment to reporting information ends. The Alternative Reference Rate Committee, or “Committee”, a committee convened by the United States Federal Reserve that includes major market participants, has proposed an alternative rate to replace U.S. Dollar LIBOR: the Secured Overnight Financing Rate, or “SOFR.” The impact of such a transition away from LIBOR would be significant for us because of our substantial indebtedness. If LIBOR ceases to exist, the method and rate used to calculate our interest rates and/or payments on our debt in the future may result in interest rates and/or payments that are higher than, or that do not otherwise correlate over time with, the interest rates and/or payments that would have been applicable to our obligations if LIBOR was available in its current form, which could have a material adverse effect on our financial position, results of operations and liquidity. While we continue to take steps to mitigate the impact of the phase-out or replacement of LIBOR, such efforts may not prove successful. In addition, the overall financial market may be disrupted as a result of the phase-out.

**The market values of our vessels may fluctuate significantly which could cause us to breach covenants in debt that we may incur.**

Factors that influence vessel values include:

- prevailing level of vessel contract rates;
- number of newly constructed vessel deliveries;
- number of vessels scrapped or otherwise removed from the total fleet;
- governmental and other regulations and changes in environmental and other regulations that may limit the useful life of vessels;
- changes in global commodity supply and demand;

- types and sizes of vessels;
- development and viability of other modes of transportation and increase in use of other modes of transportation;
- number of vessels of similar type and size currently on the market for sale;
- lifetime maintenance records;
- technological advances;
- where the vessels were built and as-built specification;
- the availability of finance or lack thereof for ordering newbuildings or for facilitating ship sale and purchase transactions;
- the cost of retrofitting or modifying existing vessels to respond to technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise;
- cost of newly constructed vessels;
- governmental or other regulations; and
- general economic and market conditions affecting the shipping industry.

If the market values of our owned vessels decrease, we may breach covenants contained in any existing or future credit facility. If we breach such covenants and are unable to remedy any relevant breach, our lenders could accelerate our debt and foreclose on that debt. Any loss of vessels would significantly decrease our ability to generate positive cash flow from operations and, therefore, service our debt. In addition, if the book value of a vessel is impaired due to unfavorable market conditions, or a vessel is sold at a price below its book value, we would incur a loss.

**The 2022 Senior Notes are unsecured and structurally subordinated to the rights of our and the guarantors' existing and future secured creditors.**

The indenture governing the 2022 Senior Notes permits us to incur a significant amount of secured indebtedness, including indebtedness to be used for acquisitions of vessels and businesses. At December 31, 2019, we had approximately \$520.4 million of indebtedness outstanding, including \$122.9 million of secured indebtedness. Accordingly, the 2022 Senior Notes will be effectively subordinated to all secured indebtedness. If an event of default occurs under any existing or future credit facility or under other future secured indebtedness, the senior secured lenders will have a prior right to our assets mortgaged in their favor, to the exclusion of the holders of the 2022 Senior Notes, even if we are in default under the 2022 Senior Notes. In that event, our assets and the assets of the subsidiary guarantors would first be used to repay in full all indebtedness and other obligations secured by them, resulting in all or a portion of our assets being unavailable to satisfy the claims of the holders of the 2022 Senior Notes and other unsecured indebtedness. Therefore, in the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, subject to any preferential treatment afforded to resident creditors of any particular jurisdiction, holders of 2022 Senior Notes will participate in our remaining assets ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such 2022 Senior Notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor or other creditors who receive preferential treatment under applicable law. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the 2022 Senior Notes. As a result, holders of 2022 Senior Notes may receive less, ratably, than holders of secured indebtedness.

**The 2022 Senior Notes and the Term Loan B Facility will be effectively subordinated to the obligations of any future non-guarantor subsidiaries.**

We may be able to create future non-guarantor subsidiaries or unrestricted subsidiaries under the indenture governing the 2022 Senior Notes and the Term Loan B Facility. The 2022 Senior Notes and the Term Loan B Facility will not be guaranteed by any future unrestricted subsidiaries. Unrestricted subsidiaries may, among other things, incur without limitation additional indebtedness and liens, make investments and acquisitions, and sell assets or stock. In addition, we will be able to sell unrestricted subsidiaries, or distribute unrestricted subsidiaries or the proceeds from a sale of any of their assets or stock to stockholders, or enter into merger, joint venture or other transactions involving them, or any combination of the foregoing, without restrictions. Payments on the 2022 Senior Notes and the Term Loan B Facility are only required to be made by us and the subsidiary guarantors. Accordingly, claims of holders of the 2022 Senior Notes and the Term Loan B Facility are structurally subordinated to the claims of creditors of any subsidiary that is designated in the future as an "unrestricted subsidiary" or is a securitization subsidiary, in each case in accordance with the indenture, and any future subsidiaries that are not wholly-owned by us, including trade creditors. All obligations of our non-guarantor subsidiaries, including trade payables, will have to be satisfied before any of the assets of such subsidiary would be available for distribution, upon liquidation or otherwise, to us or a subsidiary guarantor.

**We may be unable to raise funds necessary to finance the change of control repurchase offer required by the indenture governing the 2022 Senior Notes.**

If we experience specified changes of control, we would be required to make an offer to repurchase all of the 2022 Senior Notes (unless otherwise redeemed) at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the repurchase date. The occurrence of specified events that would constitute a change of control could constitute a default under our existing or future indebtedness. The indebtedness under a credit facility would be immediately due and payable in an event of default including, due to change of control. As a result, following a change of control event, we would not be able to repurchase 2022 Senior Notes unless we first repay any of our other indebtedness that contains such provisions, or obtain a waiver from the holders of such indebtedness to permit us to repurchase the 2022 Senior Notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type.

Any requirement to offer to repurchase outstanding 2022 Senior Notes may therefore require us to refinance our other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. In addition, our failure to purchase the 2022 Senior Notes after a change of control in accordance with the terms of the indenture would constitute an event of default under the indenture, which in turn may result in a default under our other indebtedness.

Our inability to repay certain indebtedness will also constitute an event of default under the indenture governing the 2022 Senior Notes, which could have materially adverse consequences to us and to the holders of the 2022 Senior Notes. In the event of a change of control, we cannot assure you that we would have sufficient assets to satisfy all of our obligations under any such indebtedness and the 2022 Senior Notes. If we are unable to fulfill such debt obligations it could materially adversely affect our financial condition and results of operations.

**The international nature of our operations may make the outcome of any insolvency or bankruptcy proceedings or other exercise of remedies outside of bankruptcy difficult to predict.**

We are incorporated under the laws of the Republic of the Marshall Islands and our subsidiaries are incorporated under the laws of the Republic of the Marshall Islands, Panama, Uruguay, Argentina, Paraguay, Brazil and the British Virgin Islands, and we conduct operations in countries around the world. Consequently, in the event of any bankruptcy, insolvency or similar proceedings involving us or one of our subsidiaries, bankruptcy laws other than those of the United States could apply. We have limited operations or assets in the United States. If we become a debtor under the United States bankruptcy laws, bankruptcy courts in the United States may seek to assert jurisdiction over all of our assets, wherever located, including property situated in other countries. There can be no assurance, however, that we would become a debtor in the United States or that a United States bankruptcy court would be entitled to, or accept, jurisdiction over such bankruptcy case or that courts in other countries that have jurisdiction over us and our operations and assets would recognize a United States bankruptcy court's jurisdiction if any other bankruptcy court would determine it had jurisdiction.

The 2022 Senior Notes and the Term Loan B Facility are guaranteed by guarantors organized under the laws of different countries. The holders' rights under the guarantees are thus subject to the laws of these jurisdictions, and there can be no assurance that the holders will be able to effectively enforce their rights in multiple bankruptcy, insolvency or similar proceedings or outside of bankruptcy. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of rights of holders.

In addition, the bankruptcy, insolvency, administrative, creditors right and other laws of the various jurisdictions of organization may be materially different from, or in conflict with or less favorable than, each other and those of the United States in certain areas, including creditors' rights, priority of creditors, the ability to obtain post-petition interest, fees and expenses or adequate protection and the duration of the insolvency proceeding. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect the ability of the holders of the 2022 Senior Notes and the lenders of the Term Loan B Facility to enforce their rights and to collect payment in full under the 2022 Senior Notes and the Term Loan B Facility and the guarantees.

Panama

Under Panamanian bankruptcy laws, Panamanian courts would not agree to hear any bankruptcy arising from activities in another country other than Panama. If there is a bankruptcy proceeding against a Panamanian corporation operating in another country, it will be the bankruptcy courts of that country which will be competent to hear the bankruptcy proceeding.

Any judgment issued by a court of competent jurisdiction with respect to a Panamanian corporation operating outside Panama may be enforceable in Panama by registering such judgment with the Supreme Court in Panama.

### Uruguay

Uruguayan courts are competent to consider bankruptcy cases where the debtor is domiciled in Uruguay, when the center of activity of the debtor is in Uruguay or when the debtor has or had an office, permanent establishment or exploitation in Uruguay.

If the guarantors, or any of the creditors of the guarantors, file a petition for bankruptcy in Uruguay, Uruguayan bankruptcy law will apply except for the impact of the bankruptcy declaration on the contracts that are validly governed by a foreign law.

Uruguayan and foreign creditors have the same treatment in case of bankruptcy, except in case of labor credits with general privilege which will receive preferential treatment over the assets of the debtor located in Uruguay.

Upon a court declaration of bankruptcy, all the debtor's assets, either located within Uruguayan territory or abroad, will be placed under the control of a receiver to be appointed for the benefit of all creditors. In some cases, after a bankruptcy court declaration, the bankrupt party may continue to manage its assets with the supervision of a receiver. Otherwise, the receiver will run the business and manage the bankrupt party.

In addition to the above, certain transactions occurring prior to the declaration of bankruptcy may be found by the court to be null and void, such as:

- contracts entered into for no proper consideration executed within the previous two years of the court declaration of bankruptcy;
- any mortgage or pledge of any assets granted to secure prior and pending obligations with a creditor, or to secure a new obligation assumed with the same creditor immediately after the former obligation is cancelled, if the encumbrance is granted within six months of the court declaration;
- any payments made to a creditor for obligations that are not yet due, if the payment was completed within six months of the court declaration; and
- cancellation of contracts executed within six months of the court declaration.

In addition, upon the petition of the receiver (or in subsidy, by creditors representing 5% of the debtor's total liabilities), the court may nullify transactions entered into up to two years prior to the entry into the bankruptcy if it is concluded that they were entered into with a malicious intent (fraud) to prevent creditors from satisfying their bona fide claims and the contracting party knew or should have known that the party facing the bankruptcy was insolvent or had suspended payments on its obligations. In case of transaction with parties related to the debtor, the knowledge of the insolvency of the debtor by the contracting party is assumed. Companies of the same group are considered by bankruptcy law as related parties. In case of transactions with parties related to the debtor, the knowledge of the insolvency of the debtor by the contracting party is assumed. Companies of the same group are considered by bankruptcy law as related parties.

Clawback actions become time barred two years after the declaration of bankruptcy but there are other fraudulent conveyance actions available to creditors that are not subject to such statute of limitations.

### Argentina

Under Argentine law, in the event that a guarantor becomes subject to a reorganization proceeding or to bankruptcy, the relevant guarantee, if granted within a maximum of two years before the date of declaration of bankruptcy or the date of initiation of the reorganization proceeding (if it is an indirect bankruptcy), may be deemed to have been a fraudulent transfer and declared void, if the guarantor did not receive a fair consideration in exchange for the granting of such guarantee. The validity and enforceability of the guarantee granted by a guarantor that is an Argentine entity requires the guarantee to be granted in the best interest of the Argentine guarantor and that the Argentine guarantor is authorized by its by-laws to provide guarantees and receives fair and adequate consideration for the granting of the guarantee.

Argentine law establishes rankings of privileges and priorities among creditors in order to receive payment in a reorganization proceeding or bankruptcy subject to the nature and cause of their credits (claims for salaries, wages, social security contributions, taxes, among others, will take priority over any claims, both secured and unsecured).

In addition, under Argentine law, a guarantee is considered accessory to the principal obligation. Therefore, in case our underlying obligations under the 2022 Senior Notes or the indenture and the Term Loan B Facility are declared null, the guarantees would, under Argentine law, be deemed to be null as well.

If proceedings were brought in the courts of Argentina seeking to enforce the Argentine guarantor's obligations under the 2022 Senior Notes and the Term Loan B Facility, the Argentine guarantor would not be required to discharge its obligations in the original currency of the Notes. Any judgment obtained against the Argentine guarantor in Argentine courts in respect of any payment obligations under the 2022 Senior Notes and the Term Loan B Facility could be discharged solely in Argentine pesos equivalent to the U.S. dollar amount of such payment at a certain exchange rate. There can be no assurance that such rates of exchange will afford our noteholders full compensation of the amount invested in the 2022 Senior Notes and the Term Loan B Facility plus accrued interest nor that the currency exchange regulations will permit the noteholders to convert any amount of Argentine pesos received into U.S. dollars (please refer to paragraph entitled "The current and future foreign exchange policy of Argentina may affect the ability of our Argentine subsidiaries to make money remittances outside of Argentina.").

#### Paraguay

Bankruptcy proceedings in Paraguay may be less favorable to holders of our 2022 Senior Notes and the lenders of the Term Loan B Facility than in other jurisdictions. For example, Paraguayan creditors receive preferential treatment, which means that creditors resident in Paraguay would receive payments prior to any payment being made on the guarantees. Furthermore, the obligations under the guarantees would be subordinated to certain statutory preferences such as maritime privileges, amongst which are claims for salaries, wages, taxes, port facilities and others.

#### Brazil

Brazilian legal framework for economically distressed companies or individuals generally consists of the provisions set forth by the Brazilian Bankruptcy and Reorganization Federal Law ("BBRL"—Law No. 11101, dated February 9, 2005). The BBRL contains certain provisions that resemble bankruptcy under U.S. Chapters 11 and 7. It regulates two different situations: (i) reorganization, that may take place (a) in court (judicial reorganization) or (b) out of court (extrajudicial reorganization), both aiming at surpassing debtor's financial distress; and (ii) bankruptcy, which is intended to liquidate the company and its assets and must be always administered by a court appointed administrator.

A bankruptcy request can be filed by the company, its shareholders or partners, or any of its creditors. BBRL lists the events upon which bankruptcy may be requested by a company's creditors, including the following: (i) failure to provide payment of any liquid obligation when owed in a credit instrument in an amount higher than 40 minimum monthly wages; (ii) arbitrarily anticipate the liquidation of assets or making payment in a damaging or fraudulent way; (iii) fraudulent deal or sale of all or substantially all assets to a third party, creditor or otherwise, attempted or actually performed; and (iv) transfer of establishment to third parties, creditors or otherwise, without the consent of all other creditors and without keeping sufficient assets to fulfill its obligations. A bankruptcy order entails two important matters concerning credits: (i) acceleration of all company indebtedness, and (ii) conversion of foreign currency-denominated debts into national currency ones.

Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the guarantees normally would be expressed in the Brazilian currency equivalent of the U.S. dollar amount of such sum at the exchange rate in effect (i) on the date of actual payment, (ii) on the date on which such judgment is rendered, or (iii) on the date on which collection or enforcement proceedings are started against us. Consequently, in the event of bankruptcy, all of our debt obligations that are denominated in foreign currency, including the guarantees, will be converted into Brazilian currency at the prevailing exchange rate on the date of declaration of our bankruptcy by the court. We cannot assure you that such rate of exchange will afford full compensation of the amount due on the notes. In bankruptcy proceedings, creditors would be paid in accordance with the priority rule set forth by the BBRL. Finally, payments under bankruptcy proceedings in Brazil usually occur two to 12 years after the filing of the proceeding, and the assets are generally not sufficient to pay off the creditors.

## **Certain requirements must be met for the recognition and enforceability of a foreign judgment by courts outside the United States.**

### Panama

Foreign judgments would be recognized and enforced in Panama by the Supreme Court, provided that the requirements of Article 1419 of the Judicial Code of the Republic of Panama are met. Article 1419 establishes that judgments issued by foreign courts as well as foreign arbitral awards will be effective in accordance with the respective agreements or treaties. If there are no special treaties with the country in which the judgment has been issued, the judgment can be executed in Panama, unless there is proof that the country does not recognize judgments issued by Panamanian courts. If the judgment comes from a country in which awards or judgments issued by Panamanian courts are not recognized, then the judgment will not be recognized in Panama. Without prejudice to what is established in special treaties, no foreign judgment will be executed in Panama unless it complies with the following requisites: (1) that the judgment be issued as a consequence of a personal action, provided what it is specially stipulated by the law in testamentary successions in foreign countries; (2) that the judgment has not been issued in contumacy, contempt of court or default, it being understood, that the lawsuit has not been personally served or notified to the defendant, being said personal service of process ordered by the competent court, unless the defendant in contumacy requests its execution; (3) that the obligation contained in the judgment be licit in Panama; and (4) that the copy of the judgment be authentic. Judgment means the decision granting the pretention.

### Uruguay

Should the courts of the United States rule to enforce the guarantees granted by the Uruguayan subsidiaries, such decision will be recognized and enforced in Uruguay without review of its merits provided the following requirements are met:

- the foreign decision shall meet the formal requirements necessary for it to be considered authentic in the jurisdiction where it was rendered (i.e. notarization, legalization and/or apostille as the case may be);
- the foreign decision and any relevant documents should be duly legalized in the country where the decision was issued and translated into Spanish (if necessary) by a duly authorized Uruguayan translator;
- the decision shall have been rendered by a court with international jurisdiction to hear the matter pursuant to its own law and the matter should not be one in which Uruguayan Courts enjoy exclusive jurisdiction;
- the defendant must have been properly served notice of the proceeding and granted a reasonable opportunity to defend and present its case;
- the judgment must be final (“res judicata”) in the country where it was issued;
- the decision shall not violate Uruguayan international public policy principles.

For the purposes of enforcement and collection in Uruguay, the request for recognition (“exequatur”) shall be first filed before the Supreme Court of Justice in Uruguay, who shall verify compliance with the aforementioned requirements. Service of notice shall be given on the defendant who will have 20 days to file its objection to the application for recognition. The Supreme Court’s decision shall be final and cannot be challenged later.

If enforcement is granted, the file will be sent to the competent lower court to carry out proceedings for enforcement and collection. Upon completion of the Exequatur proceeding as described above, it will be possible to enforce the judgment, without the need to appoint any agent for service of process.

### Argentina

A final and conclusive foreign judgment would be recognized and enforced by the courts in Argentina without any retrial or re-examination of the merits of the original action provided that the requirements of Articles 517 through 519 of the Argentine National Code of Civil and Commercial Procedures (if enforcement is sought before federal courts) are met. These requirements include: (1) the judgment, which must be final in the jurisdiction where rendered, must have been issued by a court competent pursuant to Argentine principles regarding international jurisdiction and must have resulted from a personal action, or an *in rem* action with respect to personal property if such property was transferred to Argentine territory during or after the prosecution of the foreign action, (2) the defendant against whom enforcement of the judgment is sought must have been personally served with the summons and, in accordance with due process of law, must have been given an opportunity to defend against such foreign action, (3) the judgment must be valid in the jurisdiction where rendered and its authenticity must be established in accordance with the requirements of Argentine law, (4) the judgment must not violate the principles of public policy of Argentine law, and (5) the judgment must not be contrary to a prior or simultaneous judgment of an Argentine court. There might be other requirements set forth by laws that replace or complement the National Code of Civil and Commercial Procedures in the future. If the enforcement is sought before provincial courts, other requirements may apply through application of the corresponding provincial codes of procedures.

In addition, Article 2609 of the Argentine Civil and Commercial Code, sets forth the exclusive jurisdiction of Argentine courts on disputes related to (i) rights in rem over real estate located in Argentina, (ii) validity or nullity of registrations performed before an Argentine public registry, and (iii) registration and validity of intellectual property rights.

We have been advised that there is doubt as to the enforceability in Argentina, in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated solely upon the federal securities laws of the United States.

Moreover, court costs, including (without limitation) filings fees and deposits to secure judgments, and the payment of stamp taxes may be required by the competent authorities in Argentina in case a foreign judgment has effects in Argentina, upon, for instance, re-litigation, enforcement or registration of such judgment in Argentina.

#### Paraguay

Foreign judgments have force in Paraguay provided that: (1) the judgment was obtained in an action in personam; (2) the defendant must have been personally served with the summons and given an opportunity to defend against foreign action (3) the obligation on which the action was based is valid in accordance with Paraguay's law; (4) the decision is final; and proper certification and legalization is complied with in accordance with Paraguay law; (5) the judgment has not been pronounced by default of condemned party; (6) the judgment does not violate Paraguayan law principles of public policy, and (7) the judgment is not contrary to a prior or simultaneous judgment by a Paraguayan court.

#### Brazil

Judgments of Brazilian courts enforcing obligations under the guarantees would be payable only in Brazilian currency. If proceedings were brought in the courts of Brazil seeking to enforce the obligations under the guarantees, we would not be required to discharge our obligations in a currency other than Brazilian currency. Any judgment obtained against us in Brazilian courts in respect of any payment obligations under the guarantees would be expressed in Brazilian currency. We cannot assure you that this amount in Brazilian currency will afford you full compensation of the amount sought in any such litigation.

Certain requirements must be met for the recognition and enforceability of foreign judgments in Brazil. Subject to the following, a final and conclusive judgment for civil liabilities rendered by any court in the United States or elsewhere in respect of the 2022 Senior Notes and the Term Loan B Facility and the guarantees would be recognized in the courts of Brazil (to the extent that Brazilian courts have jurisdiction) and such courts would enforce such judgment without any retrial or reexamination of the merits of the original action only if such judgment has been previously ratified by the Brazilian Superior Court of Justice (Superior Tribunal de Justiça), such ratification being subject to:

- the judgment fulfilling all formalities required for its enforceability under the laws of the jurisdiction where the judgment was rendered;
- the judgment contemplating an order to pay a determined sum of money;
- the judgment being issued by a competent court after proper service of process of the parties, which service must comply with Brazilian law if made within Brazil, or after sufficient evidence of the parties' absence has been given, pursuant to applicable law;
- the judgment being not subject to appeal (the decision is final; there is *res judicata*);
- the judgment being legalized by the Brazilian consulate or apostilled by the relevant authority with jurisdiction over the location of the court which issued the judgment;
- the judgment being translated into Portuguese by a certified translator; and
- the judgment not being contrary to Brazilian public order, Brazilian sovereignty or Brazilian good practices.

Notwithstanding the foregoing, no assurance can be given that such ratification would be obtained, that the process described above would be conducted in a timely manner or that a Brazilian court would enforce a monetary judgment for violation of the U.S. securities laws with respect to the 2022 Senior Notes and the Term Loan B Facility and the guarantees. In addition:

- civil actions may be brought before Brazilian courts based on the federal securities laws of the United States and that, subject to applicable law, Brazilian courts may enforce such liabilities in such actions against us and the guarantors (provided that provisions of the federal securities laws of the United States do not contravene Brazilian public order, Brazilian sovereignty or Brazilian good practices and provided further that Brazilian courts can assert jurisdiction over the particular action); and
- the ability of a creditor to satisfy a judgment by attaching certain assets of the defendant is limited by provisions of Brazilian law.

In addition, a plaintiff, whether Brazilian or non-Brazilian, who resides outside Brazil or is outside Brazil during the course of litigation in Brazil and who does not own real property in Brazil must grant a pledge to guarantee the payment of the defendant's legal fees and court expenses related to court procedures for the collection of payments under the 2022 Senior Notes and the Term Loan B Facility and the guarantees.

**Obligations under the guarantees are subordinated to certain statutory preferences.**

The obligations under the guarantees are subordinated to certain statutory preferences. In the event of a liquidation, bankruptcy or judicial reorganization in certain jurisdictions including Argentina, Brazil, Paraguay and Uruguay, such statutory preferences, including post-petition claims, claims for salaries, wages, social security, taxes, court fees and expenses and claims secured by collateral, among others, will have preference over any other claims, including claims by any investor in respect of the guarantees. In such event, enforcement of the guarantees may be unsuccessful, and noteholders may be unable to collect amounts that they are due under the 2022 Senior Notes and the Term Loan B Facility.

**Our being subject to certain fraudulent transfer and conveyance statutes may have adverse implications for the holders of the 2022 Senior Notes and the lenders under the Term Loan B Facility.**

Fraudulent transfer and insolvency laws may void, subordinate or limit the 2022 Senior Notes and the guarantees and the Term Loan B Facility.

United States

Federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the 2022 Senior Notes and the Term Loan B Facility and the incurrence of the guarantees, particularly any future guarantees of any U.S. subsidiaries we might create. Under U.S. federal bankruptcy law and comparable provisions of U.S. state fraudulent transfer or conveyance laws, if any such law would be deemed to apply, which may vary from state to state, the 2022 Senior Notes and the Term Loan B Facility or the guarantees could be voided as a fraudulent transfer or conveyance if a court determines that (1) we or any of the guarantors, as applicable, issued the 2022 Senior Notes and the Term Loan B Facility or incurred the guarantees with the intent of hindering, delaying or defrauding creditors or (2) we or any of the guarantors, as applicable, received less than reasonably equivalent value or fair consideration in return for either issuing the 2022 Senior Notes and the Term Loan B Facility or incurring the guarantees and, in the case of (2) only, one of the following is also true at the time thereof:

- we or any of the guarantors, as applicable, were insolvent or rendered insolvent by reason of the issuance of the 2022 Senior Notes and the Term Loan B Facility or the incurrence of the guarantees;
- the issuance of the 2022 Senior Notes and the Term Loan B Facility or the incurrence of the guarantees left us or any of the guarantors, as applicable, with an unreasonably small amount of capital to carry on the business as engaged or anticipated; or
- we or any of the guarantors intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor's ability to pay as they mature.

If a court were to find that the issuance of the 2022 Senior Notes and the Term Loan B Facility or the incurrence of the guarantee was a fraudulent transfer or conveyance, the court could void the payment obligations under the 2022 Senior Notes and the Term Loan B Facility or such guarantee, or require the holders of the 2022 Senior Notes and the lenders of the Term Loan B Facility to repay any amounts received with respect to such guarantee. In the event of a finding that a fraudulent transfer or conveyance occurred, you may not receive any repayment on the 2022 Senior Notes and the Term Loan B Facility. Further, the voidance of the 2022 Senior Notes and the Term Loan B Facility could result in an event of default with respect to our and our subsidiaries' other debt that could result in acceleration of such debt.



As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or an antecedent debt is secured or satisfied. A debtor will generally not be considered to have received value in connection with a debt offering if the debtor did not substantially benefit directly or indirectly from the transaction. In that regard, a debtor will generally not be considered to have received value if the proceeds of a debt offering were used to make a dividend payment or otherwise retire or redeem equity securities issued by the debtor. In particular, if the guarantees were legally challenged, such guarantee could be subject to the claim that, since the guarantee was incurred for the Co-Issuers' benefit, and only indirectly for the benefit of the guarantor, the obligations of the applicable guarantor were incurred for less than reasonably equivalent value or fair consideration.

The measures of insolvency for purposes of fraudulent transfer or conveyance laws vary depending upon the applicable jurisdiction's governing law, such that we cannot be certain as to the standards a court would use to determine whether or not we or the guarantors were solvent at the relevant time or, regardless of the standard that a court uses, that the issuance of the guarantees would not be further subordinated to our or any of our guarantors' other debt or whether the 2022 Senior Notes and the Term Loan B Facility, the guarantees or the granting of liens to secure the 2022 Senior Notes and the Term Loan B Facility or the guarantees would be avoided as a preference, fraudulent transfer, fraudulent conveyance, or otherwise. Generally, however, an entity would be considered insolvent if, at the time it incurred indebtedness:

- the sum of its debts, including contingent liabilities, was greater than the fair value of all its assets; or
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

In addition, any payment by us pursuant to the 2022 Senior Notes and the Term Loan B Facility or by a guarantor made at a time when we or such guarantor is subsequently found to be insolvent could be avoided and required to be returned to us or such guarantor or to a fund for the benefit of our or the guarantors' creditors if such payment is made to an insider within a one-year period prior to a bankruptcy filing or within 90 days to any non-insider party and such payment would give the holders of the 2022 Senior Notes and the lenders of the Term Loan B Facility more than such holders of the 2022 Senior Notes and the lenders of the Term Loan B Facility would have received in a hypothetical liquidation under Chapter 7 of the U.S. Bankruptcy Code.

Finally, as a court of equity, a U.S. bankruptcy court may otherwise subordinate the claims in respect of our indebtedness to other claims against us under the principle of equitable subordination, if the court determines that: (i) the creditor or holder of 2022 Senior Notes engaged in some type of inequitable conduct; (ii) such inequitable conduct resulted in injury to our other creditors or conferred an unfair advantage upon the claimant; and (iii) equitable subordination is not inconsistent with the provisions of the U.S. Bankruptcy Code.

#### Marshall Islands

We and some of the guarantors as of the issue date are organized under the laws of the Republic of the Marshall Islands. While the Republic of the Marshall Islands does not have a bankruptcy statute or general statutory mechanism for insolvency proceedings, a Marshall Islands court could apply general U.S. principles of fraudulent conveyance, discussed above, in light of the provisions of the BCA, restricting the grant of guarantees without a corporate purpose. In such case, a Republic of the Marshall Islands court could void or subordinate the 2022 Senior Notes and the Term Loan B Facility or the guarantees, including for the reasons a U.S. court could void or subordinate a guarantee as described above.

#### Uruguay

A court in Uruguay could, under fraudulent conveyance law, and upon the request of a creditor of a subsidiary guarantor within one year from its knowledge of the transaction, rescind or revoke the guarantee of any subsidiary guarantor if it found that such guarantee was incurred with malicious intent (fraud) to prevent creditors from satisfying their bona fide claims and the contracting party knew or should have known that the subsidiary guarantor was insolvent. If a court were to revoke or rescind the guarantee of a subsidiary guarantor as a fraudulent conveyance, or hold it unenforceable for any other reason, holders of the notes would cease to have a claim against that subsidiary guarantor and would be creditors solely of Navios Logistics and any subsidiary guarantor whose guarantee was not voided or held unenforceable.

In addition, under Uruguayan law, a guarantee is considered accessory to the principal obligation. Therefore, in case our underlying obligations under the notes or the indenture are declared null, the guarantees would, under Uruguayan law, be deemed to be null as well.

#### Argentina

The validity and enforceability of the guarantee granted by the guarantor that is an Argentine entity always requires the guarantee to be in the best interest of the Argentine guarantor and that the Argentine guarantor is authorized by its by-laws to provide guarantees and receives fair and adequate consideration for the granting of the guarantees, in order to avoid any third party's potential challenges.

A court could, under fraudulent conveyance law, declare null and void the following transactions if celebrated within a maximum of two years before the date of declaration of bankruptcy or the date of initiation of the reorganization proceeding (if it is an indirect bankruptcy):

- transactions where the guarantor did not receive a fair consideration in exchange for celebrating such transaction;
- early payment of obligations maturing at the time of the declaration of bankruptcy or afterwards;
- pledges, mortgages or any other privileges in relation to any obligation not already overdue and which originally did not have such privilege;
- transactions where the counterparty was aware of the insolvency of the guarantor.

Therefore, it may be possible that the guarantees may not be enforceable under Argentine law. In the event that a guarantor becomes subject to a reorganization proceeding or to bankruptcy, the relevant guarantee, if granted within a maximum of two years before the date of declaration of bankruptcy or the date of initiation of the reorganization proceeding (if it is an indirect bankruptcy), may be deemed to have been a fraudulent transfer and declared void, based upon the guarantor not having received a fair consideration in exchange for the granting of such guarantee. The validity and enforceability of the guarantee granted by the guarantor that is an Argentine entity requires the guarantee to be in the best interest of the Argentine guarantor and that the Argentine guarantor is authorized by its by-laws to provide guarantees and receives fair and adequate consideration for the granting of the guarantees.

In addition, under Argentine law, a guarantee is considered accessory to the principal obligation. Therefore, in case our underlying obligations under the 2022 Senior Notes and the Term Loan B Facility are declared null, the guarantees would, under Argentine law, be deemed to be null as well.

#### Paraguay

Under Paraguay law which does not forbid providing such guarantees to related or non-related parties, the guarantee of the 2022 Senior Notes and the Term Loan B Facility may not be enforceable as the guarantee is considered accessory to the principal obligation, which if declared null or void, would imply that the guarantee would be deemed likewise null or void. The guarantees are valid, binding and enforceable against the guarantors. However, if a guarantor becomes subject to a creditors meeting or bankruptcy proceedings, within one year of granting the guarantee, the guarantee may be deemed to have been a fraudulent transfer and declared null.

Under Paraguayan law, fraudulent conveyance of assets is covered by Art. 305 to 316 of the Civil Code by which an affected creditor may ask the Civil and Commercial Courts to annul the fraudulent conveyance, reverting the transferred assets to the debtor, which then become attachable by local or foreign creditors. In the event of bankruptcy of a Paraguayan subsidiary, Article 8 of Law 154/69 states that the declaration of bankruptcy in a foreign country cannot be opposed to creditors domiciled in Paraguay or over assets held by a debtor in the country, nor covered by agreements that have been executed with such debtor. If bankruptcy is declared by Paraguayan courts, creditors that are part of the bankruptcy process in a foreign country shall not be taken into consideration by the local courts; if local creditors have been fully paid, foreign creditors may be paid with the remaining assets. The bankruptcy declared in a United States court will not imply the bankruptcy of the subsidiary operating in Paraguayan jurisdiction under Paraguayan law. Under fraudulent conveyance law, a court may void the guarantee if it deems that it was incurred with the intention to hinder or defraud its creditors.

#### Brazil

A court could, under fraudulent conveyance law, or bankruptcy law, void or consider ineffective the guarantee of any subsidiary guarantor if it found that such guarantee was incurred with actual intent to hinder, delay or defraud creditors, and that the guarantor was any of the following:

- already insolvent;
- rendered insolvent by reason of its entering into such guarantee;
- engaged in business or transactions for which the assets remaining constituted unreasonable small capital; or
- small capital.

If a court were to void the guarantee of a subsidiary guarantor as a fraudulent conveyance, or hold it unenforceable for any other reason, holders of the 2022 Senior Notes and the lenders of the Term Loan B Facility would cease to have a claim against that subsidiary guarantor and would be creditors solely of Navios Logistics and any subsidiary guarantor whose guarantee was not voided or held unenforceable.

## Other Jurisdictions

The laws of the other jurisdictions in which guarantors may be organized may also limit the ability of such guarantors to guarantee debt of a parent company. These limitations arise under various provisions or principles of corporate law which include provisions requiring a subsidiary guarantor to receive adequate corporate benefit from the financing, rules governing preservation of share capital, thin capitalization and fraudulent transfer principles. In certain of these jurisdictions, the guarantees will contain language limiting the amount of debt guaranteed so that the applicable local law restrictions will not be violated. Accordingly, if you were to enforce the guarantees in such jurisdictions, your claims may be limited. Furthermore, although we believe that the guarantees of such guarantors are enforceable (subject to local law restrictions), a third party creditor may challenge these guarantees and prevail in court. We can provide no assurance that the guarantees will be enforceable.

## **Item 4. Information on the Company**

### **A. History and Development of the Company**

We have a long history of operating in the Hidrovia Region of South America. We were established in January 2008 through the merger of CNSA, an entity founded by one of our predecessor companies in 1955 and Horamar Group (“Horamar”). CNSA owned and operated the largest bulk transfer and storage port terminal in Uruguay. Horamar, formed in 1992, was a privately held Argentina-based group specializing in the transportation and storage of liquid cargoes and the transportation of drybulk cargo in South America along Paraguay and Parana Rivers from Puerto Caceres (Brazil) to Nueva Palmira (Uruguay) (the “Hidrovia Waterway”). The combination of CNSA and Horamar under the Navios Logistics umbrella created one of the largest logistics businesses in the Hidrovia Region of South America.

On January 1, 2008, pursuant to a share purchase agreement, Navios Holdings contributed: (a) \$112.2 million in cash; and (b) the authorized capital stock of its wholly owned subsidiary CNSA in exchange for the issuance and delivery of 12,765 shares of Navios Logistics, representing 63.8% of its outstanding stock. Navios Logistics acquired all ownership interests in Horamar in exchange for; (a) \$112.2 million in cash, and (b) the issuance of 7,235 shares of Navios Logistics representing 36.2% of Navios Logistics’ outstanding stock. As a result, Navios Holdings owns 63.8% of Navios Logistics.

For a discussion of our capital expenditures, see “Item 5.B Liquidity and Capital Resources.”

### **B. Business Overview**

#### **Our Company**

Navios Logistics believes it is one of the largest logistics companies in the Hidrovia Region of South America, focusing on the Hidrovia Waterway, the main navigable river system in the region, and on the 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. Navios Logistics’ controlling shareholder, Navios Holdings, provides significant business expertise and know-how to our operations.

Navios Logistics reports its operations based on three reportable segments: Port Terminal Business, Barge Business and Cabotage Business. For further historical segment information, please see our audited consolidated financial statements included elsewhere in this report.

Navios Logistics has a long history of operating in the Hidrovia Region of South America. Navios Logistics has longstanding relationships with a diverse group of large customers and their affiliates such as ADM, Axion Energy, Bunge Limited, Cargill, Glencore plc, Louis Dreyfus, Petrobras, Petropar (the national oil company of Paraguay), Shell, Vale, Vitol S.A. (“Vitol”) and YPF. These long-term customer relationships arise from our reputation for reliability and high-quality service. In its grain port facilities in Uruguay, Navios Logistics has been serving three of its key customers, ADM, Cargill and Louis Dreyfus, for more than 21 years on average. In its liquid port facility, liquid barge transportation and cabotage business, Navios Logistics has long-term relationships with its global petroleum customers for more than 18 years on average (such as Axion Energy, Petrobras Group, YPF and Shell or their successors). In its dry barge business, Navios Logistics started its relationship with Vale in 2008 for iron ore transportation and has signed new contracts since then.

Navios Logistics serve its customers in the Hidrovia Region through its three port storage and transfer facilities, one for agricultural, 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 complements its three port terminals with a diverse fleet of 332 barges and pushboats and eight vessels, including six oceangoing tankers, one bunker vessel and one river and estuary tanker vessel which operate in our cabotage business. Navios Logistics provides transportation for dry cargo (cereals, cotton pellets, soybeans, wheat, limestone (clinker), mineral iron, and rolling stones) and liquid cargo (hydrocarbons such as crude oil, gas oil, naphtha, fuel oil and vegetable oils) and liquefied cargo (liquefied petroleum gas or LPG).

Since the business combination in January 2008, Navios Logistics has grown its vessel fleet from 123 to 340 vessels, including barges, pushboats and tankers, of which 340 are owned by Navios Logistics. The following is the current core fleet as of February 21, 2020.

#### 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
<b>Total</b>	<b>332</b>		

<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
He Man H	2012	1,693	Double-hulled Bunker Vessel
Elena H	2018	4,999	Double-hulled Product Tanker
<b>Total</b>		<b>87,916</b>	

#### Port Terminal Operations

##### Uruguay Dry Ports

We believe we own and operate the largest independent bulk transfer and storage port terminal complex in Uruguay based on throughputs. In 2018 and 2019, 3.0 million and 4.9 million tons of grain and mineral cargo, respectively, were moved through our dry port terminals. Our dry port terminal complex comprises of a grain terminal, and a new iron ore terminal that commenced operations in 2017.

We have free zone user agreements with the Republic of Uruguay dating back to the 1950s for the lands on which we operate. The agreements have been extended to 2046 and may be extended further until 2066 at our option. Additionally, since our terminals are located in the Nueva Palmira Free Zone, foreign commodities moving through the terminal are free of Uruguayan taxes.

We believe that countries in the region will continue to increase use of land for agriculture and implement technology for increasing yields on productive lands. As a result, we have experienced significant growth in the last ten years from 1.0 million tons of grain moved in 2000 to 3.6 million tons of grain moved in 2019. In 2018, 1.9 million tons of grain moved through our terminal as local production of soybean and our throughput was adversely affected by a drought in the region. We have also been expanding our grain silo capacity from 280,000 tons of grain cargo in 2009 to 460,000 tons of grain cargo as of December 31, 2019. We installed a grain drying and conditioning facility on 13.6 acres of land adjacent to our dry port terminal, which has been operational since May 2011. In addition, in October 2013 we completed the construction of an additional vessel-loading conveyor belt.

We have expanded our dry bulk terminal operations and we believe there is significant potential for further expansion. Following the completion of the development of the iron ore terminal that commenced operations in 2017, we have already developed 74 acres of land, and we have 144 acres available to be developed inside or near the Nueva Palmira Free Zone.

*Grain Port Operation:* The commodities most frequently handled include grain and grain products, including cereals, cotton pellets, soybeans and wheat. Our grain port terminal receives bulk cargoes from barges, trucks, and vessels, and either transfers them directly to dry bulk carriers or stores them in our modern silos for later shipment. The grain port terminal operates 24 hours per day, seven days per week, to provide barge and ship traffic with safe and fast turnarounds. Multiple operations may be conducted simultaneously at the grain port terminal, including cargoes from oceangoing vessels, barges, trucks and grain silos. The grain port terminal uses a fixed fee structure for customers.

*Grain Port Infrastructure:* The grain port terminal is unique in the region because of its sophisticated design, efficiency and multimodal operations. Our grain port terminal has specially designed storage, drying and conditioning facilities and two-belt conveying systems that provide significant flexibility in cargo movement aimed at avoiding delays to trucks, vessels and barge convoys. The grain port terminal currently offers 460,000 tons (soybean basis) of clean and secure grain silo capacity. With nine silos (some with internal separations) available for storage, our facility provides customers storage for their commodities separate from those of other customers and allows us to identify, segregate and trace an agricultural product's shipments in order to isolate and preserve its unique characteristics and prevent commingling ("Identity Preservation"). The grain port terminal has the latest generation, high precision, independent weigh scales for loading activity.

The grain port terminal has two docks. The main outer dock is 240 meters long and accommodates vessels of up to 85,000 dwt loading to the maximum draft permitted for vessels at the Martin Garcia Bar and Mitre Canal. The dock has three modern ship loaders that since the construction of the second conveyor line to the main pier are capable of loading vessels at rates of up to 48,000 tons per day, depending on the vessel, use of silos and on the type of commodity. The secondary inner dock is 170 meters long and is dedicated to the discharge of barge convoys, which is carried out on both sides of the dock. The grain port terminal is capable of discharging barge convoys at rates averaging 10,000 to 14,000 tons per day, depending on the type of barges and commodity. There is also a fixed-duty cycle crane to discharge barge convoys. In addition, discharging at our facility is optimized through the use of commodity-appropriate bucket size and type.

*Iron Ore Port Operation:* The commodities most frequently handled include iron ore and manganese. Our iron ore port terminal receives minerals from barges and either transfers them directly to dry bulk carriers or stores them in our stockpiles for later shipment. The iron ore port terminal operates 24 hours per day, seven days per week, to provide barge and ship traffic with safe and fast turnarounds.

*Iron Ore Port Infrastructure:* The iron ore port terminal is unique in the region because of its sophisticated design, efficiency and multimodal operations. Our iron ore port terminal has specially designed storage facilities and conveying systems that provide significant flexibility in cargo movements aimed at avoiding delays to vessels and barge convoys. On shore the new facilities comprise an area of approximately 20 acres with two stockpiles for mineral with a storage capacity of up to 700,000 tons. With two stockpiles available for storage, our facility provides customers storage for their commodities separate from those of other customers. Mineral at the stockpile are handled by a Stacker/Reclaimer. Auxiliary equipment for barge mooring, power, environment control and water treatment are also part of the iron ore terminal facility.

The iron ore port terminal has two new docks. The main outer dock is 300 meters long with two berths for ocean going vessels able to accommodate vessels on both sides; up to 150,000 dwt on the outer side, and up to 85,000 dwt on the inner side, loading to the maximum draft permitted for vessels at the Martin Garcia Bar and Mitre Canal. The secondary inner dock is 200 meters long and is dedicated for the discharge of barge convoys, able to accommodate and discharge two barges at the same time. Vessels are loaded with a travelling shiploader and barges are unloaded by two cranes.

#### Paraguay Liquid Port

We own and operate an up-river port terminal with tank storage for refined petroleum products, oil and gas in San Antonio, Paraguay, located approximately 17 miles by river from the capital of Asuncion. We believe our port terminal is one of the largest independent storage facilities for crude and petroleum products in Paraguay based on storage capacity, with a current capacity of 45,660 cubic meters. The port facility serves international operators from Paraguay and Bolivia supplying products that support the growing regional demand for energy. Because Paraguay is not an oil producing country, its needs for both crude and refined petroleum products are served entirely by imports. The main sources of supply are from Argentina and, to a much lesser extent, Bolivia. The strategic location of the terminal at the center of the Paraguay-Parana waterway has comparative advantages for the provision of services to both southern and northern regions.

The port terminal was built to carry out terminal operations efficiently, including the loading and unloading of ships and trucks with fuels, storage tanks and subsequent clearance for vessels and trucks. The business is carried out through the purchase and sale of refined petroleum products and the storage, handling or transportation services that relate to liquid and gas products. We own tanks approved by the Paraguayan National Customs Office, which gives us a competitive advantage over other suppliers dedicated to the field.

*Port Operation:* The port provides short and long-term storage services for liquid cargo, as well as the sale of liquid products.

*Port Infrastructure:* Currently, the port has 11 major and two auxiliary tanks in operation with a capacity of 45,660 cubic meters. The plates are carbon steel, as specified by the American Standard for Testing Materials, and the construction was performed according to the standards of the American Petroleum Institute. We have available space to increase capacity to 90,000 or 100,000 cubic meters of storage at the terminal to meet our customers' future demand.

The pier is a structure of reinforced concrete built on stilts, beams and slabs. It is 45 meters long and 4.5 meters wide, and includes two platforms, each with 148 square meters of surface area. One of the platforms, used for operation during periods of high river level, has a height of 9.05 meters. The second platform is used during periods of lower river level and has a height of 5.0 meters.

The port has an area for truck operations with a reinforced concrete floor and metal roof mounted on trusses and steel columns profiles. There are three platforms, one for liquid fuels, another for LPG and a platform to discharge trucks with alcohol and other refined petroleum products.

### **Barge Operations**

*Overview:* We service the Argentine, Bolivian, Brazilian, Paraguayan and Uruguayan river transportation markets through our fleet of 332 vessels in our barge business. We operate different types of pushboats and wet and dry barges for delivering a wide range of dry and liquid products between ports in the Hidrovia Waterway. We typically contract our vessels either on a time charter basis or on a CoA basis.

*Fleet:* We control 332 vessels in our barge business, including 27 pushboats, 268 dry barges, 34 tank barges and three LPG barges. Our dry barge fleet is nearly three times the size it was in January 2008.

*Products Transported:* We provide transportation for dry cargo (cereals, cotton pellets, soy bean, 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 (LPG)). During 2019, we transported approximately 2.1 million cubic meters of liquids or tons of dry cargo, consisting of approximately 0.3 million cubic meters of liquids and 1.8 million tons of dry cargo (compared to 1.7 million in 2018, 2.1 million in 2017, and 2.2 million in 2016).

### **Cabotage Operations**

*Overview:* Our cabotage operations serve oil majors and major trading companies in the region to transport petroleum products from the refineries to various coastal destinations. The Argentine cabotage market is restricted to established local operators with either Argentine flagged vessels or foreign flagged vessels with one-to-three year licenses for companies with sufficient Argentine tonnage. We have the competitive advantage of being able to operate in the Brazilian cabotage market through a Brazilian pushboat operator, Hidronave South American Logistics S.A. ("Hidronave S.A."), since Brazilian law provides a preference for the utilization of Brazilian-flagged vessels in its cabotage trade. In the Uruguay cabotage market, in the first quarter of 2020, we commenced operations for transportation of petroleum products through a Uruguayan Double-hulled Product Tanker vessel owned and operated by our affiliate Ruswe International S.A. During 2019, our cabotage fleet transported approximately 1.5 million cubic meters of liquids (compared to 1.3 million cubic meters in 2018 and in 2017).

Our fleet consists of six oceangoing product tanker vessels, one bunker vessel and one river and estuary product tanker.

On July 10, 2013, we became the sole shareholder of Hidronave S.A. by acquiring the then remaining 49% noncontrolling interest. This acquisition serves as a platform to enable us to build our Brazilian cabotage business if we choose to do so, since Hidronave S.A. has the certificates and other documentation required to conduct business in Brazil.

*Fleet:* The table below reflects our cabotage tanker fleet as of February 21, 2020:

Vessel	Type	Built	DWT	Employment Date	Charter-Out Duration	Expiration Date of License
Malva H	Product Tanker	2008	8,974	January 20, 2020	18 months	N/A
Estefania H	Product Tanker	2008	12,000	October 01, 2019	12 months	February 22, 2020
Makenita H	Product Tanker	2009	17,508	February 16, 2019	36 months	June 26, 2022
Sara H	Product Tanker	2009	9,000	January 10, 2020	24 months	June 30, 2022
Ferni H	Product Tanker	2010	16,871	August 29, 2018	24 months	August 3, 2022
San San H	Product Tanker	2010	16,871	February 01, 2020	12 months	May 31, 2023
Elena H	Product Tanker	2018	4,999	October 13, 2018	60 months	August 17, 2022
He Man H	Bunker Vessel	2012	1,693	April 1, 2019	24 months	October 6, 2020

Our foreign-flagged cabotage tanker vessels operate under licenses of one to three years' duration issued by the Argentinean maritime authorities. Such licenses for our vessels expire at various times until May 2023. Upon expiration, the licenses are generally renewed for periods of one to three years. While renewal is pending, the vessels operate under provisional licenses of two to three months' duration which are re-issued until the longer-term license is obtained. As of January 20, 2020, the product tanker Malva H operates in Uruguay.

*Products Transported:* We transport liquid cargo (hydrocarbons such as crude oil, gas oil, naphtha, fuel oil and vegetable oils). During 2019, our cabotage fleet transported approximately 1.5 million cubic meters of liquids (compared to 1.3 million cubic meters in 2018 and 1.3 million cubic meters in 2017).

### Competitive Strengths

We believe that the following strengths allow us to maintain a competitive advantage within the markets we serve:

*Leading Integrated Logistics Company in the Hidrovia Region Serving Diversified End Markets.* We believe we own and operate the largest independent bulk transfer and storage port terminal complex in Uruguay based on throughputs and one of the largest independent storage facilities for crude and petroleum products in Paraguay based on storage capacity. We believe we also are one of the largest owners and operators of a diverse and versatile fleet of dry and wet barges, pushboats and oil tankers in the Hidrovia Region. Our port, barge and cabotage operations serve the needs of a diverse range of industries, including mineral and grain commodity providers as well as users of refined petroleum products. We have been able to combine our ports, barges, pushboats and tankers to offer an integrated logistics solution to our customers. We have customers that use both our dry port and dry barge services such as Vale, ADM and other customers that use our liquid port, liquid barge and cabotage services such as Axion Energy and Vitol.

*Developing Leading Position Through Investment and Expansion in Our Port Terminals.* Our dry port terminals have served the growing grain and iron ore exports of countries in the Hidrovia Region since 1955 and its location at Nueva Palmira serves our customers' export needs by providing easy access to the Atlantic Ocean. Our liquid port terminal and storage facility in Paraguay, serves the needs of our customers in Paraguay, a country with no crude production and limited refining capacity, and in the Hidrovia Region. In addition to our three existing port terminals, we are currently developing a multipurpose upriver port terminal in Port Murтинho in the State of Mato Grosso do Sul, Brazil. The new terminal is expected to service the needs of our clients for exports of soybeans, grains, sugar and other agricultural commodities and imports of fertilizers and fuel products. In 2018, we purchased approximately 3.5 hectares of undeveloped, river-front land located in Port Murтинho in which the new terminal is expected to be constructed. We have developed a master plan for the new terminal, and we have commenced the licensing process. We expect to begin construction in 2020. We are still in early stages of development, and there can be no assurance that the new terminal will be constructed. See Item 3.D "Risk Factors—Risks Related to Our Industry and Business—Our failure to receive required approvals for or timely complete construction and commence full operation or secure satisfactory commercial contracts of our planned Port Murтинho port terminal facility could negatively affect our business operations, and we may experience difficulty managing our growth as we expand our business."

*We Benefit from Long-term Contracted Cash Flows Derived from a Services Contract with an Established Counterparty in Our Iron Ore Terminal.* The Vale port contract serviced through our iron ore terminal is a take-or-pay services contract providing for contracted cash flows through July 2037 as a result of the four million tons per annum of minimum guaranteed cargo quantity (the "minimum guaranteed quantity"), at agreed prices adjusted annually based on a parametric formula, thereby limiting any market risk associated with a volatile iron ore price environment.

*The Iron Ore Terminal Facility is a Purpose-built Terminal that Provides Advantages over Competitors.* The iron ore terminal is a high-quality asset with what we believe are best-in-class components. The iron ore terminal was built for the purpose of handling iron ore and manganese ore to the specifications of the Vale port contract. The iron ore terminal has specially-designed storage facilities and conveying systems that provide significant flexibility in cargo movements in order to prevent delays to vessels and barge convoys.

*Significant Upside Potential at Our Port Terminal Facilities.* Our grain terminal is the largest independent grain terminal in the Hidrovia Region and the principal port for Uruguayan agricultural exports. The grain terminal offers Identity Preservation and has high customer contract renewal rates, with typical contract duration of one to six years, and significant potential for further utilization, with eight million tons per annum of available capacity. Our iron ore terminal is the largest independent mineral terminal in the Hidrovia Region and represents strategically important and unique infrastructure in the region. The iron ore terminal also has significant potential for further utilization, with ten million tons per annum of available capacity of which four million tons represent the minimum guaranteed quantity of the Vale port contract, two million tons are exercisable at Vale's option, and four million tons are available for other customers.

*The Iron Ore Terminal and Grain Terminal Benefit from a Long-term Concession in a Stable, Investment Grade-rated Country.* The dry port terminals operate under a long-term concession granted by the Government of Uruguay. Our license to operate in the Nueva Palmira Free Zone expires in 2046, with an option to extend the concession until 2066 at our discretion. As enterprises operating in the Nueva Palmira Free Zone, the dry port terminals are exempt from all Uruguayan taxes, and subject only to limited operational restrictions. We believe that these benefits offer us an advantage over our competitors in the region, where such tax and operational conditions are difficult to replicate.

*Large Scale and Modern Fleet Drive Efficient Operations.* We believe we are one of the largest providers of storage and marine transportation services in the Hidrovia Region, which gives us economies of scale and increased negotiating power. We have the second largest barge fleet and the third largest cabotage fleet in the Hidrovia Region. As a fully integrated operator with in-house technical and commercial management of our fleet, we are able to control costs and increase savings across our vertically integrated business lines. We closely monitor operating expenses and continuously undertake cost-cutting initiatives such as the adoption of best practices and the utilization of process improvement teams. We also seek to optimize the use of pushboats. For example, we use some of our pushboats as part of convoys which are mixed to include both liquid and dry barges. Since most liquid products are transported upriver and most dry products are transported downriver in the region, the use of these mixed convoys allows us to use our pushboats efficiently and limit the incurrence of additional costs related to the repositioning of our barges along the Hidrovia Waterway.

*Preferential Treatment in Certain Markets.* Most countries provide preferential treatment, referred to as "cabotage privileges," for vessels that are flagged in their jurisdiction or chartered in for operation by local ship operators. All of our oceangoing vessels enjoy cabotage privileges in Argentina. In addition, Brazilian law provides a preference for the utilization of Brazilian-flagged vessels in its cabotage trade. Our Brazilian subsidiary, gives us the competitive advantage of being able to operate in the Brazilian cabotage market, enabling us to obtain employment in preference to vessels without those cabotage privileges. Additionally, we have the ability to operate in the Uruguayan cabotage market through our local subsidiary that owns our Uruguayan flagged fleet. Furthermore, the countries of the Hidrovia Region have established a regional cabotage system in which we participate.

*Long-Term Relationships with High Quality Customers.* We have a long history of operating in the Hidrovia Region of South America. We have long-standing relationships with a diverse group of large customers, primarily comprised of major international agriculture and oil companies and their affiliates such as ADM, Cargill, Louis Dreyfus, Petropar, YPF, Trafigura, Glencore, Vale, and Vitol. These long-term customer relationships arise from our reputation for reliability and high-quality service. In our grain port terminal in Uruguay, we have been serving three of our key customers, ADM, Cargill and Louis Dreyfus, for more than 21 years on average. In our liquid port facility, liquid barge transportation and cabotage business, we have long-term relationships with our global petroleum customers for more than 18 years on average. In our barge business, we started our relationship with Vale in 2008 for iron ore transportation and have signed new contracts for storing and transshipping iron ore and other commodities since then.

*Track Record of High Standards of Performance and Safety.* Our technical ship management services are provided in accordance with the highest standard in the industry established by class societies, the IMO and the OCIMF and have been vetted by the oil majors. The quality of our fleet, as well as the expertise of our fleet managers, crews and engineering resources, helps us maintain safe, reliable and consistent performance. We maintain well documented and internationally certified safety and quality management systems, perform periodic audits and conduct training, each of which affects all areas of our activities, including operations, maintenance and crewing.

*Established History and Experienced Management Team.* We have operated in the Hidrovia Region for more than 50 years and have an experienced management team, led by our Chief Executive Officer Claudio Pablo Lopez. Mr. Lopez and his family members have collectively been involved in the logistics industry in the region since 1976. Our directors and senior executive officers have, on average over 20 years of experience in the logistics and transportation industries. Our management team has significant expertise in various lines of businesses and has been instrumental in developing and maintaining our certified safety, quality management systems and executing our growth plan. Our management has driven significant growth in time charter, voyage and port terminal revenues and sales of products.



## **Business Strategy**

Our business strategy is to continue to operate as a diversified logistics and port terminals company and to maximize our growth and profitability while limiting our exposure to the cyclical nature of individual sectors of the logistics industry. We intend to leverage our expertise and strong customer relationships to increase volume, efficiency and market share in a targeted manner. We will continue to build upon our reputation in the logistics and port terminals industry by pursuing the following strategies:

*Capitalize on Attractive Fundamentals in Our Businesses.* As one of the largest owners and operators of barges and product tankers in the Hidrovia Region, with some of the largest, most modern and strategically located port facilities, we believe we are well positioned to capitalize on the attractive fundamentals for storage and marine transportation services in the region. We believe that our ability to combine our port terminals in Uruguay and Paraguay with our versatile fleet of barges, pushboats and tankers to offer integrated, end-to-end logistics solutions for both our dry and liquid customers seeking to transport mineral and grain commodities and liquid cargoes through the Hidrovia Region has allowed us to differentiate our business and offer superior services compared to our competitors. There currently exists a shortage of adequate rail and highway infrastructure in South America to meet the growing demand for exports, and the Hidrovia Waterway and coastal trade represent some of the more cost-efficient methods of transportation in the region. The Hidrovia Waterway is one of the largest navigable river systems in the world, comparable in length to the Mississippi River system in the United States.

*We plan to Use Our Position in the Hidrovia Region to Grow Our Businesses to Take Advantage of This Opportunity.* We regularly review opportunities to invest in new port facilities and other infrastructure and increase the size and capacity of our barge and cabotage fleets. For example, we have expanded the storage and transshipment capacity of our grain terminal, developed our new iron ore terminal for minerals in Nueva Palmira to service the Vale port contract and plan to develop a new multipurpose upriver port terminal in Mato Grosso do Sul, Brazil. In the third quarter of 2019, we ordered the construction of six liquid barges for a total consideration of \$15.8 million. The barges are expected to be delivered in the second half of 2020 and will be chartered-out on a five-year contract to one of our customers. In recent years, we added one bunker vessel and one river and estuary tanker to our cabotage fleet. We may also seek to add capacity by acquiring assets or companies currently operating in the Hidrovia Region, and may add businesses and services that we believe are complementary to those we currently offer. We may also enter into joint venture arrangements with third parties with respect to these businesses.

*Continue to Optimize Our Chartering Strategy.* We continually monitor developments in the logistics industry and make charter-related decisions based on an individual vessel and segment basis, as well as on our view of overall market conditions in order to implement our overall business strategy. Some of our charters provide fixed pricing, minimum volume requirements and fuel price adjustment formulas. On other occasions, we enter into CoAs, which allow us flexibility in transporting a certain cargo to its destination. In our cabotage business, we typically operate under time charters with durations in excess of one year at inception. Furthermore, we intend to develop relationships with new customers as we grow our fleet capacity.

*Generating Operating Efficiencies.* We have identified opportunities and are implementing plans to further increase overall efficiency and profitability. For example, our iron ore terminal has state-of-the-art unloading equipment, including two cranes, a conveyer belt system and a traveling shiploader with a capacity of 3,900 tons per hour (enabling a turnaround of less than two days for baby capsized vessels), and can handle cargo without the need for trucks or payloaders. We also continue to focus on optimizing our barge and tug scheduling, maximizing loads and convoy size and minimizing empty return voyages. We further benefit from our relationships with Navios Holdings, a global seaborne shipping and logistics company with over 60 years of expertise in the industry, and Navios Shipmanagement, which provides us with commercial and technical management services. See “—Continue to capitalize on our relationships with Navios Holdings and Navios Shipmanagement”, below.

*Continue to Capitalize on Long-Term Contracts.* Our business has grown with support from our long-term contracts, and we believe we are well positioned to capitalize on continued opportunities to secure contracted cash flow. Our dry port terminals have provided our business with stability through longstanding contracts containing minimum volume guarantees and consistent contract renewals with high quality counterparties in diverse end markets. Our barge business consists of convoys typically chartered on one- to six-year time charter contracts or CoAs and our cabotage business consists of tankers chartered on one- to three-year time charter contracts.

*Continue to Improve Quality.* We have developed a reputation for having quality operations in the storage and marine transportation industry. We have implemented a quality improvement process to identify customer requirements and maintain processes designed to meet those requirements. We seek to involve the entire workforce to continually improve these processes on an ongoing basis. Our emphasis on quality allows us to provide customer service at a competitive price. Our reputation enhances our ability to successfully secure valuable contracts and has allowed us to build strong relationships with our customers.

*Continue to Capitalize on Our Relationships with Navios Holdings and Navios Shipmanagement.* Navios Holdings developed considerable experience and a global network of relationships during its over 60-year history of investing and operating in the maritime industry. In August 2019, Navios Holdings announced that it sold its ship management business, including Navios Shipmanagement, to N Shipmanagement Acquisition Corp., an entity affiliated with Angeliki Frangou. Navios Shipmanagement, provides us with certain bookkeeping, audit and accounting, legal and insurance, administrative and clerical, banking and financial, advisory, client and investor relations and business integration services previously provided by Navios Holdings. We believe our relationships with Navios Holdings and Navios Shipmanagement, including our ability to leverage their global network of relationships and relationships with commercial and other banks, will enable us to engage in innovative financing and to access debt and capital markets financing on favorable terms.

We also believe that we benefit from the Risk Management practices adopted by Navios Shipmanagement. Navios Shipmanagement closely monitors its counterparties' credit exposure. Navios Shipmanagement has established policies designed for contracts to be entered into with counterparties that have appropriate credit history and we have access to Navios Shipmanagement's policies and personnel for this purpose. We believe that we can use our relationship with Navios Shipmanagement and the established reputation of its business in order to obtain favorable long-term time contracts and attract new customers. If our relationships with either of Navios Holdings or Navios Shipmanagement end or are significantly altered, our business, results of operations and financial position could be materially adversely affected. See Item 3.D "Risk Factors — Risk Relating to Our Industry and Our Business. We have meaningful relationships with Navios Holdings and Navios Shipmanagement, and we depend on them for certain services and benefit from their global networks to obtain competitive financing. If conflicts of interest arise or if our relationship with Navios Shipmanagement ends or is significantly altered, our business and results of operations could be materially adversely affected."

## **Our Fleet Management**

We conduct all daily technical and commercial management for our owned fleet in-house. These services, as well as administration of our fleet, are provided from several offices situated in Argentina, Paraguay, Uruguay and Brazil. We will continue to undertake all technical and commercial management for our barges and pushboats and vessels, such as drydocking, repairs and maintenance, including the purchasing of supplies, spare parts and husbandry items, crewing, superintendence and preparation and payment of all related accounts on our behalf.

## **Employees and Crewing**

We crew our fleet with Argentine, Brazilian and Paraguayan officers and seamen. Our fleet managers are responsible for selecting the crew.

As of December 31, 2019, we employed 401 land-based employees: 23 employees in the Asuncion, Paraguay office, 46 employees at the port facility in San Antonio, Paraguay, 99 employees in the Buenos Aires, Argentina office, six employees in the Montevideo, Uruguay office, 216 employees at the dry port facilities in Uruguay, and 11 employees in the Corumba, Brazil office.

Certain of our operations in Argentina, Paraguay, Uruguay and Brazil are unionized. We believe that we have good relations with our employees and seamen and since our inception we have had no history of significant work stoppages.

## **Competition**

We believe we are one of the largest logistics providers in the region. We believe our ownership of river ports, including our port terminals in Uruguay that provide access to the ocean, allows us to offer a logistics solution superior to our competitors that also operate barges and pushboats. We also compete based on reliability, efficiency and price.

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

We face competition in our barge and cabotage businesses with transportation of oil and refined petroleum products from other independent ship owners and from vessel operators who primarily charter vessels to meet their cargo carrying needs. The charter markets in which our vessels compete are highly competitive. Key competitors include the successor of Ultrapetrol Bahamas Ltd., Hidrovias do Brasil, Interbarge, P&O, Imperial Shipping and Fluviomar. In addition, some of our customers, including ADM, Cargill, Louis Dreyfus and Vale, have some of their own dedicated barge capacity, which they can use to transport cargo in lieu of hiring a third party. We also compete indirectly with other forms of land-based transportation such as truck and rail. Competition is primarily based on prevailing market contract rates, vessel location and vessel manager know-how, reputation and credibility. These companies and other smaller entities are regular competitors of ours in our primary tanker trading areas. We believe that our ability to combine our ports in Uruguay and Paraguay with our versatile fleet of barges, pushboats and tankers to offer integrated, end-to-end logistics solutions for both our dry and liquid customers seeking to transport mineral and grain commodities and liquid cargoes through the Hidrovia Region has allowed us to differentiate our business and offer superior services compared to our competitors.

### **Corporate Information**

Our legal and commercial name is Navios South American Logistics Inc. We have been incorporated under the laws of the Republic of the Marshall Islands since December 17, 2007. Our office and principal place of business is located at Aguada Park Free Zone, Paraguay 2141, Of. 1603 Montevideo, Uruguay and our telephone number is +(30) (210) 459-5000. Our website is <http://www.navios-logistics.com>. The information on our website is not incorporated by reference into this report and should not be considered to be a part of this report. Trust Company of the Marshall Islands, Inc. serves as our agent for service of process, and our registered address, as well as address of its agent for service of process is Trust Company Complex, Ajeltake Island, P.O. Box 1405, Majuro, Marshall Islands MH96960. We maintain offices in Montevideo — Uruguay, Buenos Aires — Argentina, Asuncion — Paraguay, and Corumba — Brazil. We own the Nueva Palmira dry ports and transfer facilities indirectly through our Uruguayan subsidiaries, CNSA and Granos, and the San Antonio port facility through our Paraguayan subsidiary, Petrolera San Antonio S.A. (“Petrosan”). All of our material subsidiaries are wholly owned.

### **Environmental and Government Regulation**

Government regulations relating to the environment, health or safety significantly affect our operations, including the ownership and operation of our vessels and our port facilities. Our operations are subject to international conventions, national, state and local laws, and regulations in force in international waters and the jurisdictional waters of the countries in which our vessels may operate or are registered. The legal requirements affecting our operations include, but are not limited to, the IMO International Convention for the Prevention of Pollution from Ships, the IMO International Convention on Civil Liability for Oil Pollution Damage of 1969, and its protocols of 1976, 1984, and 1992, the IMO International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001, the IMO International Convention for the Safety of Life at Sea and the International Convention on Load Lines of 1966. Additionally, the 1982 United Nations Convention of the Law of the Seas also includes regulations that aim to protect and preserve the marine environment (part XII).

As a general provision, section 192 of the Law of the Seas states that all States have the obligation to protect and preserve the marine environment. In addition, section 193 claims that States have the right to exploit their natural resources pursuant to their environmental policies and in accordance with their duty to protect and preserve the marine environment.

The Viña del Mar Agreement on Port State Control is in force in Argentina, Bolivia, Brazil, Colombia, Chile, Cuba, Honduras, Guatemala, Ecuador, Mexico, Panamá, Perú, República Dominicana, Uruguay and Venezuela. Said Agreement enables State Port Authorities to supervise vessels reaching their ports.

We must also comply with legal requirements relating to the management and disposal of hazardous materials and wastes, air emissions, wastewater discharges, the management of ballast waters, maintenance and inspection, and development and implementation of emergency procedures. In addition, vessel classification societies impose safety and other requirements with respect to our vessels. Compliance with these requirements entails significant expense, including vessel modifications and implementation of certain operating procedures. Violations of such requirements can result in substantial penalties, and in certain instances, seizure or detention of our vessels.

International treaties and conventions, as well as national and local laws, can subject us to material liabilities in the event that there is a release of oil or other regulated substances from our vessels or at our port operations. We could also become subject to personal injury or property damage claims relating to exposure to, or releases of, regulated substances associated with our current or historic operations. In addition, we are subject to insurance or other financial assurance requirements relating to oil spills and other pollution incidents and are in material compliance with these requirements.

A variety of governmental and private entities, each of which may have unique requirements, subject our vessels and port terminals to both scheduled and unscheduled inspections. These entities include the local port authorities (harbor master or equivalent), port state controls, classification societies, flag state administration (country of registry) and charterers, particularly terminal operators. Our port terminals are subject to inspections by Hidrografia and the Free Zone Authority in Uruguay and the Environmental Secretary in Paraguay. Certain of these entities require us to obtain permits, licenses and certificates for the operation of our vessels and port facilities. Failure to maintain necessary permits or approvals could result in the imposition of substantial penalties or require us to incur substantial costs or temporarily suspend operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental and safety concerns have created a demand for vessels that conform to the stricter environmental and safety standards. We are required to maintain operating standards for all of our vessels for operational safety, quality maintenance, continuous training of our officers and crews, and compliance with international as well as South American laws and regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental, health and safety laws and regulations; however, because such laws and regulations are frequently changing and may impose increasingly stricter requirements or be enforced more strictly, such future requirements may limit our ability to do business, increase our operating costs, require reductions in cargo capacity, ship modifications or other operational changes or restrictions, lead to reduced availability of insurance coverage or increased policy costs, result in denial of access to certain ports or waters or detention in certain ports, force the early retirement of our vessels, and/or affect their resale value, all of which could have a material adverse effect on our financial condition and results of operations.

### ***Environmental and Safety Regulation — IMO***

The IMO is the United Nations agency concerned with maritime safety and the prevention of pollution by ships. The IMO has adopted a number of international conventions with respect to maritime safety, pollution prevention and liability and compensation, the most significant of which are described below.

#### ***IMO — Pollution Prevention***

The MARPOL Convention (“MARPOL”), which was adopted by the IMO in 1973 and has been updated through various amendments, imposes environmental standards on the shipping industry relating to oil spills, management of garbage, the handling and disposal of noxious liquids, harmful substances in packaged forms, sewage and air emissions. In particular, in 1992, amendments to Annex I of MARPOL requirements imposed phase-out dates for tankers that are not certified as double-hull. Annex I of MARPOL, which was subsequently revised in 2001 and 2003, has been adopted by all countries in the Hidrovia Region, other than Paraguay. In 1984, Argentinean authorities (the “PNA”) adopted MARPOL for domestic trade. In 2008, the PNA adopted a resolution for the phase-out for single hull river vessels and barges from 2013 to 2018. This new regulation may accelerate the scrapping/modification of older river vessels and barges.

Annex III of MARPOL regulates the transportation of marine pollutants, including standards on packing, marking, labeling, documentation, stowage, quality limitations and pollution prevention. Annex III has been adopted by all countries in the Hidrovia Region, other than Paraguay. These requirements have been expanded by the International Maritime Dangerous Goods Code, which imposes additional standards for all aspects of the transportation of dangerous goods and marine pollutants by sea.

Argentinean authorities are considering the ratifications of the 2001 International Convention on Civil Liability for Bunker Oil Pollution Damage (BUNKER), the 1989 International Convention On Salvage, the 2007 Nairobi International Convention on the Removal of Wrecks, and the Convention on Limitation of Liability for Maritime Claims, 1976 London, 19 November 1976 as amended by Protocol of 1996 to amend the Convention on Limitation of Liability for Maritime Claims of 19 November 1976.

#### ***Air Emissions***

In September 1997, the IMO adopted Annex VI to MARPOL to address air pollution from ships. Annex VI was ratified in May 2004 and became effective in May 2005. Of the Hidrovia Region countries (Brazil, Bolivia, Paraguay, Argentina and Uruguay), as of January 31, 2013, only Brazil has adopted Article VI of MARPOL. Annex VI sets limits on sulphur oxide and nitrogen oxide emissions from vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulphur content of fuel oil and allows for special areas to be established with more stringent controls on sulphur emissions.

In October 2008, the IMO adopted amendments to Annex VI regarding particulate matter, nitrogen oxide and sulphur oxide emission standards that entered into force in July 1, 2010. The amended Annex VI aims to reduce air pollution from vessels by, among other things, implementing a progressive reduction of sulphur oxide emissions from ships and establishing new tiers of stringent nitrogen oxide emission standards for marine engines. We may incur additional costs to comply with these revised standards. The amendments include Regulation 15 of Annex VI of MARPOL 73/78, as revised by IMO Resolution MEPC.176 (58), which regulates volatile organic compound (“VOC”) emissions from tankers in designated ports or terminals of an entity regulating such emissions. Regulation 15.6 requires that a tanker carrying crude oil must have on board and implement a VOC Management Plan approved by the flag state in accordance with IMO resolution MEPC.185 (59). This VOC Management Plan must be specific to each ship. Our tanker vessels have an approved VOC management plan.

The IMO has set a global sulfur content limit on fuel oil used on board vessels of 0.50% mass / mass from January 1, 2020. The implementation of this limit will significantly reduce the amount of sulfur oxide from ships, which will mean significant health and environmental benefits for the world, particularly for populations near ports and living coasts.

### ***Ballast Water***

The IMO adopted the International Convention for the Control and Management of Ships’ Ballast Water and Sediments in February 2004 (the “BWM Convention”). The BWM Convention’s implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. With Finland’s accession to the Agreement on September 8, 2016, the 35% threshold was reached, and the BWM convention will enter into force on September 8, 2017. Out of the Hidrovia Region countries, as of March, 2017, Brazil is the only one that has adopted the BWM Convention. The entry of the BWM Convention and revised guidance may result in additional compliance costs.

If the mid-ocean exchange of ballast water is made mandatory at the international level, or if water treatment requirements are implemented, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of compliance with a mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our business.

### ***Hidrovia Convention — RIOCON***

The Hidrovia Region countries are beginning the discussion to standardize all requirements and regulations relating to pollution from vessels. The CIH (Comité Intergubernamental de la Hidrovia) is developing a new convention named RIOCON (an adapted version of MARPOL). Additional or new conventions, laws and regulations may be adopted that could adversely affect our ability to manage our ships.

### ***IMO — Safety***

The IMO has adopted the International Convention for the Safety of Life at Sea (the “SOLAS Convention”) and the International Convention on Load Lines of 1966 (the “LL Convention”), which imposes standards for the regulation of design and operational features of ships. The SOLAS Convention has been adopted by all of the countries in the Hidrovia Region, and, as of January 31, 2013, the LL Convention has been adopted by all of the countries in the Hidrovia Region other than Paraguay. We believe that all of our vessels are in substantial compliance with standards imposed by the SOLAS Convention and the LL Convention.

The operation of our vessels is subject to the requirements set forth in the IMO International Management Code for the Safe Operation of Ships and for Pollution Prevention (the “ISM Code”) pursuant to Chapter IX of the SOLAS Convention. The ISM Code requires vessel owners and bareboat charterers to develop and maintain an extensive “Safety Management System” that includes, among other things, the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The ISM Code requires that vessel operators obtain a safety management certificate for each vessel they operate. No vessel can obtain a certificate unless its manager has been awarded a document of compliance, issued by each flag state, under the ISM Code. The failure of a vessel owner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports. Currently, each of the vessels in our fleet is ISM code-certified. However, there can be no assurance that such certification will be maintained indefinitely.

## ***Oil Pollution Liability***

Many countries have ratified and follow the liability scheme adopted by the IMO and set out in the International Convention of Civil Liability for Oil Pollution Damage (the “CLC”) and the Convention for the Establishment of an International Fund for Oil Pollution of 1971, as amended. Under these conventions and depending on whether the country in which the damage results is a party to the 1992 Protocol to the CLC, a vessel’s registered owner is strictly liable for pollution damage caused on the territorial waters of a contracting state by discharge of persistent oil, subject to certain complete defenses. This liability is subject to a financial limit calculated by reference to the tonnage of the ship. The right to limit liability is forfeited under the CLC where the spill is caused by the owner’s actual fault and, under the 1992 Protocol, where the spill is caused by the owner’s intentional or reckless conduct. Vessels trading to contracting states must provide evidence of insurance covering the limited liability of the owner. Of the countries in the Hidrovia Region, only Argentina and Uruguay have adopted the 1992 Protocol to the CLC. Brazil has ratified the CLC 69 but not the 1992 Protocol. In jurisdictions where the CLC has not been adopted, various legislative schemes or common law govern, and liability is imposed either on the basis of fault or in a manner similar to the CLC. None of the Hidrovia Region countries are part of the 2003 Protocol that amends the International Convention on the Establishment of an International Fund for compensation for oil pollution damages 1992.

Also at the international level, the IMO International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001 (the “Bunker Convention”) was adopted in March 2001 and became effective in November 2008. The Bunker Convention imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of “bunker oil” (oil used or intended for use in the operation or propulsion of the ship) in order to ensure that adequate, prompt and effective compensation is available to persons who suffer damage caused by spills of oil, when carried as fuel in ships’ bunkers. The Bunker Convention applies to damage caused in the territory, including the territorial sea, and in exclusive economic zones of party states and provides a free-standing instrument covering pollution damage only. As with the CLC upon which the Bunker Convention is modeled, a key requirement in this convention is the need for the registered owner of a vessel to maintain compulsory insurance cover. To date, none of the countries in the Hidrovia Region have adopted the Bunker Convention.

Another key provision is the requirement for direct action, which allows a claim for compensation for pollution damage to be brought directly against an insurer. The Bunker Convention requires ships over 1,000 gross tonnage to maintain insurance or other financial security, such as the guarantee of a bank or similar financial institution, to cover the liability of the registered owner for pollution damage in an amount equal to the limits of liability under the applicable national or international limitation regime, but in all cases, not exceeding an amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims, 1976, as amended (the “1976 Convention”). Rights to limit liability under the 1976 Convention are forfeited where a spill is caused by a shipowner’s intentional or reckless conduct. Some jurisdictions have ratified the 1996 LLMC Protocol to the 1976 Convention, which provides for liability limits substantially higher than those set forth in the 1976 Convention. Finally, some jurisdictions are not a party to either the 1976 Convention or the 1996 LLMC Protocol, and therefore shipowners’ rights to limit liability for maritime pollution in such jurisdictions may be uncertain. To date, none of the countries in the Hidrovia Region have adopted the 1976 Convention and the 1996 LLMC Protocol.

Argentina and Brazil are part of the International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties 1969. Said convention states the right of coastal States to take necessary measures on the high seas to prevent, mitigate or eliminate grave and imminent danger to their coastline or related interests from pollution or threat of pollution of the sea by oil, following a maritime casualty or acts related to such a casualty. In addition, Brazil has acceded to the 1973 Protocol that amend the 1969 Convention.

Title VII of the Navigation and Security Protocol of RIOCON, applies to the prevention, reduction and control of pollution from vessels in the Hidrovia Region.

Additionally, each country of the Hidrovia Region has its own laws related to oil pollution.

- *Argentina:* Pursuant to section 41 of the Argentine National Constitution as amended in 1994, all citizens have the right to a healthy environment, balanced and apt for human development so that the productive activities satisfy current needs without harming future generations and citizens and companies have the duty to preserve it. In addition, section 41 states that the damage will generate the duty to remedy the environment. The Water Pollution Prevention & Surveillance Act (22.190) prohibits the dumping of oil in the waterways and establishes rules for the prevention of pollution of waterways and other elements of the environment by pollutant agents from vessels and naval devices. This Act also makes an owner and a “disponent owner” of a vessel (i.e., the person or company that has commercial control over a vessel’s operations without owning the vessel) that causes pollution strictly liable for any clean-up costs and imposes fines for violations. The Dangerous Waste Act (24.051) regulates the creation, handling, transport and final disposal of dangerous waste and makes the owner and/or guardian of the waste strictly liable and imposes fines and/or imprisonment for violations. The National Environmental Policy Act (25.675) establishes the minimum budgets needed to achieve sustainable and adequate management of the environment, makes the person who causes the environmental damage strictly liable, and states that activities that could pollute the environment must be insured. Chapter VIII of the REGINAVE (Maritime, River and Lake Navigation Regime) also governs environmental issues and imposes fines for violations. The International Convention on Oil Pollution Preparedness, Response and Co-operation (OPRC 1990) is also in force in Argentina (Act N° 24.292). The OPRC 1990 requires governments of coastal states to establish measures for dealing with pollution incidents. The Convention calls for the establishment of stockpiles of oil spill combating equipment, holding exercises and development of detailed plans for dealing with pollution incidents. According to the OPRC 1990 tankers should have an oil pollution emergency plan on board, among other measures. Argentina is also part of the 1972 Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter (Act N° 21.947) enacted to promote the effective control and prevent of all sources of pollution of the marine environment. The Convention further prohibits the dumping of any wastes or other matter in whatever form or condition except authorized. In addition, as of August 1st, 2015, a new Civil and Commercial Code is in force in Argentina. Said new code states that the owner or the keeper of dangerous or vicious objects or the person who profits from such activities, shall be liable for the resultant damages (section 1757 and others).

- *Bolivia*: A carrier is in principle liable for any pollution damage caused by cargo carried under its care. This liability may be extended to the cargo owner.
- *Brazil*: The Brazilian legal framework which governs marine pollution incidents encompasses several infra-constitutional Laws and regulations, the main statutes being: Law no. 6.938/81 (Brazilian National Policy on the Environment); Law no. 7.347/1985 (which regulates the Civil Public Action); Law no. 9.966/2000 (“Oil Law”); Law no. 9.605/98 (Environmental Crimes Law); and the Decree no. 83,540/79, which regulates the Decree that gave the force of Law to the International Convention on Civil Liability for Oil Pollution 1969 (“CLC-69”) Also, there are several regulations and international conventions ratified by Brazil, which apply (subject to qualifications) to marine pollution casualties, including: the London Convention of 1972 (“LC-72”); SOLAS 1974; MARPOL 73/78; and OPRC 90. In 1992, Brazil signed the Acuerdo de Transporte Fluvial por la Hidrovia Paraguay-Parana, together with Argentina, Bolivia, Paraguay and Uruguay, in order to develop the Hidrovia Paraguay-Paraná. In December 1997, Brazil signed together with Argentina an Agreement on Environmental Cooperation, which fosters the cooperation to preserve the marine environment, especially with respect the pollution of coastal areas.

According to the aforementioned legislation, liability for environmental pollution damages in Brazil can be assessed in three different spheres: civil; administrative; and criminal. Insofar as the liability regime for civil damages caused to the environment or to affected third parties by oil pollution, this is one of joint strict liability, i.e. the owner and its insurer, as well as any other guarantor, are jointly liable for damages, independent of fault, based on Article 14, §1º, of Law no. 6.938/81 and Article 9, §2º of the Decree no. 83.540/79. Limitation of liability as set out in the CLC-69 is not applicable in Brazil. Insofar as administrative liability, according to Article 25 of the Oil Law, in the event of oil pollution damages, the following parties can be held administratively liable for the above-mentioned fines: the ship owner; the ship owner’s legal representative; the ship operator; the concessionaire; the master or crewman; the representatives of the port, terminal, platform, shipyard or marina; and the cargo owner. According to the same article, the administrative penalties can vary from simple warnings to fines in total up to R\$50 million. Brazil is party to the 1990 International Convention on Oil Pollution Preparedness, Response and Co-operation.

- *Paraguay*: The Constitution of Paraguay regulates protection of the environment and the carrier, the cargo owners and any persons connected to a spill or pollution incident may be held strictly liable, jointly and severally. Paraguay, together with all the countries of the MERCOSUR has signed the Framework Agreement on Environment (2003), which also promotes the environmental protection within the area.
- *Uruguay*: Uruguay enacted Law n° 16.688, in order to regulate the prevention and surveillance of pollution in Uruguayan waters. This law provides for strict, joint and several liability of owners and disponent owners of vessels or other floating devices, aircrafts and shore and off-shore crafts or installations that cause pollution for any damages and cleanup costs and imposes fines in case of violations. Act n° 13.833 forbids dumping hydrocarbons and any harmful substance and imposes fines and other penalties in case of infringement. Uruguay is party to the Protocols of 1992 that have amended both the 1969 Civil Liability Convention and the 1971 Fund Convention. In addition, Uruguay is part of the 1990 International Convention on Oil Pollution Preparedness, Response and Co-operation as well as the 2000 Protocol (OPRC-HNS 2000).

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

### ***Greenhouse Gas Regulation***

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

In December 2011, UN climate change talks took place in Durban and concluded with an agreement referred to as the Durban Platform for Enhanced Action. In preparation for the Durban Conference, the International Chamber of Shipping (“ICS”) produced a briefing document, confirming the shipping industry’s commitment to cut shipping emissions by 20% by 2020, with significant further reductions thereafter. The ICS called on the participants in the Durban Conference to give the IMO a clear mandate to deliver emissions reductions through market-based measures, for example a shipping industry environmental compensation fund. Notwithstanding the ICS’ request for global regulation of the shipping industry, the Durban Conference did not result in any proposals specifically addressing the shipping industry’s role in climate change. However, the IMO has been developing a work plan to limit or reduce greenhouse gas emissions from international shipping through the development of technical, operational and market-based measures. As part of this work plan, in July 2011 the IMO adopted mandatory measures to reduce greenhouse gas emissions from shipping. Specifically, regulations under Annex VI of MARPOL were amended to add a new Chapter 4 that mandates an Energy Efficiency Design Index for new ships and a Ship Energy Efficiency Management Plan for all ships. The regulations apply to all ships over 400 gross tonnage and came into effect on January 2, 2013. Of the Hidrovia Region countries, to date only Brazil has adopted Article VI of MARPOL. Any passage of climate control legislation or further implementation of regulatory initiatives by the IMO or individual countries where we operate that restrict emissions of greenhouse gases from vessels could require us to make significant financial expenditures that we cannot predict with certainty at this time.

### ***Inspections***

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. Inspection procedures can result in the seizure of our vessels or their cargos, delays in the loading, offloading or delivery and the levying of customs duties, fines or other penalties against us. The primary inspection programs to which we are subject are described below.

### ***Inspection by Classification Societies***

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

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull, machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

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

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

*Special Surveys.* Special surveys, also known as class renewal surveys, are carried out every five years for the vessel’s hull, machinery, including the electrical plant, and for any special equipment classed, at the intervals indicated by the character of classification for the hull. At the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey, a vessel owner has the option of arranging with the classification society for the vessel’s machinery to be on a continuous survey cycle. This process is also referred to as continuous survey machinery. We have made arrangements with the classification societies for most of our vessels to be on a continuous survey cycle for machinery.



All of our oceangoing vessels are certified as being “in class.” For inland waterways navigation, class is not mandatory; although most insurance underwriters and oil major vetting department require class certificates (by a classification society which is a member of the International Association of Classification Societies). We were among the first owners operating in the Hidrovia Region offering barges and pushboats with class certificates. Presently, we have almost the complete inland fleet under class. For the inland fleet, the statutory certificates are issued directly by the flag authority.

Our inland fleet is subject to regularly scheduled drydocking and special surveys which are carried out up to every eight years. Currently, our inland fleet is scheduled for intermediate surveys and special surveys as follows: Special Drydock every six years for pushboats and every eight years for barges and Afloat Intermediate Inspection in the middle of each six for pushboats and every two years for barges. All areas subject to survey as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are prescribed elsewhere. Most oceangoing vessels are also drydocked every 30 to 36 months for inspection of the underwater parts and for repairs related to inspections. River units are only drydocked up to every six or eight years for inspection of the underwater parts and for repairs related to inspections. If any defects are found, the classification surveyor will issue a “recommendation” which must be rectified by the vessel owner during the survey or within prescribed time limits.

### ***SIRE Inspections***

One of the most significant safety initiatives to be introduced by the OCIMF, an oil industry trade group focusing on the promotion of safety and pollution prevention from tankers and at oil terminals, is the Ship Inspection Report Program (SIRE). This program was originally launched in 1993 to specifically address concerns about substandard shipping. The SIRE Program is a unique tanker risk assessment tool of value to charterers, ship operators, terminal operators and government bodies concerned with ship safety.

The SIRE system is a very large database of up-to-date information about tankers. Essentially, SIRE has focused tanker industry awareness on the importance of meeting satisfactory tanker quality and ship safety standards. Since its introduction, the SIRE Program has received industry-wide acceptance and participation by both OCIMF members, SIRE Program participants and by ship operators. The expansion of barges and small vessels into SIRE was inaugurated in late 2004. Since its introduction, more than 170,000 inspection reports have been submitted to SIRE. Currently, there are over 22,500 reports on over 8,000 vessels for inspections that have been conducted in the last 12 months. On average, program recipients access the SIRE database at a rate of more than 8,000 reports per month.

The SIRE program requires a uniform inspection protocol that is predicated by the following:

- Vessel Inspection Questionnaire
- Barges Inspection Questionnaire
- Uniform SIRE Inspection Report
- Vessels Particulars Questionnaire
- Barge Particulars Questionnaire
- SIRE Enhanced Report Manager

These features have been established to make the program more uniform and user friendly and to provide a level of transparency unique in the marine transportation industry.

SIRE has established itself as a major source of technical and operational information to prospective charterers and other program users. Its increasing use corresponds with oil industry efforts to better ascertain whether vessels are well managed and maintained.

Inspection reports are maintained on the index for a period of 12 months from the date of receipt and are maintained on the database for two years. SIRE inspection reports for our tankers are available on the database.

SIRE access is available, at a nominal cost, to OCIMF members, bulk oil terminal operators, port authorities, canal authorities, and oil, power, industrial or oil trader companies that charter tankers and barges as a normal part of their business. It is also available, free of charge, to governmental bodies which supervise safety and/or pollution prevention in respect of oil tankers/barges (e.g., port state control authorities, etc).

### ***Inspection by Oil Major Vetting Departments***

For the past several years the oil majors have created their own vetting departments in order to carry out their own surveys. These surveys are made by their own or external surveyors with SIRE I accreditation. Some oil majors have requirements that exceed the IMO and OCIMF requirements. YPF, for example, mandates the use of an IGS (Inert Gas System) for vessels below 20,000 dwt carrying clean products that have a flash point below 60 degrees Celsius. This requirement requires us to install IGSs in our vessels, although not compulsory under international regulations. We have successfully satisfied the operational, safety, environmental and technical vetting criteria of Axion Energy, YPF and Petrobras, and have qualified to do business with them. For Axion Energy, we have been successfully vetted for oceangoing and coastal trade and for single operations. For YPF and Petrobras, we have been successfully vetted for oceangoing trade and for YPF and Axion Energy we have been successfully vetted for inland trade.

### ***TMSA Program***

OCIMF's Tanker Management and Self Assessment ("TMSA") program was introduced in 2004 as a tool to help vessel operators assess, measure and improve their management systems. The TMSA program has been expanded to encompass all tank vessel operators, including those managing coastal vessels and barges. The program encourages vessel operators to assess their safety management systems against listed key performance indicators and provides best practice guidance to minimize the possibility of problems reoccurring. Because non-SOLAS vessels are not subject to the ISM Code, operators of such vessels may use this guide as a tool to measure and improve their operations. A company that incorporates the guidelines contained in the TMSA into their management system may be considered as having an active assessment process, even if not being inspected under the SIRE scheme or having ISM as a management system. Vessel operators can use their assessment results to develop a phased improvement plan that improves safety and environmental performance. Although the TMSA program provides guidance, responsibility for vessel operations, and distribution of this data, lies exclusively with the vessel operator. The TMSA program builds upon the ISM Code and can provide valuable feedback to the charterer on the effectiveness of the vessel operator's management system. Beginning this year OCIMF upgrade the present TMSA 2 to the TMSA 3 version that we are under implementation process.

### ***Risk of Loss and Liability Insurance***

#### ***General***

The operation of any cargo vessel includes significant risks, such as perils of navigable waters, mechanical failure of the vessel, physical damage suffered by the vessel due to explosion, fire or collision, the loss of property on board, loss or damage to cargo, business interruption, hostilities, crew and third party accidents, labor strikes, etc. In addition, there is always an inherent possibility of marine disasters like oil spillages and other environmental mishaps arising from owning and operating vessels in the international trade. Despite potential risks out of the scope of the current coverage, we believe that our present insurance set of coverage is adequate and represents the average insurance level of any well-known maritime company. We contract with high-quality insurance companies that are leaders in the industry.

#### ***Hull and Machinery and War Risk Insurances***

We have marine hull and machinery and war risk insurance, which provides coverage for partial damage arising from mechanical failure (tugs and vessels only), fire, explosion, stranding, collision and grounding, as well as in case of actual or constructive total loss, for all the fleet. Each of the owned vessels is covered according to inland industry standards. Coverage is placed at Lloyd's market.

#### ***Protection and Indemnity Insurance***

Protection and indemnity ("P&I") insurance is provided by mutual protection and indemnity associations, also known as P&I Clubs. This insurance covers third-party liabilities in connection with its shipping activities. P&I insurance is intended to cover a range of incidents, including, but not limited to, third-party liability and other related expenses arising from injury, illness or death of crew and other third parties, the loss of or damage to cargo, claims arising from collisions with other vessels, damage to third-party property, such as buoys, piers or bridges, pollution liabilities arising from oil or other substances, towage liabilities or wreck removal of the insured unit. Coverage is provided in accordance with the association's rules and the members terms of entry subject to a limit of such sums as are provided by the International Group's reinsurance and overspill arrangements in force at that time but currently not less than \$3.1 billion for each accident or occurrence except for oil pollution liabilities which are limited to \$1.0 billion for each accident or occurrence. The 13 P&I associations that comprise the International Group insure approximately 95% of the world's commercial tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I association, which is a member of the International Group, we are subject to calls payable to the associations based on our claim records as well as the claim records of all other members of the individual associations, and members of the pool of P&I associations comprising the International Group.

### ***Environmental Insurance for Port Activities***

We maintain civil liability for environmental damage caused by certain port activities. Specifically concerning Uruguayan regulations applicable to Nueva Palmira dry plant, Uruguayan Decree No. 413/992 sets forth legal, administrative, technical, and economic requirements to be met by companies providing port services, in order to qualify as such within the ports of Uruguay. Said companies must maintain a civil liability insurance covering claims and damages caused to individuals or the environment due to their service providing activities.

### ***Uninsured Risks***

Not all risks are insured and not all risks are insurable. The principal insurable risks, which nonetheless remain uninsured across our business are “loss of hire,” “off-hire,” “strikes,” “defense,” and “credit risk.” We do not insure against these risks because the costs are regarded as disproportionately high relative to the risks and/or such cover is not commercially beneficial or contractually necessary. The loss of hire or strike insurances provide, subject to a deductible, a limited indemnity for hire that would not be receivable by the shipowner for reasons set forth in such policies. Should a vessel on time charter, where the vessel is paid a fixed hire day-by-day, suffer a serious mechanical breakdown, the daily hire will no longer be payable by the charterer. The purpose of the loss of hire insurance is to secure the loss of hire during such periods. In the case of strike insurance, if a vessel is being paid a fixed sum to perform a voyage and the ship becomes strike-bound at a loading or discharging port, or the crew of the vessel goes on strike, the insurance covers the cost of running the vessel during such periods. We maintain business interruption and strike insurance for our dry and wet port terminal facilities. The defense cover is intended to pay the cost of defending a member’s position in a dispute related to a contract signed with third parties. For example, if a charter party is signed and for any reason the vessel is placed off hire, the cover pays the fees of lawyers defending the member’s position, but not the amount in dispute.

### **Risk Management**

Risk management in the river and ports logistics industry involves balancing a number of factors in a cyclical and potentially volatile environment. Fundamentally, the challenge is to appropriately allocate capital to competing opportunities of owning or chartering vessels and in our port facilities. In part, this requires a view of the overall health of the market, as well as an understanding of capital costs and returns.

We seek to manage risk through a number of strategies, including vessel control strategies (chartering and ownership) and freight carriage. Our vessel control strategies include seeking the appropriate mix of owned vessels, long- and short-term chartered-in vessels, coupled with purchase options, when available, and spot charters. We also enter into CoAs, which gives us, subject to certain limitations, the flexibility to determine the means of getting a particular cargo to its destination. In our liquid port (Petrosan), our strategy involves the analysis of market opportunities in order to buy and sell refined petroleum products, and to manage the appropriate mix in storage of owned and third-party products.

### **Commitments and Contingencies — 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 us 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 July 22, 2016, the Company guaranteed the compliance of certain obligations related to Edolmix S.A. and Energías Renovables del Sur S.A. (“Enresur”) (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.

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 up to \$12.0 million. This guarantee expires on March 1, 2020.

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 September 12, 2019, the full amount has been collected in relation to this claim.

### C. Organizational Structure

Navios Logistics maintains offices in Montevideo — Uruguay, Buenos Aires — Argentina, Asuncion — Paraguay, and Corumba — Brazil. Navios Logistics holds the rights to operate the ports and transfer facilities in Nueva Palmira indirectly through its Uruguayan subsidiaries, CNSA and Granos, and owns the San Antonio port facility through its Paraguayan subsidiary, Petrosan.

The table below sets forth Navios Logistics' current corporate structure.

Navios Logistics was incorporated as a Marshall Islands corporation on December 17, 2007 and its subsidiaries are listed below: **Subsidiaries included in the consolidation:**

Company Name	Country of Incorporation	Nature	Percentage of Ownership	Statement of income		
				2019	2018	2017
Corporacion Navios S.A.	Uruguay	Port-Facility Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Energias Renovables del Sur S.A.	Uruguay	Land Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Nauticler S.A.	Uruguay	Sub-Holding Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Compania Naviera Horamar S.A.		Vessel-Operating Management Company				
	Argentina		100%	1/1-12/31	1/1-12/31	1/1-12/31
Compania de Transporte Fluvial International S.A.	Uruguay	Sub-Holding Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Ponte Rio S.A.	Uruguay	Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS Tankers Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS Navigation Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS Shipping Ltd. Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS South Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Petrovia Internacional S.A.	Uruguay	Land-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Mercopar S.A.		Operating/Barge-Owning Company				
	Paraguay		100%	1/1-12/31	1/1-12/31	1/1-12/31
Petrolera San Antonio S.A.	Paraguay	Port Facility-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Stability Oceanways S.A.		Barge and Pushboat-Owning Operating Company				
	Panama		100%	1/1-12/31	1/1-12/31	1/1-12/31
Hidronave South American Logistics S.A.	Brazil	Pushboat-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Horamar do Brasil Navegação Ltda	Brazil	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Navarra Shipping Corporation	Marshall Is.	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Pelayo Shipping Corporation	Marshall Is.	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Navios Logistics Finance (US) Inc.	Delaware	Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Varena Maritime Services S.A.		Barge and Pushboat-Owning Operating Company				
	Panama		100%	1/1-12/31	1/1-12/31	1/1-12/31
Honey Bunkering S.A.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Naviera Alto Parana S.A.	Paraguay	Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Edolmix S.A.		Port-Terminal Rights Owning Company				
	Uruguay		100%	1/1-12/31	1/1-12/31	1/1-12/31
Cartisur S.A.	Uruguay	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
NP Trading S.A.	British Virgin Islands	Sub-Holding Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Ruswe International S.A.	Uruguay	Barge-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Delta Naval Trade S.A.	Panama	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Terra Norte Group S.A.	Paraguay	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Corporacion Navios Granos S.A. (1)	Uruguay	Port-Facility Owning Company	100%	1/1-12/31	11/30-12/31	—
Docas Fluvial do Porto Murinho S.A. (1)	Brazil	Land Owning Company	95%	1/1-12/31	11/12-12/31	—
Siriande S.A. (2)	Uruguay	Non-Operating Company	100%	9/16-12/31	—	—

(1) These companies were acquired during the year ended December 31, 2018.

(2) This company was acquired during the year ended December 31, 2019.

#### D. Property, Plants and Equipment

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

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

- Our subsidiary CNSA, as a free zone direct user at the Nueva Palmira Free Zone, holds the right to occupy the land on which we operate our port and transfer facilities, located at Zona Franca, Nueva Palmira, Uruguay. CNSA has been authorized to operate as a free zone user on November 29, 1955 by a resolution of the Executive, who on September 27, 1956 approved an agreement, as required by applicable law at the time. On December 4, 1995, CNSA’s rights as a direct user were renewed in a single free zone user agreement. On March 4, 2016, the extension of the agreement has been modified, allowing CNSA to install and operate a transfer station to handle and store goods, and to build and operate a plant to receive, prepare and dry grain, iron ore, minerals and all types of liquid cargo on land in the Nueva Palmira Free Zone. As a part of a restructuring process, on November 13, 2018, CNSA has modified its user agreement with the Free Zone of Nueva Palmira, returning to the Free Trade Zone the area in which the facilities of the grain terminal were located, so that such area was subsequently assigned to Granos, another Navios Logistics’ subsidiary. By the means of the restructuring process, CNSA currently performs all activities related to transshipment and deposit of minerals, whereas Granos performs activities related to the transshipment and deposit of agro-commodities and grains. Under the aforementioned agreement, CNSA has the right of use of approximately 37 acres and pays a total fixed annual fee that amounts to \$0.1 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$ 0.25 per ton transshipped. CNSA has also assumed certain obligations with respect to improving the land subject to the agreement, and the agreement is terminable by the Free Zone Division if we breach the terms of the agreement, or labor laws and social security contributions, and if we commit illegal acts or acts expressly forbidden by the agreement. The agreement entered into between CNSA and the Free Zone expires on March 3, 2046, with a 20-year extension at our option, until 2066.
- As a consequence of the above-mentioned restructuring process, on November 13, 2018, Granos entered into a user agreement with the Free Zone of Nueva Palmira, having been authorized to operate as a direct free zone user, therefore being allowed to install and operate a transfer station to handle and store goods, and to build and operate a plant to receive, prepare and dry grain and all types of liquid cargo on land in the Nueva Palmira Free Zone. By the means of the such agreement, Granos currently has the right of use of approximately 46 acres and pays a total fixed annual fee that amounts to \$0.2 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$ 0.25 per ton transshipped. The agreement with the Free Zone expires on March 3, 2046, with a 20-year extension at our option, until 2066.
- On August 4, 2011, Enresur entered into a direct user agreement with the Free Zone of Nueva Palmira and subsequently, due to the acquisition of Enresur by Navios Logistics, such agreement has been revised by an amendment entered into with the Free Zone in July 22, 2016. Therefore, Enresur obtained an authorization to operate as a free zone user, being allowed to build, install and operate a system of handling, storage and treatment of materials in general and raw materials. As a consequence of the agreement, Enresur currently has the right of use of 27 acres and 9556 square meters and pays a total fixed annual fee that amounts to \$0.1 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$0.25 per ton transshipped. The agreement expires on July 22, 2046, with a 20-year extension at our option, until 2066.
- On December 29, 2008, Edolmix S.A. entered into a direct user agreement with the Free Zone of Nueva Palmira and, due to the acquisition of Edolmix by Navios Logistics in 2015, such agreement has been revised by an amendment entered into with the Free Zone in July 22, 2016. Therefore, Edolmix obtained an authorization to operate as a free zone user, being allowed to install and operate warehouses, silos, industrial facilities for the storage and handling of materials in general and raw materials, including raw manganese, minerals, grains and liquid cargo, containers and pallets; having being also authorized to install and operate a barge dock and a port terminal. As a consequence of the agreement, Edolmix currently has the right of use of 34.5 acres and 3,546 square meters and pays a total fixed annual fee that amounts to \$0.1 million, payable over eight consecutive months beginning in January of each year and increasing yearly in proportion to the variation in the U.S. Consumer Price Index corresponding to the previous year. There is also a transshipment fee of \$ 0.25 per ton transshipped. The agreement expires on July 22, 2046, with a 20-year extension at our option until 2066.

- CNSA also leases approximately 400 square meters of space at Paraguay 2141, Montevideo, Uruguay, pursuant to a lease that expires in November 2020.
- Our subsidiary Compania Naviera Horamar S.A. leases approximately 409 square meters at Cepeda 429 Street, San Nicolás, Buenos Aires, Argentina, pursuant to a lease agreement that expires in November 2020.
- Compania Naviera Horamar S.A. leases approximately 277 square meters at 874 California Street, Buenos Aires, Argentina. The lease agreement expires in August 31, 2021.
- Compania Naviera Horamar S.A. leases a piece of land called “La Misteriosa” in an Island in the Province of Entre Rios, Argentina, Department of Islands of Ibicuy and Paranacito. As per new contract dated June 28, 2019, the lease agreement expires on June 30, 2021.
- Compania Naviera Horamar S.A. leases approximately 1,370 square meters of office space at Av. Juana Manso 205, Buenos Aires, Argentina, pursuant to a lease agreement that expires in June 2021. As per addendum dated November 21, 2019, CNH has agreed to lease nine additional parking spaces and one storage until expiration date.
- Merco Par S.A.C.I. leases approximately 655 square meters of office space at Avenida Aviadores del Chaco No 1.669 corner San Martín, Asuncion, Paraguay, pursuant to a lease agreement that expires in October 2023.
- Our subsidiary CNSA owns premises in Montevideo, Uruguay. This space is approximately 112 square meters and is located at Juan Carlos Gomez 1445, Oficina 701, Montevideo 1100, Uruguay.
- Our subsidiary Petrolera San Antonio S.A. owns the premises from which it operates in Avenida San Antonio, Paraguay. This space is approximately 146,744 square meters and is located between Avenida San Antonio and Virgen de Caacupe, San Antonio, Paraguay.
- Our subsidiary Compania Naviera Horamar S.A. owns two storehouses located at 880 Calle California, Ciudad Autonoma de Buenos Aires, Argentina and at 791/795 Calle General Daniel Cerri, Ciudad Autonoma de Buenos Aires, Argentina of approximately 259 and 825 square meters, respectively. Compania Naviera Horamar S.A. also owns approximately 1,139 square meters of office space located in 846 Avenida Santa Fe, Ciudad Autonoma de Buenos Aires, Argentina.
- Our subsidiary Petrovia Internacional S.A. owns three plots of land in Nueva Palmira, Uruguay, two of approximately 29 acres each and one of 23 acres.
- Our subsidiary Hidronave South American Logistics leases an office space at 688, 15 de novembro street, Corumbá, Brazil, pursuant to a lease agreement that expires in May 2020.
- Our subsidiary Docas Fluvial de Porto Murtinho Ltda. (“Docas”) owns plots of land in Porto Murtinho, Brazil. This land is approximately 58,876 square meters and it is located on the shoreline of the Paraguay River. On September 10, 2019 Docas has acquired a new plot of land in Porto Murtinho of approximately 2.5 acres.

#### **Item 4A. Unresolved Staff Comments**

None.

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

The following is a discussion of the financial condition and results of operations of Navios Logistics. 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, including the notes to those financial statements, for each of the fiscal years ended December 31, 2019, 2018 and 2017 which are included elsewhere in this annual report on Form 20-F.

This report contains forward-looking statements. These forward-looking statements are based on Navios Logistics’ current expectations and observations. See “Forward-Looking Statements” and “Item 3.D Risk Factors” in this report for the factors that, in Navios Logistics’ view, could cause actual results to differ materially from the forward-looking statements contained in this report.

#### **General**

Navios Logistics was incorporated under the laws of the Republic of the Marshall Islands on December 17, 2007. We believe we are one of the largest logistics companies in the Hidrovia Waterway, the main navigable river system in the region, and on the cabotage trades along the eastern coast of South America. We serve our customers in the Hidrovia Region through our 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. We complement our three port terminals with a diverse fleet of 332 barges and pushboats and eight vessels, including six oceangoing tankers, one bunker vessel and one river and estuary product tanker, which operate in our cabotage business. We provide transportation for dry cargo (cereals, cotton pellets, soybeans, wheat, limestone (clinker), mineral iron, and rolling stones) and liquid cargo (hydrocarbons such as crude oil, gas oil, naphtha, fuel oil and vegetable oils) and liquefied cargo (liquefied petroleum gas or “LPG”).

For a discussion of our history and development, see “Item 4.A History and Development of the Company”.

## **Ports**

We own three port storage and transfer facilities, one for agricultural and forest-related exports, one for mineral related exports and one for refined petroleum products. Our port facilities in Nueva Palmira, Uruguay, with a total storage capacity for grains of 460,000 metric tons, and a stockpile capacity of 700,000 tons for mineral ores, moved 4.9 million tons of dry cargo in 2019, as compared to 3.0 million tons of dry cargo in 2018. Our port facility in San Antonio, Paraguay, with a total storage capacity of 45,660 cubic meters, moved approximately 397,033 cubic meters of stored liquid cargos and had 16,002 cubic meters of sales of products concerning liquid fuels (primarily diesel and naphtha) in 2019 as compared to approximately 317,352 cubic meters of stored cargos and 43,711 cubic meters of sales of products in 2018.

## **Fleet**

Our current core fleet consists of a total of 340 owned vessels, barges and pushboats.

See “Item 4.B Business Overview” for details on our current core fleet.

## ***Recent Developments***

On February 14, 2020, the Company agreed to a \$25.0 million loan facility (the “New BBVA Facility”) with Banco Bilbao Vizcaya Argentaria Uruguay S.A. (“BBVA”), which can be drawn if certain conditions are met. The New BBVA Facility can be used to repay the existing loan facility with BBVA, which as of December 31, 2019 had an outstanding amount of \$14.3 million, and for general corporate purposes. The new loan will bear interest at a rate of LIBOR (180 days) plus 325 basis points, will be repayable in equal quarterly installments with final maturity in March 31, 2022 and will be secured by assignments of certain receivables.

Our board of directors declared a \$27.5 million dividend, which was paid on February 21, 2020.

## **A. Operating Results**

### **Overview**

#### **Factors affecting our results of operations**

For further discussion on factors affecting our results of operations, see also “Item 3.D Risk Factors” included elsewhere in this report. For information regarding governmental, economic, fiscal, monetary or political policies that could materially affect our operations, see “Item 3.D Risk Factors — Risks Relating to Argentina”, “Risks Relating to Uruguayan Free Zone Regulation” and “Other Risks Relating to the Countries in which We Operate.”

#### ***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, we must be able to renew the contracts on our 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 we specialize in the transport and storage of liquid cargoes, as well as the transport of dry bulk cargoes along the Hidrovia Waterway, any changes adversely affecting the region, such as low water levels, could reduce or limit our 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 we transport and store and this could result in a reduction in demand for services.

See “Item 11. Quantitative and Qualitative Disclosures about Market Risk for a discussion of Foreign Currency Transactions, Inflation and Fuel Price Increases.”

### **Seasonality**

Certain of our businesses have seasonality aspects, and seasonality affects the results of our 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 Waterway could adversely affect our operations because the water level is not high enough to accommodate the draft of a heavily laden vessel. Such low levels also adversely impact our 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. Our liquid port terminal operations in Paraguay and our 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 Income Breakdown by Segment**

We report our operations based on three reportable segments: Port Terminal Business, Barge Business and Cabotage Business. The Port Terminal Business includes the dry port terminals operations and the liquid port terminal operations. For further historical segment information, please see our audited consolidated financial statements included elsewhere in this report.

### **Financial Highlights**

#### **For the year ended December 31, 2019 compared to the year ended December 31, 2018**

The following table presents consolidated revenue and expense information for the years ended December 31, 2019 and 2018 and was derived from our audited consolidated financial statements.

<u>(Expressed in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Time charter, voyage and port terminal revenues	\$ 218,887	\$ 175,126
Sales of products	9,384	32,508
Time charter, voyage and port terminal expenses	(43,090)	(31,949)
Direct vessel expenses	(48,725)	(48,962)
Cost of products sold	(9,077)	(31,289)
Depreciation of vessels, port terminals and other fixed assets	(26,662)	(26,583)
Amortization of intangible assets	(2,773)	(2,724)
Amortization of deferred drydock and special survey costs	(5,166)	(7,204)
General and administrative expenses	(17,393)	(15,064)
Provision for losses on accounts receivable	(341)	(75)
Taxes other than income taxes	(7,745)	(7,056)
Interest expense and finance cost	(40,531)	(39,669)
Interest income	4,579	517
Gain on sale of assets	—	28
Foreign exchange differences, net	(1,596)	(1,355)
Other income, net	3,621	9,237
<b>Income before income taxes</b>	<b>\$ 33,372</b>	<b>\$ 5,486</b>
Income tax (expense)/ benefit	(1,233)	1,376
<b>Net income</b>	<b>\$ 32,139</b>	<b>\$ 6,862</b>



*Time Charter, Voyage and Port Terminal Revenues:* For the year ended December 31, 2019, revenue increased by \$43.8 million or 25.0% to \$218.9 million, as compared to \$175.1 million for 2018. Revenue from the port terminal business increased by \$25.9 million or 38.8% to \$92.7 million for the year ended December 31, 2019, as compared to \$66.8 million for the same period in 2018. This increase was mainly due to higher volumes transhipped in the grain port terminal as well as higher revenue in the iron ore port terminal compared to the year ended December 31, 2018 as iron ore port terminal operations were partially interrupted from a fire incident in 2018. Revenue from the barge business increased by a \$13.5 million or 20.6% to \$78.7 million for the year ended December 31, 2019, as compared to \$65.2 million for the same period in 2018, mainly due to higher volumes of liquid and dry cargo transported. Revenue from the cabotage business increased by \$4.4 million or 10.2% to \$47.5 million for the year ended December 31, 2019, as compared to \$43.1 million for the same period during 2018, mainly due to more operating days.

*Sales of Products:* For the year ended December 31, 2019, sales of products decreased by \$23.1 million or 71.1% to \$9.4 million, as compared to \$32.5 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 \$11.2 million or 34.9% to \$43.1 million for the year ended December 31, 2019, as compared to \$31.9 million for the same period in 2018. The increase was mainly due to a \$7.9 million or 50.2% increase in the barge business to \$23.4 million for the year ended December 31, 2019, as compared to \$15.5 million for the same period in 2018. This increase was mainly due to higher volumes of liquid and dry cargo transhipped. Port terminal expenses increased by \$2.8 million or 19.0% to \$17.6 million for the year ended December 31, 2019, as compared to \$14.8 million for the same period in 2018, mainly due to higher volumes transhipped in the grain and iron ore port terminals. Time charter and voyage expenses of the cabotage business increased by \$0.5 million or 32.7% to \$2.1 million for the year ended December 31, 2019, as compared to \$1.6 million for the same period of 2018, mainly due to more spot voyages performed.

*Direct Vessel Expenses:* Direct vessel expenses decreased by \$0.3 million or 0.5% to \$48.7 million for the year ended December 31, 2019, as compared to \$49.0 million for the same period in 2018. Direct vessel expenses of the barge business decreased by \$1.2 million or 4.2% to \$24.7 million for the year ended December 31, 2019, as compared to \$25.9 million for the same period in 2018, mainly attributable to decreased crew costs. Direct vessel expenses of the cabotage business increased by \$0.9 million or 3.7% to \$24.0 million for the year ended December 31, 2019, as compared to \$23.1 million for the same period in 2018, mainly due to more operating days. Direct vessel expenses include crew costs, victualling costs, dockage expenses, lubricants, stores, insurance, maintenance and repairs.

*Cost of Products Sold:* For the year ended December 31, 2019, cost of products sold decreased by \$22.2 million or 71.0% to \$9.1 million, as compared to \$31.3 million for the same period during 2018. This decrease was mainly attributable to a decrease in the Paraguayan liquid port's volumes of products sold.

*Depreciation of Vessels, Port Terminals and Other Fixed Assets:* Depreciation of vessels, port terminals and other fixed assets, increased by \$0.1 million or 0.3% to \$26.7 million for the year ended December 31, 2019, as compared to \$26.6 million for the same period of 2018. Depreciation in the cabotage business increased by \$0.6 million or 19.0% to \$3.5 million for the year ended December 31, 2019, as compared to \$2.9 million for the same period in 2018, mainly due to the delivery of the river and estuary tanker. Depreciation in the port terminal business decreased by \$0.1 million or 1.3% to \$7.2 million for the year ended December 31, 2019, as compared to \$7.3 million for the same period of 2018. Depreciation in the barge business decreased by \$0.4 million or 2.3% to \$16.0 million for the year ended December 31, 2019, as compared to \$16.4 million for the same period in 2018.

*Amortization of Intangibles Assets:* Amortization of intangible assets increased by \$0.1 million or 1.8% to \$2.8 million for the year ended December 31, 2019, as compared to \$2.7 million for the same period in 2018. Amortization of intangible assets in the barge business decreased by \$0.1 million or 0.2% to \$1.8 million for the year ended December 31, 2019, as compared to \$1.7 million for the same period of 2018. Amortization of intangible assets in the port terminal business remained stable at \$1.0 million for both the years ended December 31, 2019 and 2018.

*Amortization of Deferred Drydock and Special Survey Costs:* For the year ended December 31, 2019, amortization of deferred drydock and special survey costs decreased by \$2.0 million or 28.3% to \$5.2 million, as compared to \$7.2 million for the same period in 2018.

*General and Administrative Expenses:* General and administrative expenses increased by \$2.3 million or 15.5% to \$17.4 million for the year ended December 31, 2019, as compared to \$15.1 million for the same period during 2018. This increase was mainly attributable to an increase in payroll and related costs.

*Provision for Losses on Accounts Receivable:* Provision for losses on accounts receivable increased by \$0.2 million to \$0.3 million for the year ended December 31, 2019, as compared to \$0.1 million for the same period during 2018.

*Taxes Other Than Income Taxes:* Taxes other than income taxes increased by \$0.6 million or 9.8% to \$7.7 million for the year ended December 31, 2019, as compared to \$7.1 million for the same period during 2018. This decrease was mainly attributable to a \$0.4 million increase in the barge business and a \$0.2 million increase in the cabotage business.

*Interest Expense and Finance Cost:* Interest expense and finance cost increased by \$0.8 million or 2.2% to \$40.5 million for the year ended December 31, 2019, as compared to \$39.7 million for the same period in 2018. The increase was attributable to the reduced amount of capitalized interest, following the delivery of the three new pushboats in the first quarter of 2018.

*Interest Income:* Interest income increased by \$4.1 million to \$4.6 million for the year ended December 31, 2019, as compared to \$0.5 million for the same period in 2018. The increase was mainly due to higher interest income recorded from the Navios Holdings Loan Agreement (as defined below).

*Foreign Exchange Differences, net:* Loss from foreign exchange differences increased by \$0.2 million or 17.8% to \$1.6 million for the year ended December 31, 2019 as compared to \$1.4 million for the same period in 2018. The variation is mainly attributable to the less favorable fluctuation of the U.S. dollar exchange rate against the local currencies in the different countries where we conducted our operations.

*Other Income, Net:* Other income, net decreased by \$5.6 million or 60.8% to \$3.6 million for the year ended December 31, 2019, as compared to \$9.2 million for the same period in 2018. Other income, net in the port terminal business decreased by \$7.7 million to \$1.5 million for the year ended December 31, 2019, as compared to \$9.2 million for the same period of 2018. This decrease was mainly due to an insurance claim related to the iron ore port terminal recorded during the year ended December 31, 2018. Other income, net in the cabotage business decreased by \$0.6 million to \$0.1 million for the year ended December 31, 2019 as compared to \$0.7 million for the same period during 2018, mainly due to compensation by shipyard for late delivery of a newbuilding vessel recorded during the year ended December 31, 2018. Other income, net in the barge business increased by \$2.7 million to \$2.0 million for the year ended December 31, 2019 as compared to \$0.7 million other expense, net for the same period during 2018, mainly due to the income recorded from an insurance claim.

*Income Tax (Expense)/ Benefit:* Income tax loss increased by \$2.6 million to \$1.2 million for the year ended December 31, 2019, as compared to \$1.4 million income tax benefit for the same period in 2018. Income tax benefit from the barge business decreased by \$1.6 million to \$0.7 million for the year ended December 31, 2019, as compared to \$2.3 million for the same period in 2018. The cabotage business had an increase in income tax loss of \$1.0 million to \$1.9 million for the year ended December 31, 2019, as compared to a \$0.9 million in the same period in 2018.

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

The following table presents consolidated revenue and expense information for the years ended December 31, 2018 and 2017 and was derived from our audited consolidated financial statements.

<u>(Expressed in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>
Time charter, voyage and port terminal revenues	\$ 175,126	\$ 180,044
Sales of products	32,508	32,572
Time charter, voyage and port terminal expenses	(31,949)	(33,617)
Direct vessel expenses	(48,962)	(62,554)
Cost of products sold	(31,289)	(30,717)
Depreciation of vessels, port terminals and other fixed assets	(26,583)	(23,322)
Amortization of intangible assets	(2,724)	(3,543)
Amortization of deferred drydock and special survey costs	(7,204)	(7,928)
General and administrative expenses	(15,064)	(16,665)
Provision for losses on accounts receivable	(75)	(569)
Taxes other than income taxes	(7,056)	(9,018)
Interest expense and finance cost	(39,669)	(28,347)
Interest income	517	238
Gain on sale of assets	28	1,064
Foreign exchange differences, net	(1,355)	(726)
Other income, net	9,237	2,725
<b>Income/ (Loss) before income taxes</b>	<b>\$ 5,486</b>	<b>\$ (363)</b>
Income tax benefit	1,376	3,468
<b>Net income</b>	<b>\$ 6,862</b>	<b>\$ 3,105</b>

*Time Charter, Voyage and Port Terminal Revenues:* For the year ended December 31, 2018, revenue decreased by \$4.9 million or 2.7% to \$175.1 million, as compared to \$180.0 million for 2017. Revenue from the barge business decreased by a \$13.2 million or 16.8% to \$65.2 million for the year ended December 31, 2018, as compared to \$78.4 million for the same period in 2017. This decrease was mainly attributable to lower liquid cargo transportation. Revenue from the cabotage business decreased by \$5.0 million or 10.4% to \$43.1 million for the year ended December 31, 2018, as compared to \$48.1 million for the same period during 2017. This decrease was mainly attributable to lower rates achieved. The overall decrease was partially mitigated by a \$13.3 million or 24.8% increase in revenue from the port terminal business to \$66.8 million for the year ended December 31, 2018, as compared to \$53.5 million for the same period during 2017. The increase was mainly attributable to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017.

*Sales of Products:* For the year ended December 31, 2018, sales of products decreased by \$0.1 million or 0.2% to \$32.5 million, as compared to \$32.6 million for the same period during 2017. This decrease was attributable to a decrease in volume of the products sold at the Paraguayan liquid port terminal.

*Time Charter, Voyage and Port Terminal Expenses:* Time charter, voyage and port terminal expenses decreased by \$1.7 million or 5.0% to \$31.9 million for the year ended December 31, 2018, as compared to \$33.6 million for the same period in 2017. The decrease was mainly due to a \$1.8 million or 10.2% decrease in the barge business to \$15.5 million for the year ended December 31, 2018, as compared to \$17.3 million for the same period in 2017. This decrease was mainly attributable to the reduced number of voyages. Time charter and voyage expenses of the cabotage business decreased by \$0.3 million or 16.1% to \$1.6 million for the year ended December 31, 2018, as compared to \$1.9 million for the same period of 2017. This decrease was mainly attributable to the decreased voyage expenses. The overall decrease was partially mitigated by a \$0.4 million or 2.8% increase in time charter, voyage and port terminal expenses from the port terminal business to \$14.8 million for the year ended December 31, 2018, as compared to \$14.4 million for the same period in 2017. The increase was mainly attributable to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017.

*Direct Vessel Expenses:* Direct vessel expenses decreased by \$13.6 million or 21.7% to \$49.0 million for the year ended December 31, 2018, as compared to \$62.6 million for the same period in 2017. Direct vessel expenses of the cabotage business decreased by \$8.9 million or 27.7% to \$23.1 million for the year ended December 31, 2018, as compared to \$32.0 million for the same period in 2017. This decrease was mainly attributable to a decrease in the Argentinean crew costs. Direct vessel expenses of the barge business decreased by \$4.7 million or 15.4% to \$25.9 million for the year ended December 31, 2018, as compared to \$30.6 million for the same period in 2017, mainly attributable to decreased crew costs. Direct vessel expenses include crew costs, victualling costs, dockage expenses, lubricants, stores, insurance, maintenance and repairs.

*Cost of Products Sold:* For the year ended December 31, 2018, cost of products sold increased by \$0.6 million or 1.9% to \$31.3 million, as compared to \$30.7 million for the same period during 2017. This increase was attributable to an increase in the price of the products sold at the Paraguayan liquid port terminal.

*Depreciation of Vessels, Port Terminals and Other Fixed Assets:* Depreciation of vessels, port terminals and other fixed assets, increased by \$3.3 million or 14.0% to \$26.6 million for the year ended December 31, 2018, as compared to \$23.3 million for the same period of 2017. Depreciation in the port terminal business increased by \$2.1 million or 39.1% to \$7.3 million for the year ended December 31, 2018, as compared to \$5.2 million for the same period of 2017. This increase was mainly attributable to the operations of the iron ore terminal, servicing the Vale contract, for the full year in 2018, compared to partial year in 2017. Depreciation in the barge business increased by \$1.2 million or 8.1% to \$16.4 million for the year ended December 31, 2018, as compared to \$15.2 million for the same period in 2017, mainly due to the commencement of operations of the three new pushboats. Depreciation in the cabotage business remained stable at \$2.9 million for both years ended December 31, 2018 and December 31, 2017.

*Amortization of Intangibles Assets:* Amortization of intangible assets decreased by \$0.8 million or 23.1% to \$2.7 million for the year ended December 31, 2017, as compare to \$3.5 million for the same period in 2017. Amortization of intangible assets in the barge business decreased by \$1.1 million or 37.0% to \$1.7 million for the year ended December 31, 2018, as compared to \$2.8 million for the same period of 2017. The overall decrease was partially mitigated by a \$0.3 million or 30.3% increase in amortization of intangible assets of the port terminal business to \$1.0 million for the year ended December 31, 2018, as compared to \$0.7 million for the same period of 2017.

*Amortization of Deferred Drydock and Special Survey Costs:* For the year ended December 31, 2018, amortization of deferred drydock and special survey costs decreased by \$0.7 million or 9.1% to \$7.2 million, as compared to \$7.9 million for the same period in 2017.

*General and Administrative Expenses:* General and administrative expenses decreased by \$1.6 million or 9.6% to \$15.1 million for the year ended December 31, 2018, as compared to \$16.7 million for the same period during 2017. This decrease was mainly attributable to a decrease in salaries and general expenses.

*Provision for Losses on Accounts Receivable:* Provision for losses on accounts receivable decreased by \$0.5 million or 86.8% to \$0.1 million for the year ended December 31, 2018, as compared to \$0.6 million for the same period during 2017.

*Taxes Other Than Income Taxes:* Taxes other than income taxes decreased by \$1.9 million or 21.8% to \$7.1 million for the year ended December 31, 2018, as compared to \$9.0 million for the same period during 2017. This decrease was mainly attributable to \$1.2 million decrease in the cabotage business and \$0.7 million decrease in the barge business.

*Interest Expense and Finance Cost:* Interest expense and finance cost increased by \$11.4 million or 39.9% to \$39.7 million for the year ended December 31, 2018, as compared to \$28.3 million for the same period in 2017. The increase was attributable to the increased amount of debt drawn during the period and the reduced amount of capitalized interest, following the completion of the new iron ore terminal, during the year ended December 31, 2017 and the delivery of the three new pushboats in the first quarter of 2018.

*Interest Income:* Interest income increased by \$0.3 million or 117.2% to \$0.5 million for the year ended December 31, 2018, as compared to \$0.2 million for the same period in 2017. The increase is due to higher income from short-term deposits.

*Gain on sales of assets:* Gain on sales of assets was zero for the year ended December 31, 2018, as compared to \$1.1 million for the same period during 2017, mainly attributable to the sale of two self-propelled barges during the year ended December 31, 2017.

*Foreign Exchange Differences, net:* Loss from foreign exchange differences increased by \$0.7 million or 86.6% to \$1.4 million for the year ended December 31, 2018 as compared to \$0.7 million for the same period in 2017. The variation is mainly attributable to the less favorable fluctuation of the U.S. dollar exchange rate against the local currencies in the different countries where we conducted our operations.

*Other Income, Net:* Other income, net increased by \$6.5 million to \$9.2 million for the year ended December 31, 2018, as compared to \$2.7 million for the same period in 2017. Other income, net in the port terminal business increased by \$9.2 million to \$9.2 million for the year ended December 31, 2018, as compared to zero for the same period of 2017. This increase was mainly due to the insurance claim related to the fire incident at the iron ore port terminal. Other income, net in the cabotage business increased by \$0.7 million to \$0.7 million for the year ended December 31, 2018 as compared to zero for the same period during 2017, mainly due to the compensation by the shipyard for the late delivery of the new-building river and estuary tanker that was delivered during the third quarter of 2018. Other expense, net in the barges business increased by \$3.4 million to \$0.7 million for the year ended December 31, 2018 as compared to \$2.7 million other income, net for the same period during 2017, mainly due to the income recorded from an arbitration award during the year ended December 31, 2017.

*Income Tax Benefit/(loss):* Income tax benefit decreased by \$2.1 million or 60.3% to \$1.4 million for the year ended December 31, 2018, as compared to \$3.5 million for the same period in 2017. Income tax benefit from barge business decreased by \$2.4 million or 51.0% to \$2.3 million for the year ended December 31, 2018, as compared to \$4.7 million for the same period in 2017. This decrease was mainly attributable to a reduction of deferred tax liability due to the decrease in future Argentinean income tax rates from 2018 onwards, following the tax reforms voted by the Argentinean Parliament in December 31, 2017. The cabotage business had a decrease in income tax loss of \$0.3 million or 24.1%, to \$0.9 million for the year ended December 31, 2018, as compared to a \$1.2 million in the same period in 2017.

#### EBITDA Reconciliation to Net Income/(Loss)

EBITDA represents net income/(loss) before interest, taxes, depreciation and amortization and loss on bond extinguishment. 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 accounting principles generally accepted in the United States 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.

#### Year Ended December 31, 2019

<u>(Expressed in thousands of U.S. dollars)</u>	<b>Port Terminal Business</b>	<b>Cabotage Business</b>	<b>Barge Business</b>	<b>Total</b>
<b>Net income/(loss)</b>	<b>\$47,095</b>	<b>\$ 1,553</b>	<b>\$(16,509)</b>	<b>\$ 32,139</b>
Depreciation of vessels, port terminals and other fixed assets	7,186	3,489	15,987	26,662
Amortization of intangible assets	995	—	1,778	2,773
Amortization of deferred drydock and special survey costs	—	3,033	2,133	5,166
Interest income	(1,934)	(441)	(2,204)	(4,579)
Interest expense and finance cost, net	17,296	5,158	18,077	40,531
Income tax expense/ (benefit)	—	1,905	(672)	1,233
<b>EBITDA</b>	<b><u>\$70,638</u></b>	<b><u>\$14,697</u></b>	<b><u>\$ 18,590</u></b>	<b><u>\$103,925</u></b>

#### Year Ended December 31, 2018

<u>(Expressed in thousands of U.S. dollars)</u>	<b>Port Terminal Business</b>	<b>Cabotage Business</b>	<b>Barge Business</b>	<b>Total</b>
<b>Net income/(loss)</b>	<b>\$33,765</b>	<b>\$ (616)</b>	<b>\$(26,287)</b>	<b>\$ 6,862</b>
Depreciation of vessels, port terminals and other fixed assets	7,284	2,932	16,367	26,583
Amortization of intangible assets	950	—	1,774	2,724
Amortization of deferred drydock and special survey costs	—	4,576	2,628	7,204
Interest income	(64)	—	(453)	(517)
Interest expense and finance cost, net	16,320	4,928	18,421	39,669
Income tax expense/ (benefit)	—	910	(2,286)	(1,376)
<b>EBITDA</b>	<b><u>\$58,255</u></b>	<b><u>\$12,730</u></b>	<b><u>\$ 10,164</u></b>	<b><u>\$81,149</u></b>

**Year Ended December 31, 2017**

<u>(Expressed in thousands of U.S. dollars)</u>	<u>Port Terminal Business</u>	<u>Cabotage Business</u>	<u>Barge Business</u>	<u>Total</u>
<b>Net income/(loss)</b>	<b>\$23,824</b>	<b>\$ (5,861)</b>	<b>\$(14,858)</b>	<b>\$ 3,105</b>
Depreciation of vessels, port terminals and other fixed assets	5,238	2,940	15,144	23,322
Amortization of intangible assets	729	—	2,814	3,543
Amortization of deferred drydock and special survey costs	—	5,148	2,780	7,928
Interest income	(14)	—	(224)	(238)
Interest expense and finance cost, net	7,004	4,784	16,559	28,347
Income tax expense/ (benefit)	—	1,199	(4,667)	(3,468)
<b>EBITDA</b>	<b><u>\$36,781</u></b>	<b><u>\$ 8,210</u></b>	<b><u>\$ 17,548</u></b>	<b><u>\$62,539</u></b>

EBITDA increased by \$22.8 million to \$103.9 million for the year ended December 31, 2019, as compared to \$81.1 million for the same period of 2018. This increase was mainly due to (a) a \$43.8 million increase in time charter, voyage and port terminal revenues, of which \$25.9 million was attributable to the port terminal business, \$13.5 million to the barge business and \$4.4 million to the cabotage business, (b) a \$22.2 million decrease in cost of products sold in the port terminal business, and (c) a \$0.3 million decrease in direct vessels expenses, of which \$1.2 million was attributable to the barge business, partially mitigated by \$0.9 million increase in the cabotage business. This increase was partially offset by (a) a \$23.1 million decrease in sales of products in the port terminal business, (b) a \$11.2 million increase in time charter, voyage and port terminal expenses, of which \$7.9 million was attributable to the barge business, \$2.8 million to the port terminal business and \$0.5 million to the cabotage business, (c) a \$5.6 million decrease in other income, net of which \$7.7 million was attributable to the port terminal business, \$0.6 million to the cabotage business, partially mitigated by a \$2.7 million increase in the barge business, (d) a \$2.3 million increase in general and administrative expenses of which \$1.9 million was attributable to the port terminal business and \$0.4 million to the barge business, (e) a \$0.6 million increase in taxes other than income taxes, of which \$0.4 million was attributable to the barge business and a \$0.2 million to the cabotage business, (f) a \$0.2 million increase in provision for losses on accounts receivable of the port terminal business, and (g) a \$0.2 million increase in foreign exchange differences loss, of which \$0.3 million was attributable to the cabotage business, partially mitigated by \$0.1 million decrease in the barge business.

EBITDA increased by \$18.6 million to \$81.1 million for the year ended December 31, 2018, as compared to \$62.5 million for the same period of 2017. This increase was mainly due to (a) a \$13.6 million decrease in direct vessels expenses, of which \$8.9 million was attributable to the cabotage business and \$4.7 million was attributable to the barge business, (b) a \$6.6 million increase in other income, net of which \$9.2 million was attributable to the port terminal business, \$0.8 million was attributable to the cabotage business, partially mitigated by a \$3.4 million decrease in the barge business, (c) a \$2.0 million decrease in taxes other than income taxes, of which \$1.3 million was attributable to the cabotage business and a \$0.7 million to the barge business, (d) a \$1.7 million decrease in time charter, voyage and port terminal expenses, of which \$1.8 million was attributable to the barge business, \$0.3 million decrease in the cabotage business, partially mitigated by \$0.4 million increase in the port terminal business, (e) a \$1.6 million decrease in general and administrative expenses of which \$2.4 million was attributable to the barge terminal business, partially mitigated by a \$0.8 million increase in the cabotage business and (f) a \$0.5 million decrease in provision for losses on accounts receivable. This increase was partially offset by (a) a \$4.9 million decrease in time charter, voyage and port terminal revenues, of which \$13.2 million was attributable in the barge business and \$5.0 million was attributable to the cabotage business, partially mitigated by \$13.3 million increase in the port terminal business, (b) a \$1.1 million decrease in gain on sale of assets attributable to the barge business, (c) a \$0.7 million increase in foreign exchange differences loss attributable to the cabotage business, (d) a \$0.6 million increase in cost of products sold in the port terminal business and (e) a \$0.1 million decrease in sales of products in the port terminal business.

**B. 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 for each of the years ended December 31, 2019, 2018 and 2017.

<u>(Expressed in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>
Net cash provided by operating activities	\$ 62,344	\$ 21,158	\$ 36,971
Net cash used in investing activities	(75,504)	(19,646)	(46,321)
Net cash (used in)/provided financing activities	(17,707)	(4,928)	21,156
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(30,867)</b>	<b>(3,416)</b>	<b>11,806</b>
Cash and cash equivalents, beginning of year	76,472	79,888	68,082
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 45,605</u></b>	<b><u>\$ 76,472</u></b>	<b><u>\$ 79,888</u></b>

**Cash provided by operating activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018:**

Net cash from operating activities increased by \$41.1 million to \$62.3 million cash provided by operating activities for the year ended December 31, 2019 as compared to \$21.2 million cash provided by operating activities for the year ended December 31, 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:

<u>(Expressed in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2019</u>	<u>Year Ended December 31, 2018</u>
Net income	\$ 32,139	\$ 6,862
Depreciation of vessels, port terminals and other fixed assets	26,662	26,583
Amortization of intangible assets	2,773	2,724
Accretion of Notes payable-receivable/unwinding of discount	(122)	(12)
Amortization of deferred financing costs	2,552	2,362
Amortization of deferred drydock and special survey costs	5,166	7,204
Amortization of operating lease asset	412	—
Deferred interest income amortization	(171)	—
Mark-to-market debt security investment	(908)	—
Gain on debt security investment disposal	(176)	—
Provision for losses on accounts receivable	341	75
Gain on sale of assets	—	(28)
Income tax (expense)/ benefit	1,233	(1,376)
<b>Net income adjusted for non-cash items</b>	<b><u>\$ 69,901</u></b>	<b><u>\$ 44,394</u></b>

Accounts receivable, net increased by \$1.9 million from \$28.2 million at December 31, 2018, to \$30.1 million at December 31, 2019.

Prepaid expenses and other current assets decreased by \$12.0 million from \$17.5 million at December 31, 2018 to \$5.5 million at December 31, 2019. This decrease was attributable to (a) a \$11.7 million decrease in insurance claims to be recovered, including \$9.7 million due to the iron ore port interruption of services as a consequence of the fire incident, (b) a \$0.5 million decrease in deferred insurance premiums, and (c) a \$0.4 million decrease in prepaid VAT and other taxes, partially mitigated by (a) a \$0.4 million increase in other prepaid expenses and (b) a \$0.2 million increase in advances to providers.

Accounts payable decreased by \$3.4 million from \$17.1 million at December 31, 2018 to \$13.7 million at December 31, 2019.

Deferred income increased by \$0.2 million from \$4.8 million at December 31, 2018 to \$5.0 million at December 31, 2019. This decrease mainly relates to the cabotage business.

Inventories increased by \$2.2 million from \$4.6 million at December 31, 2018 to \$6.8 million at December 31, 2019. This increase was mainly due to the increase in inventory of our liquid port in Paraguay.

Accrued expenses increased by \$3.4 million from \$17.0 million at December 31, 2018 to \$20.4 million at December 31, 2019. This increase was attributable to (a) a \$1.8 million increase in accrued salaries, and (b) a \$1.8 million increase in taxes payable, partially mitigated by (a) a \$0.1 million decrease in accrued interest, and (b) a \$0.1 million decrease in accrued fees.

**Cash used in investing activities for the year ended December 31, 2019 as compared to the year ended December 31, 2018:**

Net cash used in investing activities increased by \$55.9 million to \$75.5 million for the year ended December 31, 2019, from \$19.6 million for the same period in 2018.

Cash used in investing activities for year ended December 31, 2019 was mainly attributable to (a) \$68.8 million in investment providing a secured credit facility to our parent, (b) \$17.6 million in investment in debt securities of our parent, (c) \$4.0 million in payments for the construction of the Company's six new liquid barges, and (d) \$4.0 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) \$0.2 million in collections of the Note receivable (as described herein).

Cash used in investing activities for year ended December 31, 2018 was mainly attributable to (a) \$12.4 million in payments for the construction of a river and estuary tanker, (b) \$2.4 million in payments for the construction of the Company's three new pushboats, (c) \$1.9 million in payments for the purchase of other fixed assets, (d) \$1.5 million in payments for the expansion of the Company's dry port terminal, (e) \$1.1 million in payments for the acquisition of land, and (f) \$0.5 million in payments for the purchase of covers for dry barges, partially mitigated by \$0.2 million in collections of the Note receivable (as described herein).

**Cash used in financing activities for the year ended December 31, 2019 as compared to cash used in financing activities for the year ended December 31, 2018:**

Net cash used in financing activities increased by \$12.8 million to \$17.7 million for the year ended December 31, 2019, as compared to \$4.9 million of cash provided by financing activities for the same period of 2018.

Cash used in financing activities for the year ended December 31, 2019 was due (a) \$13.4 million of payments made in connection with the Company's outstanding indebtedness, and (b) \$4.3 million in payments for the repayment of the Notes Payable (as defined below).

Cash used in financing activities for the year ended December 31, 2018 was due to (a) \$7.6 million of payments made in connection with the Company's outstanding indebtedness, and (b) \$4.2 million in payments for the repayment of the Notes Payable (as defined below), partially mitigated by \$6.9 million of proceeds from long term debt (net of deferred financing costs of \$0.2 million).

**Cash provided by operating activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Net cash from operating activities decreased by \$15.8 million to \$21.2 million cash provided by operating activities for the year ended December 31, 2018 as compared to \$37.0 million cash provided by operating activities for the year ended December 31, 2017. 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:

<u>(Expressed in thousands of U.S. dollars)</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>
Net income	\$ 6,862	\$ 3,105
Depreciation of vessels, port terminals and other fixed assets	26,583	23,322
Amortization of intangible assets	2,724	3,543
Accretion of Notes payable-receivable/unwinding of discount	(12)	(25)
Amortization of deferred financing costs	2,362	1,275
Amortization of deferred drydock and special survey costs	7,204	7,928
Provision for losses on accounts receivable	75	569
Gain on sale of assets	(28)	(1,064)
Income tax benefit	(1,376)	(3,468)
<b>Net income adjusted for non-cash items</b>	<b>\$ 44,394</b>	<b>\$ 35,185</b>



Accounts receivable, net decreased by \$2.5 million from \$25.7 million at December 31, 2017, to \$28.2 million at December 31, 2018.

Prepaid expenses and other current assets increased by \$11.3 million from \$6.2 million at December 31, 2017 to \$17.5 million at December 31, 2018. This increase was attributable to (a) a \$10.7 million increase in insurance claims to be recovered, including \$9.7 million due to the iron ore port interruption of services as a consequence of the fire incident, (b) a \$1.5 million increase in deferred insurance premiums, (c) a \$0.3 million increase in advances to providers, partially mitigated by (a) a \$0.8 million decrease in prepaid VAT and other taxes and (b) a \$0.4 million decrease in other prepaid expenses.

Accounts payable and due to related parties decreased by \$5.4 million from \$22.5 million at December 31, 2017 to \$17.1 million at December 31, 2018. The main reason for this decrease was the \$5.2 million decrease in trade payable and the \$0.2 million decrease in due to related parties.

Deferred income decreased by \$0.9 million from \$5.7 million at December 31, 2017 to \$4.8 million at December 31, 2018. This decrease mainly relates to the cabotage business.

Inventories decreased by \$3.7 million from \$8.3 million at December 31, 2017 to \$4.6 million at December 31, 2018. This decrease was mainly due to the decrease in inventory of our liquid port in Paraguay.

Accrued expenses decreased by \$1.4 million from \$18.4 million at December 31, 2017 to \$17.0 million at December 31, 2018. This decrease was attributable to (a) a \$1.8 million decrease in accrued salaries, (b) a \$0.9 million decrease in accrued fees, partially mitigated by (a) a \$1.1 million increase in taxes payable and (b) a \$0.2 million increase in accrued interest.

#### **Cash used in investing activities for the year ended December 31, 2018 as compared to the year ended December 31, 2017:**

Net cash used in investing activities decreased by \$26.7 million to \$19.6 million for the year ended December 31, 2018, from \$46.3 million for the same period in 2017.

Cash used in investing activities for year ended December 31, 2018 was mainly attributable to (a) \$12.4 million in payments for the construction of a river and estuary tanker, (b) \$2.4 million in payments for the construction of the Company's three new pushboats, (c) \$1.9 million in payments for the purchase of other fixed assets, (d) \$1.5 million in payments for the expansion of the Company's dry port terminal, (e) \$1.1 million in payments for the acquisition of land and (f) \$0.5 million in payments for the purchase of covers for dry barges, partially mitigated by \$0.2 million in collections of the Note receivable (as described herein).

Cash used in investing activities for year ended December 31, 2017 was mainly attributable to (a) \$19.0 million in payments for the expansion of the Company's dry port terminal, (b) \$14.6 million in payments for the construction of the Company's three new pushboats, (c) \$6.1 million in payments for the construction of a river and estuary tanker, (d) \$5.5 million in payments for the improvement of barges, pushboats and vessels, (e) \$0.7 million in payments for the purchase of other fixed assets, (f) \$0.6 million in payments for the purchase of covers for dry barges, partially mitigated by (a) \$0.2 million in collections of Note receivable.

#### **Cash used in financing activities for the year ended December 31, 2018 as compared to cash used in financing activities for the year ended December 31, 2017:**

Net cash used in financing activities increased by \$26.1 million to \$4.9 million for the year ended December 31, 2018, as compared to \$21.2 million of cash provided by financing activities for the same period of 2017.

Cash used in financing activities for the year ended December 31, 2018 was due to (a) \$7.6 million of payments made in connection with the Company's outstanding indebtedness and (b) \$4.2 million in payments for the repayment of the Notes Payable (as defined below), partially mitigated by \$6.9 million of proceeds from long term debt (net of deferred financing costs of \$0.2 million).

Cash provided by financing activities for the year ended December 31, 2017 was due to (a) \$95.5 million of proceeds from Term Loan B Facility (net of deferred financing cost and discount of \$4.5 million), (b) \$13.9 million of proceeds from long term debt (net of deferred financing cost of \$0.1 million) and (c) \$0.7 million of proceeds from Notes Payable, partially mitigated by (a) \$70.0 million dividend paid to shareholders, (b) \$12.4 million of payments for the extinguishment of obligations under capital leases in connection with the product tanker vessels, the San San H and the Ferni H, (c) \$4.0 million of repayment of the Notes Payable and (d) \$2.5 million in payments for the repayment of long-term debt.

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

### ***2022 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 May 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 December 31, 2019 and December 31, 2018, deferred financing costs associated with the 2022 Senior Notes amounted to \$3.3 million and \$4.6 million, respectively. Interest expense associated with the senior notes amounted to \$27.2 million, \$27.2 million and \$27.2 million for the years ended December 31, 2019, 2018 and 2017, 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 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 in substitution of 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 December 31, 2019, a balance of \$98.0 million was outstanding under the Term Loan B Facility.

As of December 31, 2019 and December 31, 2018, unamortized deferred financing costs associated with the Term Loan B Facility amounted to \$2.1 million and \$3.2 million, respectively. Interest expense associated with the Term Loan B Facility amounted to \$7.2 million, \$7.2 million and \$1.0 million for the year ended December 31, 2019, 2018 and 2017, 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 December 31, 2019, the Company had drawn the total available amount and the outstanding balance of Notes Payable was \$22.5 million.

Interest expense associated with the Notes Payable amounted to \$1.6 million, \$1.8 million and \$1.0 million for the year ended December 31, 2019, December 2018 and December 31, 2017, respectively.

#### ***Other Indebtedness***

On December 15, 2016, the Company entered into a \$25.0 million facility with 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 December 31, 2019, the outstanding amount of the loan was \$14.3 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 December 31, 2019, the outstanding amount of the Term Bank Loan was \$10.5 million. As of December 31, 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 \$6.8 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. 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 December 31, 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 as of December 31, 2019.

The annual weighted average interest rates of the Company’s total borrowings were 7.12%, 7.04% and 6.13% for the year ended December 31, 2019, 2018 and 2017, respectively.

The maturity table below reflects the principal payments for the next five years and thereafter on all credit facilities outstanding as of December 31, 2019, based on the repayment schedule of the respective loan facilities (as described above).

<b>Payment due by period</b>	<b>As of December 31, 2019 (Amounts in millions of U.S. dollars)</b>
December 31, 2020	13.4
December 31, 2021	110.3
December 31, 2022	389.2
December 31, 2023	5.0
December 31, 2024	2.4
December 31, 2025 and thereafter	0.1
<b>Total long-term borrowings</b>	<b>\$ 520.4</b>

### ***Working Capital***

On December 31, 2019, our current assets totaled \$92.2 million, while current liabilities totaled \$51.8 million, resulting in a positive working capital position of \$40.4 million. Our cash forecast indicates that we will generate sufficient cash for at least the next 12 months from February 21, 2020 to make the required principal and interest payments on our indebtedness, provide for the normal working capital requirements of the business and remain in a positive cash position.

Our Argentine subsidiaries could be prevented from transferring funds outside of Argentina. See “Item 3.D Risk Factors — Risks Relating to Argentina.”

### ***Capital Expenditures***

On November 21, 2019, Navios Logistics entered into a shipbuilding contract, for the construction of six liquid barges for a total consideration of \$15.8 million. Pursuant to this contract, the Company has secured the availability of credit for up to 75% of the purchase price, and up to a five year repayment period starting from the delivery of each vessel. The barges are expected to be delivered starting from the third quarter of 2020 through the fourth quarter of 2020. As of December 31, 2019, Navios Logistics had paid \$4.0 million for the construction of the six liquid barges.

On November 12, 2018, Navios Logistics acquired approximately 3.5 hectares of undeveloped land located in the Port Murtinho region, Brazil. Navios Logistics plans to develop this land for its port operations. As of December 31, 2019, Navios Logistics had paid \$1.6 million for the land acquisition and capitalized expenses for the development of its port operations.

### ***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.

## Concentration of Credit Risk

### Accounts Receivable

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

### Cash Deposits with Financial Institutions

Cash deposits in excess of amounts covered by government-provided insurance are exposed to loss in the event of non-performance by financial institutions. Although we maintain cash deposits in excess of government-provided insurance limits, we minimize our exposure to credit risk by dealing with a diversified group of major financial institutions.

### Effects of Inflation:

The economic environment and factors in Argentina were determined to be highly inflationary as of December 31, 2019. Nevertheless, the Company does not consider inflation to be a significant risk factor to the cost of doing business in the foreseeable future as the functional currency of the Company's Argentinian subsidiary is the U.S. dollar. In addition, the day-to-day operations of the Company's Argentinian subsidiary are dependent on the economic environment of the Company's U.S. dollar currency.

## C. Research and Development, Patents and Licenses, etc.

Not applicable.

## D. Trend Information

Our results of operations are affected by certain factors, including our ability to renew contracts on our fleet and ports on the expiration of current contracts which depends on economic conditions in the sectors we operate and changes in the supply and demand for vessels, barges and pushboats and for the transportation and storage of commodities. Other factors that affect our operating results include fluctuations in exchange rates, the impact of inflation and fuel price increases and the seasonality of the industries in which we operate. See "Item 5.A Operating Results — Overview — Factors affecting our results of operations."

## E. Off-Balance Sheet Arrangements

On July 22, 2016, the Company guaranteed the compliance of certain obligations related to Edolmix S.A. and Enresur. (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. (a consolidated subsidiary) of all its obligations to Vitol up to \$12.0 million. This guarantee expires on March 1, 2020.

## F. Contractual Obligations and Contingencies

The following table summarizes our contractual obligations as of December 31, 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 <sup>(1)</sup>	\$ 13.4	\$ 499.5	\$ 7.4	\$ 0.1	\$520.4
Acquisition of six liquid barges <sup>(2)</sup>	0.5	4.4	5.3	2.2	12.4
Land lease agreements <sup>(3)</sup>	0.6	1.1	1.1	23.0	25.8
Office rent obligations <sup>(3)</sup>	0.8	0.4	0.1	—	1.3
<b>Total</b>	<b>\$ 15.3</b>	<b>\$ 505.4</b>	<b>\$ 13.9</b>	<b>\$ 25.3</b>	<b>\$559.9</b>

(1) Represents principal payments on amounts drawn on our outstanding credit facilities, the 2022 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 \$36.0 million (less than 1 year), \$48.6 million (1-3 years), \$0.3 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) Represents principal payments of the future remaining obligation for the acquisition of six liquid barges, which bear interest at fixed rate. The amounts in the table exclude expected interest payments of \$0.3 million (less than 1 year), \$1.8 million (1-3 years), \$0.9 million (3-5 years) and 0.1 million (more than 5 years). Expected interest payments are based on the terms of the shipbuilding contract for the construction of these barges.
- (3) We have several lease agreements with respect to our operating port terminals and various offices.

### **Recent Accounting Pronouncements**

For a description of Navios Logistics' recent accounting pronouncements, see Note 2 to the consolidated financial statements, included herein.

### **Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates in the application of its accounting policies based on the best assumptions, judgments and opinions of management. Following is a discussion of the accounting policies that involve a higher degree of judgment and the methods of their application that affect the reported amount of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are those that reflect significant judgments or uncertainties, and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies that involve a high degree of judgment and the methods of their application. For a description of all of our significant accounting policies, see Note 2 to our consolidated financial statements, included herein.

*Impairment of Long-Lived Assets:* Vessels, other fixed assets and other long-lived assets held and used by Navios Logistics are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with accounting for long-lived assets, management determines projected undiscounted cash flows for each asset group and compares it to its carrying amount. In the event that projected undiscounted cash flows for an asset group is less than its carrying amount, then management reviews fair values and compares them to the asset's carrying amount. In the event that impairment occurs, an impairment charge is recognized by comparing the asset's carrying amount to its fair value. For the purposes of assessing impairment, long lived-assets are grouped at the lowest levels for which there are separately identifiable cash flows.

For all the periods presented, the management of Navios Logistics after considering various indicators, including but not limited to its long-lived assets' contracted revenues and cash flows over their remaining useful life and the economic outlook, concluded that no impairment analysis should be performed on the long-lived assets.

Although management believes the underlying indicators supporting this conclusion are reasonable, if charter rate trends and the length of the current market downturn occur, management may be required to perform impairment analysis that could expose Navios Logistics to material charges in the future.

No impairment loss was recognized for any of the periods presented.

*Vessels, Barges, Pushboats and Other Fixed Assets, Net:* Vessels, barges, pushboats and other fixed assets acquired as parts of business combination are recorded at fair value on the date of acquisition and if acquired as an asset acquisition are recorded at cost (including transaction costs). All other vessels, barges and pushboats acquired are stated at historical cost, which consists of the contract price, and any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statement of operations. We also capitalize interest on long-term construction projects.

Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the useful life of the assets, after considering the estimated residual value. Management estimates the useful life of the majority of our vessels to be between 15 and 45 years from the asset's original construction or acquisition. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective. An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge.

*Port Terminals and Other Fixed Assets, Net:* Port terminals and other fixed assets acquired as part of a business combination or asset acquisition are recorded at fair value on the date of acquisition. All other port terminals and other fixed assets are recorded at cost, which consists of the construction contracts prices, and material equipment expenses. Port terminals and other fixed assets are depreciated utilizing the straight-line method at rates equivalent to their average estimated economic useful lives. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of income.

Useful life of the assets, are:

Dry port terminal	5 to 49 years
Oil storage, plant and port facilities for liquid cargoes	5 to 20 years
Other fixed assets	5 to 10 years

*Deferred Drydock and Special Survey Costs:* Our vessels, pushboats and barges are subject to regularly scheduled drydocking and special surveys that are carried out every five years for oceangoing vessels and up to every eight years for pushboats and barges, to coincide with the renewal of the related certificates issued by the classification societies as applicable, unless a further extension is obtained under certain conditions. The costs of drydocking and special surveys are deferred and amortized over the above mentioned periods or to the next drydocking or special survey date if such has been determined. Unamortized drydocking or special survey costs of vessels, pushboats and barges sold are charged against income in the year the vessel, pushboats or barge is sold. Costs capitalized as part of the drydocking or special survey consist principally of the actual costs incurred at the yard, spare parts, paints, lubricants and fuel, labor and services incurred solely during the drydocking or special survey period.

**Goodwill and Other Intangibles:**

(i) *Goodwill:* Goodwill is tested for impairment at the reporting unit level at least annually.

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

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

The fair value for goodwill impairment testing was estimated using the expected present value of future cash flows, using judgments and assumptions that management believes were appropriate in the circumstances. The significant factors and assumptions the Company used in its discounted cash flow analysis included: EBITDA, the discount rate used to calculate the present value of future cash flows and future capital expenditures. EBITDA assumptions included revenue assumptions, general and administrative expense growth assumptions, and direct vessel expenses growth assumptions. The future cash flows from operations were determined principally by combining revenues from existing contracts and estimated revenues based on the historical performance of each segment, including utilization rates and actual storage capacity. A weighted average cost of capital ("WACC") was used to discount future estimated cash flows to their present values. The WACC was based on externally observable data regarding risk free rates, risk premiums and systematic risk and on the Company's cost of equity and debt and its capital structure.

These assumptions could be adversely impacted by the current uncertainty surrounding global market conditions, as well as the competitive environment in which we operate.

As of December 31, 2019, the fair value of the reporting units was in significant excess of their carrying values.

No impairment loss was recognized for any of the periods presented.

(ii) *Intangibles other than goodwill*: Our intangible assets and liabilities consist of customer relationships, trade name and port terminal operating rights. Intangible assets resulting from acquisitions accounted for using the purchase method of accounting and are recorded at fair value as estimated by market information, the “relief from royalty” method or discounted cash flows.

The fair value of the trade name was determined based on the “relief from royalty” method which values the trade name based on the estimated amount that a company would have to pay in an arm’s length transaction in order to use that trade name. Other intangibles that are being amortized, such as port terminal operating rights and customers relationships, would be considered impaired if their fair market value could not be recovered from the future undiscounted cash flows associated with the asset.

The fair value of customer relationships was determined based on the “excess earnings” method, which relies upon the future cash flow generating ability of the asset. The asset is amortized under the straight line method.

No impairment loss was recognized for any of the periods presented. Amortizable intangible assets are amortized under the straight line method according to the following weighted average amortization periods:

<u>Intangible assets/liabilities</u>	<u>Years</u>
Trade name	10
Port terminal operating rights	47
Customers relationships	20

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

#### Directors and Senior Management

The following table sets forth information regarding our current directors and members of our senior management as of February 21, 2020:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Angeliki Frangou	55	Chairman and Director
Claudio Pablo Lopez	61	Chief Executive Officer, Vice Chairman and Director
Carlos Augusto Lopez	59	Chief Commercial Officer-Shipping Division and Director
Horacio Enrique Lopez	63	Chief Operating Officer-Shipping Division and Director
Ruben Martinez	61	Chief Operating Officer-Port Division and Director
Ioannis Karyotis	44	Chief Financial Officer
George Achniotis	55	Executive Vice President-Business Development and Director
Vasiliki Papaefthymiou	51	Executive Vice President-Legal
Efstratios Desypris	47	Senior Vice President-Strategic Planning and Director
Anna Kalathakis	50	Secretary, Senior Vice President-Legal Risk Management

Biographical information with respect to each of our directors and our executive officers is set forth below. The business address for our directors and executive officers is Aguada Park Free Zone, Paraguay 2141, Of. 1603, Montevideo Uruguay.

**Angeliki Frangou** has been Navios Logistics’ Chairman and a Member of the Board of Directors since its inception in December 2007. Ms. Frangou has also been the Chairman and Chief Executive Officer of Navios Maritime Holdings Inc. (NYSE: NM). In addition, Ms. Frangou has been the Chairman and Chief Executive Officer of Navios Maritime Partners L.P. (NYSE: NMM), an affiliated limited partnership, since August 2007, the Chairman and Chief Executive Officer of Navios Maritime Acquisition Corporation (NYSE: NNA), an affiliated corporation, since March 2008 and the Chairman and Chief Executive Officer of Navios Maritime Containers L.P. (Nasdaq:NMCI), an affiliated limited partnership since April 2017. Ms. Frangou is the Chairman of IRF European Finance Investments Ltd., listed on the SFM of the London Stock Exchange, and is also a Member of the Board of the United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited. Since February 2015, Ms. Frangou has been a Member of the Board of the Union of Greek Shipowners, as well as a Member of the Board of Trustees of Fairleigh Dickinson University. Since July 2013, Ms. Frangou has been a Member of the Board of Visitors of the Columbia University School of Engineering and Applied Science. Ms. Frangou also acts as Vice Chairman of the China Classification Society Mediterranean Committee, and is a member of the International General Committee and of the Hellenic and Black Sea Committee of Bureau Veritas, and is also a member of the Greek Committee of Nippon Kaiji Kyokai. Ms. Frangou received a bachelor’s degree in mechanical engineering, summa cum laude, from Fairleigh Dickinson University and a master’s degree in mechanical engineering from Columbia University.



**Claudio Pablo Lopez** has been our Vice Chairman, Chief Executive Officer and a member of our Board of Directors since January 2008. Mr. Lopez has been a member of the Board of Directors and Executive Director of Compania Naviera Horamar S.A. from December 2005 to 2014. Mr. Lopez has been the President of the Argentinean Shipowners' Tankers Association (CAENA), the President of the Argentinean Shipping Companies Federation (FENA) and a member of Paraguayan Shipowners' Association. He is also a distinguished member of the Uruguayan-Argentinean Chamber of Commerce, has been member of the Advisory Committee of the Prefectura Naval Argentina and Vice Secretary of Ports and Navigable Waters on behalf of Argentinean Shipowners' Tankers Association. Mr. Lopez is a lawyer, specializing in transportation law, having graduated from the University of Belgrano in Buenos Aires, Argentina. He is a former professor of Maritime Law at the University of Belgrano and also a former adviser to the Senate of the Argentine National Congress. Mr. Lopez is also a member of the Buenos Aires Lawyers' Association. Mr. Lopez is the brother of Carlos Augusto Lopez and Horacio Enrique Lopez, our Chief Commercial Officer — Shipping Division and Chief Operating Officer — Shipping Division, respectively, and members of our Executive Committee.

**Carlos Augusto Lopez** has been our Chief Commercial Officer — Shipping Division since January 2008, and a member of our Board of Directors since January 2008. Mr. Lopez has been a member of the Board of Directors and Vice President of Compania Naviera Horamar S.A. since September 1992. He is former Chairman of Paraná de las Palmas Shipyard and a former member of the Board of Directors of Naviera Conosur S.A. He has also served as Chairman of Harrow S.A. and Sermar S.A. He is a founding member of the Argentinean Flag Shipowners' Chamber (CARBA) and a member of the Argentinean-Paraguayan Chamber of Commerce. He is also a member of several organizations such as the Uruguayan-Argentinean Chamber of Commerce, the Permanent Commission of Transport of the River Plate Basin (CPTCP) and the Ethics Committee of the Argentinean Shipowners' Tanker Association (CABBTA). Mr. Lopez is the brother of Claudio Pablo Lopez, our Vice Chairman, Chief Executive Officer and a director, and Horacio Enrique Lopez, our Chief Operating Officer — Shipping Division, a director and a member of our Executive Committee.

**Horacio Enrique Lopez** has been our Chief Operating Officer — Shipping Division since January 2008, and a member of our Board of Directors since January 2008. He has been a member of the Board of Directors of Compania Naviera Horamar S.A. since December 1997 and started working in Horamar in the operations department. Mr. Lopez has more than 30 years of experience in the shipping business and is currently a member of the Navigation Center of Argentina (CN). He served as Operations Manager of Horamar from 1990 to 1997, and from 1984 to 1990, he served as coordinator of lightering operations. From 1980 to 1984, he managed the Maritime Agency. Before joining Horamar, he served as General Manager of Provesur, a company dedicated to maintenance of life rafts, and prior to this he was technical manager of the same firm. Mr. Lopez is the brother of Claudio Pablo Lopez, our Vice Chairman, Chief Executive Officer and a director, and Carlos Augusto Lopez, our Chief Commercial Officer — Shipping Division, a director and a member of our Executive Committee.

**Ruben Martinez Baeza** has been our Chief Operating Officer — Port Division and a member of our Board of Directors since January 2008. He has been the general manager of Corporacion Navios S.A. since 2005. He has been working with Navios Holdings since 1989 and Navios Logistics since inception, after graduating as mechanical industrial engineer from the University of the Republic at Montevideo, Uruguay. Beginning as a mechanical engineer at Navios Logistics' port terminal at Nueva Palmira, Uruguay, he has been promoted to several positions within Navios Logistics. Having special training in maintenance and asset management, he has been involved in several port terminal development and investments projects during his career. Mr. Martinez is also a member of the national counsel of advisors of the BBVA Bank and a director of the permanent commission of the treaty of the River Plate Basin.

**Ioannis Karyotis** has been our Chief Financial Officer since March 2011. From 2006 until 2011, Mr. Karyotis was a consultant and later Project Leader at The Boston Consulting Group (BCG), an international management consulting firm. From 2003 until 2005, Mr. Karyotis was Senior Equity Analyst at Eurocorp Securities, a Greek brokerage house, and in 2003, he was Senior Analyst in the Corporate Finance Department at HSBC Pantelakis Securities, a subsidiary of HSBC Bank. Mr. Karyotis began his career in 2002 with Marfin Hellenic Securities as Equity Analyst. He received his bachelor's degree in Economics from the Athens University of Economics and Business (1998). He holds a master's of science in Finance and Economics from the London School of Economics (1999) and an MBA from INSEAD (2006).

**George Achnotis** has been our Executive Vice President — Business Development and Director since January 2008 and has been Navios Holdings’ Chief Financial Officer since April 2007. Prior to being appointed Chief Financial Officer of Navios Holdings, Mr. Achnotis served as Senior Vice President-Business Development of Navios Holdings from August 2006 to April 2007. Before joining Navios Holdings, Mr. Achnotis was a partner at PricewaterhouseCoopers (“PwC”) in Greece, heading the Piraeus office and the firm’s shipping practice. He became a partner at PwC in 1999 when he set up and headed the firm’s internal audit services department from which all Sarbanes-Oxley Act implementation and consultation projects were performed. Mr. Achnotis has served as a director of Navios Maritime Partners L.P. since August 2007, and since February 2008 as the Executive Vice President-Business Development. He has more than 19 years’ experience in the accounting profession with work experience in England, Cyprus and Greece. Mr. Achnotis qualified as a Chartered Accountant in England and Wales in 1991 and he holds a bachelor’s degree in Civil Engineering from the University of Manchester.

**Vasiliki Papaefthymiou** has been our Executive Vice President — Legal since March 2011. She has been a member of Navios Holdings’ Board of Directors since its inception, and prior to that was a member of the Board of Directors of ISE. Ms. Papaefthymiou has served as General Counsel for Maritime Enterprises Management S.A. since October 2001, where she has advised the company on shipping, corporate and finance legal matters. Ms. Papaefthymiou provided similar services as General Counsel to Franser Shipping from October 1991 to September 2001. Ms. Papaefthymiou received her undergraduate degree from the Law School of the University of Athens and a master’s degree in Maritime Law from Southampton University in the United Kingdom. Ms. Papaefthymiou is admitted to practice law before the Bar in Athens, Greece.

**Efstratios Desypris** was appointed our Senior Vice President — Strategic Planning in March 2011 and has been a director since April 2012. In addition, Mr. Desypris is the Chief Financial Controller of Navios Holdings, Navios Partners’ sponsor, since May 2006. He also serves as Chief Financial Officer of Navios Partners and as a director in Navios Europe Inc. Before joining the Navios Group, Mr. Desypris worked for nine years in the accounting profession, most recently as manager of the audit department at Ernst & Young in Greece. Mr. Desypris started his career as an auditor with Arthur Andersen & Co. in 1997. He holds a bachelor of science degree in Economics from the University of Piraeus.

**Anna Kalathakis** has been our Senior Vice President — Legal Risk Management since March 2011. Ms. Kalathakis has been Navios Holdings’ Chief Legal Risk Officer from November 2012, and Senior Vice President — Legal Risk Management from December 2005 until October 2012. Before joining Navios Holdings, Ms. Kalathakis was the General Manager of the Greek office of A. Bilbrough & Co. Ltd. (Managers of the London Steam-Ship Owners’ Mutual Insurance Association Limited, the “London P&I Club”) and an Associate Director of the London P&I Club where she gained experience in the handling of liability and contractual disputes in both the dry and tanker shipping sectors (including collisions, oil pollution incidents, groundings etc.). She previously worked for a U.S. maritime law firm in New Orleans, having been qualified as a lawyer in Louisiana in 1995, and also served in a similar capacity for a London maritime law firm. She qualified as a solicitor in England and Wales in 1999 and was admitted to the Piraeus Bar, Greece, in 2003. She studied International Relations at Georgetown University and holds an MBA from European University in Brussels and a juris doctor degree from Tulane Law School.

## **B. Compensation**

### **Officers’ Compensation**

The aggregate annual compensation paid to our executive officers was approximately \$2.9 million for the year ended December 31, 2019.

### ***Other Arrangements***

We are party to a shareholders’ agreement with certain members of the Lopez family. See “Item 7.B Certain Relationships and Related Party Transactions — Shareholders’ Agreement.”

## **C. Board Practices**

Each member of our board of directors holds office until a successor is duly appointed, elected and/or qualified or until their resignation. No directors are entitled to any benefits upon termination of their term.

## D. Employees and Crewing

We crew our fleet with Argentine, Brazilian and Paraguayan officers and seamen. Our fleet managers are responsible for selecting the crew.

As of December 31, 2019, we employed 401 land-based employees: 23 employees in the Asuncion, Paraguay office, 46 employees at the port facility in San Antonio, Paraguay, 99 employees in the Buenos Aires, Argentina office, six employees in the Montevideo, Uruguay office, 216 employees at the dry port facilities in Uruguay, and 11 employees in the Corumba, Brazil office.

Certain of our operations in Argentina, Uruguay and Brazil are unionized. We believe that we have good relations with our employees and seamen and since our inception we have had no history of work stoppages.

## E. Share Ownership

None of our executive officers nor directors have direct ownership in our common stock. For information on the beneficial ownership of our common stock by an entity related to our Chairman, our Chief Executive Officer and Director, our Chief Commercial Officer (Shipping Division) and Director and our Chief Operating Officer (Shipping Division) and Director, see “Item 7. Major Shareholders and Related Party Transactions — Major Shareholders.”

### Item 7. Major Shareholders and Related Party Transactions

#### A. Major Shareholders

The following table sets forth the beneficial ownership, as of February 21, 2019, of our common stock and by each person we know to beneficially own more than 5% of our common stock.

Percentage of beneficial ownership is based on 20,000 shares of common stock outstanding on February 21, 2020.

Pursuant to the Shareholders Agreement (as defined herein), when we became subject to the reporting requirements of the Exchange Act following the consummation of the exchange offer, the shares of our common stock held by Navios Holdings were to convert into shares of Class B Common Stock, with each share of Class B Common Stock entitling the holder to ten votes per share. Navios Holdings has currently agreed to waive such conversion provision of the Shareholders’ Agreement. If and when issued, shares of Class B Common Stock are convertible at any time at the option of the holder thereof into one share of common stock and will automatically convert into shares of common stock upon any transfer of shares of Class B Common Stock to a holder other than Navios Holdings or any of its affiliates or any successor to Navios Holdings’ business or of all or substantially all of its assets or if the aggregate number of outstanding shares of common stock and Class B Common Stock beneficially owned by Navios Holdings falls below 20% of the aggregate number of outstanding shares of common stock and Class B Common Stock. See “Item 7.B Certain Relationships and Related Party Transactions — Shareholders’ Agreement.”

Unless otherwise noted, the persons listed in the table below, to our knowledge, have sole voting and investment power over the shares listed. The number of shares of common stock beneficially owned by each person is determined under SEC rules and the information is not necessarily indicative of beneficial ownership for any other purpose. Under SEC rules, a person beneficially owns any shares of capital stock as to which the person has or shares voting or investment power (including the power to dispose).

Name of Beneficial Owner	Shares Beneficially Owned <sup>(1)(2)</sup>	
	Number of Shares of Common Stock Beneficially Owned	Percentage of Voting Power
Navios Maritime Holdings Inc. <sup>(1)</sup>	12,765	63.8%
Sinimalec S.A. <sup>(2)</sup>	7,235	36.2%

- (1) Navios Holdings, which beneficially owns shares of our common stock through its wholly owned subsidiary Navios Corporation, is a Marshall Islands corporation with shares of its common stock listed on the New York Stock Exchange, and is controlled by its board of directors, which consists of the following seven members: Angeliki Frangou (its Chairman and Chief Executive Officer), Vasiliki Papaefthymiou, Shunji Sasada, Spyridon Magoulas, John Stratakis, George Malanga, and Efstathios Loizos. In addition, we have been informed by Navios Holdings that, based upon its knowledge, including documents publicly available filed with the SEC, it believes that the only beneficial owners of greater than 5% of the common stock of Navios Holdings are Angeliki Frangou, who owns 31.0% (who has previously filed an amended Schedule 13D indicating that she intends, subject to market conditions, to purchase up to \$20.0 million of common stock and, as of March 31, 2019, she had purchased approximately \$10.0 million of additional shares of common stock), and Renaissance Technologies LLC, which owns 6.18%. We have been informed by Navios Holdings that, other than Angeliki Frangou, no beneficial owner of greater than 5% of Navios Holdings’ common stock is an affiliate of Navios Holdings.

- (2) Sinimalec S.A. (“Sinimalec”) is a Uruguay corporation which beneficially owns shares of our common stock through its 100% ownership in Peers, a Panama corporation (the record holder of such shares). The families of Claudio Pablo Lopez, our Chief Executive Officer and Vice Chairman, Carlos Augusto Lopez, our Chief Commercial Officer-Shipping Division and Horacio Enrique Lopez, our chief Operating Officer-Shipping Division each beneficially own 33.3% of the voting stock of Sinimalec. There is no contract, arrangement, understanding, relationship or other agreement among or between any of the Lopez brothers regarding the voting power or investment power of their respective ownership interests in Sinimalec. Each of the Lopez brothers expressly disclaims any beneficial ownership in the shares of Sinimalec owned by either of the families of the other brothers.

Our record holders are Navios Holdings and Sinimalec and, therefore, there are no host country holders of record.

## **B. Certain Relationships and Related Party Transactions**

### **Shareholders’ Agreement**

Pursuant to a shareholders’ agreement (the “Shareholders’ Agreement”) dated June 17, 2010, between the Company, Navios Corporation and Grandall Investments S.A. (“Grandall”) (an entity owned and controlled by Lopez family members, including Claudio Pablo Lopez, our Chief Executive Officer and Vice Chairman) and since December 17, 2012, its successor Peers, the parties agreed:

- the board of directors shall be divided into three classes, with each class to serve for a three-year period;
- a super-voting Class B Common Stock shall be created which shall have 10 votes per common share (as opposed to one vote per common share);
- Navios Holdings will exchange its common stock for shares of Class B Common Stock; and
- blank check preferred stock may be issued with the vote of a majority of the then members of our board of directors who are not affiliated with Navios Corporation.

In addition, the Shareholders’ Agreement provides that (i) in the event that Navios Holdings transfers any shares of the Class B Common Stock to any person or entity, other than its affiliates, such transferred Class B Common Stock will automatically convert into shares of common stock, in accordance with our Amended and Restated Articles of Incorporation, and (ii) the shares of Class B Common Stock will automatically convert, in accordance with our Amended and Restated Articles of Incorporation, into shares of common stock if the aggregate number of outstanding shares of common stock and Class B Common Stock beneficially owned by Navios Holdings falls below 20% of the aggregate number of outstanding shares of common stock and Class B Common Stock.

Navios Holdings has currently agreed to waive its right to exchange its common stock for shares of Class B Common Stock. If and when Navios Holdings exchanges its common stock for Class B Common Stock, it is anticipated that Navios Holdings would control greater than 90% of the voting power, which would be significantly more than its economic interest in us. The parties have also waived the classified board provisions at this time.

Pursuant to an Assignment and Succession agreement dated December 17, 2012, Peers, a Panamanian corporation, assumed all rights and obligations of Grandall under the Shareholders’ Agreement.

On November 19, 2019, Navios Holdings entered into a shareholder agreement with Peers granting certain protections to minority shareholders in certain events.

### **Administrative Services Agreement**

We entered into an Administrative Services Agreement for a term of five years beginning on April 12, 2011, with Navios Holdings, assigned to Navios Corporation on May 28, 2014, and subsequently assigned to Navios Shipmanagement Inc. (the “Manager”) on August 29, 2019, pursuant to which the Manager would provide certain administrative management services to us. In April 2016, we extended the duration of the Administrative Services Agreement until December 31, 2021.

The Administrative Services Agreement may be terminated prior to the end of its term by us upon 120-days' notice if there is a change of control of the Manager or by the Manager upon 120-days' notice if there is a change of control of us. In addition, the Administrative Services Agreement may be terminated by us or by the Manager upon 120-days' notice if:

- the other party breaches the agreement;
- a receiver is appointed for all or substantially all of the property of the other party;
- an order is made to wind up the other party;
- a final judgment or order that materially and adversely affects the other party's ability to perform the Administrative Services Agreement is obtained or entered and not vacated or discharged; or
- the other party makes a general assignment for the benefit of its creditors, files a petition in bankruptcy or liquidation or commences any reorganization proceedings.

Furthermore, at any time after the first anniversary of the Administrative Services Agreement, the Administrative Services Agreement may be terminated by us or by the Manager upon 365-days' notice for any reason other than those described above.

The administrative services will include:

- *bookkeeping, audit and accounting services*: assistance with the maintenance of our corporate books and records, assistance with the preparation of our tax returns and arranging for the provision of audit and accounting services;
- *legal and insurance services*: arranging for the provision of legal, insurance and other professional services and maintaining our existence and good standing in necessary jurisdictions;
- *administrative and clerical services*: providing office space, arranging meetings for our security holders, arranging the provision of IT services, providing all administrative services required for subsequent debt and equity financings and attending to all other administrative matters necessary for the professional management of our business;
- *banking and financial services*: providing cash management including assistance with preparation of budgets, overseeing banking services and bank accounts, arranging for the deposit of funds, negotiating loan and credit terms with lenders and monitoring and maintaining compliance therewith;
- *advisory services*: assistance in complying with United States and other relevant securities laws;
- *client and investor relations*: arranging for the provision of, advisory, clerical and investor relations services to assist and support us in our communications with our security holders; and client and investor relations; and
- integration of any acquired businesses.

We will reimburse the Manager for reasonable costs and expenses incurred in connection with the provision of these services (including allocation of time for employees performing services on our behalf) within 15 days after the Manager submits to us an invoice for such costs and expenses, together with any supporting detail that may be reasonably required.

Under the Administrative Services Agreement, we have agreed to indemnify the Manager and its employees against all actions which may be brought against them under the Administrative Services Agreement including, without limitation, all actions brought under the environmental laws of any jurisdiction, and against and in respect of all costs and expenses they may suffer or incur due to defending or settling such actions; provided, however, that such indemnity excludes any or all losses that may be caused by or due to the fraud, gross negligence or willful misconduct of the Manager or its employees or agents.

Payments made or other consideration provided in connection with all continuing transactions between us and NSM will be on a basis arrived at by the parties as though they had been bargained for at an arm's-length basis. Such determination is based on our understanding of the industry, comparable transactions by competitors and guidance from experienced consultants. Depending on the nature and scope of the services being provided, the parties may agree to a cash payment or other form of consideration.

Total general and administrative fees charged pursuant to the Administrative Services Agreement for the year ended December 31, 2019 amounted to \$1.1 million (\$1.0 million for the year ended December 31, 2018 and \$1.0 million for the year ended December 31, 2017).

At December 31, 2019, 2018 and 2017, the amounts due from/ (to) affiliate companies were as follows:

	December 31, 2019	December 31, 2018	December 31, 2017
	(in millions of U.S. dollars)		
Navios Holdings	\$ 72.3	\$ 0.2	\$ (0.3)
Navios Shipmanagement Inc.	0.7	—	—
<b>Total</b>	<b>\$ 73.0</b>	<b>\$ 0.2</b>	<b>\$ (0.3)</b>

Such receivables and payables 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 agreed to lend Navios Holdings up to \$50.0 million on a secured basis (the “Navios Holdings Loan Agreement”) to be used for general corporate purposes, including the repurchase of Navios Holdings’ 7.375% First Priority Ship Mortgage Notes due 2022 (the “Navios Holdings 2022 Notes”). The secured credit facility is secured by (i) Navios Holdings 2022 Notes purchased with secured credit facility funds and (ii) equity interests in five companies that have entered into certain bareboat contracts. The secured credit facility included an arrangement fee of \$0.5 million and bears fixed interest of 12.75% for the first year and 14.75% for the second year. The secured credit facility also includes negative covenants substantially similar to the 2022 Notes and customary events of default. On December 2, 2019, Navios Logistics agreed to increase the secured credit facility by \$20.0 million. Following this amendment, if certain conditions are met, (a) the interest rate on the secured credit facility would decrease to 10.0%, and (b) the maturity of the secured credit facility would be extended to December 2024. As of December 31, 2019, \$69.3 million was drawn under the secured credit facility.

During the first and the second quarters of 2019, Navios Logistics purchased \$35.5 million face value Navios Holdings 2022 Notes from unaffiliated third parties in open market transactions for a total of \$17.6 million and subsequently sold these securities to Navios Holdings for \$18.7 million.

*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, neither of whom has a controlling interest in those companies. Total charges were less than \$0.1 million for the year ended December 31, 2019 (less than \$0.1 million in 2018 and \$0.1 million in 2017) and amounts payable amounted to less than \$0.1 million as of December 31, 2019 and December 31, 2018, respectively.

#### **Employment Agreements**

We have executed employment agreements with several of our key employees who are our noncontrolling shareholders. These agreements stipulate, among other things, severance and benefit arrangements in the event of termination. In addition, the agreements include confidentiality provisions and covenants not to compete.

The employment agreements initially expired on December 31, 2009, but renew automatically for successive one-year periods until either party gives 90 days’ written notice of its intention to terminate the agreement. Generally, the agreements call for a base salary ranging from \$0.28 million to \$0.34 million per year, annual bonuses and other incentives provided certain EBITDA performance targets are achieved. Under the agreements, we accrued compensation totaling \$2.9 million for the year ended December 31, 2019 (\$0.9 million both in 2018 and in 2017).

#### **C. Interests of Experts and Counsel**

Not applicable.

**Item 8. Financial Information****A. Consolidated Statements and Other Financial Information**

See Item 18.

**B. Significant Changes**

Not applicable.

**Item 9. The Offer and Listing**

Not applicable.

**Item 10. Additional Information****A. Share Capital**

Not applicable.

**B. Memorandum of articles of association**

The following brief description of the Company's Amended and Restated Articles of Incorporation ("Articles") and Bylaws does not purport to be complete and is subject in all respects to the provisions of the Amended and Restated Articles of Incorporation and Bylaws filed as exhibits to this Form 20-F.

***Organization, Objects and Purposes***

The Company is organized under the laws of Marshall Islands with a stated purpose to engage in any lawful act or activity for which corporations may now or hereafter be organized under the Marshall Islands Corporation Act. Under its Articles, the Company is authorized to issue 50,000,000 shares of common stock, \$1.00 par value per share.

***Director Controls***

The Bylaws provide that the number of directors comprising the entire Board of Directors is a minimum of one and a maximum of seven. The Board of Directors may be divided into class as more fully described in the Articles. Each director holds office until the next annual meeting of shareholders at which his class stands for election or until such director's earlier resignation, removal from office, death or incapacity. Unless otherwise provided in the Articles, vacancies and newly created directorships resulting from any increase in the number of directors or from any other cause may be filled by a majority of the directors then in office, although less than a quorum, or by a sole remaining director and each director so chosen shall hold office until the next annual meeting and until such director's successor shall be duly elected and shall qualify, or until such director's earlier resignation, removal from office, death or incapacity.

The Bylaws of the Company provide that contracts or transactions between the Company and one or more of its directors (or any other corporation, firm, association, or other entity in which one or more of its directors are directors or officers, or have a substantial financial interest) are not void or voidable by the sole reason that such director or directors are present at the meeting of the Board of Directors, or committee thereof, which approves such contract or transaction, or that his or their votes are counted for such purpose. However, the material facts as to such director's interest in such contract or transaction must be disclosed in good faith or known to the Board of Directors or the committee, and the Board of Directors or committee must approve such contract or transaction by a vote sufficient for such purpose without counting the vote of such interested director.

No committee of the Board of Directors has the power or authority to the fixing of compensation of the directors for serving on the Board of Directors or on any committee.

There are no provisions in the Articles or Bylaws either affirming or limiting borrowing powers exercisable by members of the Board of Directors.

There are no stated age limits for directors and directors need not be stockholders.

### ***Stock Rights***

All shares of common stock have equal entitlement to voting rights, dividends, profit shares and other rights and duties. There are no provisions for changes to the rights of stockholders contained in the Articles, except by resolution of the stockholders.

### ***Shareholder Meetings***

The annual meeting of shareholders of the Company is held on such date and at such time as may be fixed by the Board of Directors and stated in the notice of the meeting, for the purpose of electing directors and for the transaction of only such other business as is properly brought before the meeting in accordance with the Bylaws.

Written notice of an annual meeting stating the place, date and hour of the meeting, must be given to each shareholder entitled to vote at such meeting not less than 15 not more 60 days before the date of the annual meeting.

Unless otherwise required by the BCA, for business to be properly brought before the annual meeting, business must be either (i) specified in the notice of annual meeting (or any supplement or amendment thereto) given by or at the direction of the Board of Directors, (ii) brought before the annual meeting by or at the direction of the Board of Directors, or (iii) properly brought before the annual meeting by a shareholder. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Company. To be timely, a shareholder's notice must be delivered to or mailed and received at the Company's principal executive offices not less than 90 nor more than 120 days prior to such meeting.

Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by the BCA or by the Articles, may only be called by two members of the Board of Directors, the Chief Executive Officer or the Chairman. Such request must state the purpose or purposes of the proposed meeting.

Unless otherwise provided by law, written notice of a special meeting of shareholders, stating the time, place and purpose or purposes thereof, must be given to each shareholder entitled to vote at such meeting, not less than 15 or more than 60 days before the date fixed for such meeting. Business transacted at any special meeting of shareholders shall be limited to the purposes stated in the notice.

Any action required to be taken at any annual or special meeting of shareholders, or any action which may be taken at any annual or special meeting of such shareholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by all of the holders of outstanding stock entitled to vote with respect to the subject matter thereof.

### **C. Material Contracts**

Refer to "Item 5. — Operating and Financial Review and Prospects" for a discussion of our long-term debt, including Item 5.F for a discussion of our contractual obligations. Other than these agreements, the Company has no material contracts, other than the contracts entered into the ordinary course of business.

### **D. Exchange controls**

Under the laws of the Marshall Islands, Uruguay, Panama, Brazil, Paraguay and the British Virgin Islands, the countries of incorporation of Navios Logistics and its subsidiaries, there are currently no restrictions on the export or import of capital, including foreign exchange controls, or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common stock.

In the case of Argentina, however, it should be noted that local authorities have established certain foreign exchange restrictions that affect the export or import of capital. See "Item 3.D Risk Factors — Risks Relating to Argentina — The current and future foreign exchange policy of Argentina may affect the ability of our Argentine subsidiaries to make money remittances outside of Argentina."



## E. Taxation

### OTHER TAX JURISDICTIONS

Marshall Islands and Panama do not impose a tax on shipping income. Under the laws of Marshall Islands and Panama, the countries of incorporation of the Company and certain of its subsidiaries and the vessels' registration, respectively, the companies are subject to registration and tonnage taxes.

Certain of Navios Logistics' subsidiaries are incorporated in countries which impose additional taxes, such as Argentina, Uruguay, Brazil and Paraguay. Income tax liabilities of the Argentinean subsidiaries for the current period is measured at the amount expected to be paid to the taxation authorities using a tax rate of 30.0% on the taxable net income. As a result of the tax reform voted by the Argentinean Parliament in December 2017, and the Law 27,541 voted in December 2019, the corporate income tax rate has decreased from 35% in 2017 to 30% for the period from 2018 to 2021, and will further decrease to 25% for the period from 2022 onwards. Tax rates and tax laws used to assess the income tax liability are those that are effective on the close of the fiscal period. Additionally, at the end of the fiscal year local companies in Argentina had to calculate an assets tax (Minimum Presumed Income Tax) by applying the effective tax rate of 1.0% over the gross value of the corporate assets (based on tax law criteria). Following the tax reform voted by the Argentinean Parliament in December 2017 and the subsequent resolution in-force since May 2018, this tax does not longer apply as of the fiscal year 2019. Relating to the Paraguayan subsidiaries there are two possible options to determine the income tax liability. Under the first option, income tax liabilities for the current and prior periods are measured at the amount expected to be paid to the taxation authorities, by applying the tax rate of 10.0% on the fiscal profit and loss. 50.0% of revenues derived from international freights are considered Paraguayan sourced (and therefore taxed) if carried between Paraguay and Argentina, Bolivia, Brazil or Uruguay. In any other case, only 30.0% of revenues derived from international freights are considered Paraguayan sourced. Companies whose operations are considered international freights can choose to pay income taxes on their revenues at an effective tax rate of 1.0% on such revenues, without considering any other kind of adjustments. Fiscal losses, if any, are neither deducted nor carried forward.

### CERTAIN MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the 2022 Senior Notes. This summary is limited to beneficial owners of the 2022 Senior Notes that:

- except as specifically discussed below, are U.S. holders (as defined below); and
- hold the 2022 Senior Notes as capital assets.

As used in this prospectus, a "U.S. holder" means a beneficial owner of 2022 Senior Notes who or that is, for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or entity treated as a corporation for such purposes) created or organized in or under the laws of the United States, or any State thereof or the District of Columbia;
- an estate the income of which is includible in its gross income for U.S. federal income tax purposes without regard to its source; or
- a trust, if either (x) it is subject to the primary supervision of a court within the United States and one or more "United States persons" have the authority to control all substantial decisions of the trust or (y) it has a valid election in effect under applicable Treasury regulations to be treated as a "United States person."

The U.S. federal income tax considerations set forth below are based upon the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), existing and proposed Treasury regulations thereunder, and current administrative rulings and court decisions, all as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). We have not and will not seek any rulings from the Internal Revenue Service ("IRS") or opinions of counsel regarding the matters discussed below. There can be no assurance that the IRS will not take positions concerning the tax consequences of the purchase, ownership or disposition of the 2022 Senior Notes that are different from those discussed below or that a court will not agree with any such positions.

This summary does not discuss all of the aspects of U.S. federal income taxation that may be relevant to a beneficial owner of the 2022 Senior Notes in light of such beneficial owner's particular investment or other circumstances. This summary also does not discuss considerations or consequences relevant to persons subject to special provisions of U.S. federal income tax law, such as:

- entities that are tax-exempt for U.S. federal income tax purposes and retirement plans, individual retirement accounts and tax-deferred accounts;
- pass-through entities (including partnerships and entities and arrangements classified as partnerships for U.S. federal income tax purposes) and beneficial owners of pass-through entities;
- U.S. expatriates;
- persons that are subject to the alternative minimum tax;
- financial institutions, insurance companies, and dealers or traders in securities or currencies;
- persons having a "functional currency" other than the U.S. dollar; and
- persons that hold the 2022 Senior Notes as part of a constructive sale, wash sale, conversion transaction or other integrated transaction or a straddle, hedge or synthetic security.

If an entity or arrangement classified as a partnership for U.S. federal income tax purposes holds the 2022 Senior Notes, the U.S. federal income tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Partnerships holding the 2022 Senior Notes and partners in such partnerships should consult their own tax advisors regarding the U.S. federal income tax consequences of purchasing, owning and disposing of the 2022 Senior Notes. In addition, this summary does not address the effect of any U.S. federal estate or gift tax laws, the Medicare tax on investment income or any U.S. state or local or non-U.S. tax laws on a beneficial owner of the 2022 Senior Notes. Each beneficial owner of the 2022 Senior Notes should consult a tax advisor as to the particular tax consequences to it of purchasing, owning and disposing of the 2022 Senior Notes, including the applicability and effect of any U.S. federal estate or gift tax laws, the Medicare tax on investment income or any U.S. state or local or non-U.S. tax laws.

U.S. holders that use an accrual method of accounting for U.S. federal income tax purposes generally are required to include certain amounts in income no later than the time such amounts are reflected on certain applicable financial statements. The application of this rule may require the accrual of income earlier than would be the case under the general U.S. federal income tax rules described below. U.S. holders that use an accrual method of accounting for U.S. federal income tax purposes should consult with their tax advisors regarding the potential applicability of this rule to their particular situation.

For U.S. federal income tax purposes, Navios South American Logistics Inc., and not Navios Logistics Finance (US) Inc., is treated as the issuer of the 2022 Senior Notes.

*Stated Interest.* Stated interest on the 2022 Senior Notes will be included in a U.S. holder's gross income as ordinary interest income at the time it is paid or accrued in accordance with the U.S. holder's usual method of accounting for U.S. federal income tax purposes.

Stated interest on the 2022 Senior Notes will constitute income from sources without the United States for foreign tax credit purposes. Such income generally will constitute "passive category income" or, in the case of certain U.S. holders, "general category income," for foreign tax credit purposes.

*Market Discount and Bond Premium.* If a U.S. holder purchases a 2022 Senior Note for an amount that is less than its principal amount, the excess of the principal amount over the U.S. holder's purchase price will be treated as "market discount." However, the market discount will be considered to be zero if it is less than 1/4 of 1% of the principal amount multiplied by the number of complete years to maturity from the date the U.S. holder purchased the 2022 Senior Note.

Under the market discount rules of the Internal Revenue Code, a U.S. holder generally will be required to treat any principal payment on, or any gain realized on the sale, exchange, retirement or other disposition of, a 2022 Senior Note as ordinary income (generally treated as interest income) to the extent of the market discount which accrued but was not previously included in income by the U.S. holder during the period the U.S. holder held the 2022 Senior Note. In addition, the U.S. holder may be required to defer, until the maturity of the 2022 Senior Note or its earlier disposition in a taxable transaction, the deduction of all or a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the 2022 Senior Note. In general, market discount will be considered to accrue ratably during the period from the date of the purchase of the 2022 Senior Note to the maturity date of the 2022 Senior Note, unless the U.S. holder makes an irrevocable election (on an instrument-by-instrument basis) to accrue market discount under a constant yield method. A U.S. holder of a 2022 Senior Note may elect to include market discount in income currently as it accrues (under either a ratable or constant yield method), in which case the rules described above regarding the treatment as ordinary income of gain upon the disposition of the 2022 Senior Note and upon the receipt of certain payments and the deferral of interest deductions will not apply. The election to include market discount in income currently, once made, applies to all market discount obligations acquired on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

If a U.S. holder purchases a 2022 Senior Note for an amount in excess of the amount payable at maturity of the 2022 Senior Note, the U.S. holder will be considered to have purchased the 2022 Senior Note with “bond premium” equal to the excess of the U.S. holder’s purchase price over the amount payable at maturity (or on an earlier call date if it results in a smaller amortizable bond premium). It may be possible for a U.S. holder of a 2022 Senior Note to elect to amortize the premium over the remaining term of the 2022 Senior Note (or until an earlier call date, as applicable). However, because we may call the 2022 Senior Notes under certain circumstances at a price in excess of their stated principal amount, such amortization may be reduced and/or deferred. Any amortized amount of the premium for a taxable year generally will be treated first as a reduction of interest on the 2022 Senior Note includible in the U.S. holder’s gross income in such taxable year to the extent thereof, then as a deduction allowed in that taxable year to the extent of the U.S. holder’s prior interest inclusions on the 2022 Senior Note, and finally as a carryforward allowable against the U.S. holder’s future interest inclusions on the 2022 Senior Note. If a U.S. holder makes such an election, the U.S. holder’s tax basis in the 2022 Senior Note will be reduced by the amount of the allowable amortization. If a U.S. holder does not elect to amortize bond premium, the premium will decrease the gain or increase the loss that such U.S. holder would otherwise recognize on a disposition of its 2022 Senior Note. A U.S. holder’s election to amortize premium on a constant yield method will apply to all debt obligations held or subsequently acquired by the U.S. holder on or after the first day of the first taxable year to which the election applies. A U.S. holder may not revoke the election without the consent of the IRS. U.S. holders should consult their own tax advisors before making this election and regarding the calculation and amortization of any bond premium on the 2022 Senior Notes.

*Dispositions of the 2022 Senior Notes.* Unless a nonrecognition provision of the U.S. federal income tax laws applies, upon the sale, exchange, redemption, retirement or other taxable disposition of a 2022 Senior Note, a U.S. holder will recognize taxable gain or loss in an amount equal to the difference, if any, between the amount realized on the sale, exchange, redemption, retirement or other taxable disposition (other than amounts attributable to accrued stated interest, which will be treated as described above) and the U.S. holder’s adjusted tax basis in the 2022 Senior Note. A U.S. holder’s adjusted tax basis in a 2022 Senior Note will generally be equal to its cost for the 2022 Senior Note, increased by the amount of any market discount with respect to the 2022 Senior Note previously included in the U.S. holder’s gross income and reduced by the amount of any amortizable bond premium with respect to the 2022 Senior Note previously amortized by the U.S. holder. Gain or loss recognized by a U.S. holder on the sale, exchange, redemption, retirement or other taxable disposition of a 2022 Senior Note will generally be capital gain or loss, except with respect to accrued market discount not previously included in income by the U.S. holder, which will be taxable as ordinary income. The capital gain or loss recognized by a U.S. holder will be long-term capital gain or loss if the U.S. holder’s holding period for the 2022 Senior Note exceeds one year at the time of the disposition. Long-term capital gains recognized by individual and certain other non-corporate U.S. holders generally are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Capital gain or loss recognized by a U.S. holder generally will be U.S. source gain or loss for foreign tax credit purposes.

*Certain Reporting Requirements.* Individuals who are U.S. holders (and to the extent specified in applicable Treasury regulations, certain individuals who are non-U.S. holders and certain U.S. holders who are entities) who hold “specified foreign financial assets” (as defined in section 6038D of the Internal Revenue Code) are required to file a report on IRS Form 8938 with information relating to the asset for each taxable year in which the aggregate value of all such assets exceeds \$75,000 at any time during the taxable year or \$50,000 on the last day of the taxable year (or such higher dollar amount as prescribed by applicable Treasury regulations). Specified foreign financial assets would include, among other assets, the 2022 Senior Notes, unless such notes are held through an account maintained with a U.S. financial institution. Substantial penalties apply to any failure to timely file IRS Form 8938, unless the failure is shown to be due to reasonable cause and not due to willful neglect. Additionally, in the event an individual U.S. holder (and to the extent specified in applicable Treasury regulations, an individual non-U.S. holder or a U.S. entity) that is required to file IRS Form 8938 does not file such form, the statute of limitations on the assessment and collection of U.S. federal income taxes of such holder for the related tax year may not close until three years after the date that the required information is filed. U.S. holders (including U.S. entities) and non-U.S. holders should consult their own tax advisors regarding their reporting obligations with respect to specified foreign financial assets.

*Backup Withholding.* In general, “backup withholding” may apply to payments of interest made on a 2022 Senior Note, and to the proceeds of a disposition (including a retirement or redemption) of a 2022 Senior Note, that are made to a non-corporate beneficial owner of the 2022 Senior Notes if that beneficial owner fails to provide an accurate taxpayer identification number to its applicable payor (and certify that such beneficial owner is not subject to backup withholding) or otherwise comply with applicable requirements of the backup withholding rules. Backup withholding is not an additional tax and may be credited against a beneficial owner’s U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

*Non-U.S. Holders.* For purposes of the following discussion, a “non-U.S. holder” means a beneficial owner of the 2022 Senior Notes that is not, for U.S. federal income tax purposes, a U.S. holder or a partnership. A non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on:

- interest received in respect of the 2022 Senior Notes, unless those payments are effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States; or
- gain realized on the sale, exchange, redemption or retirement of the 2022 Senior Notes, unless that gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States or, in the case of gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

Non-U.S. holders should consult their own tax advisors regarding their U.S. federal income, branch profits and withholding tax consequences if they are subject to any of the exceptions noted above.

A non-U.S. holder may be required to certify its non-U.S. status to avoid backup withholding on payments of interest made on a 2022 Senior Note and on proceeds of a disposition (including a retirement or redemption) of a 2022 Senior Note.

**THIS SUMMARY DOES NOT DISCUSS ANY TAX CONSEQUENCES RELATING TO THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2022 SENIOR NOTES OTHER THAN U.S. FEDERAL INCOME TAX CONSEQUENCES AND INVESTORS SHOULD SEEK ADVICE FROM THEIR OWN COUNSEL WITH RESPECT TO SUCH OTHER TAX CONSEQUENCES AS WELL AS THEIR PARTICULAR U.S. FEDERAL INCOME TAX CONSEQUENCES.**

#### **F. Dividends and paying agents**

Not applicable.

#### **G. Statement by experts**

Not applicable.

#### **H. Documents on display**

We file reports and other information with the Securities and Exchange Commission (“SEC”). These materials, including this annual report on Form 20-F and the accompanying exhibits, may be inspected on the SEC’s website at <http://www.sec.gov>.

#### **I. Subsidiary information**

Not applicable.

### **Item 11. Quantitative and Qualitative Disclosures about Market Risks**

We are exposed to certain risks related to interest rate, foreign currency, fuel price inflation and time charter hire rate fluctuation. Risk management is carried out under policies approved by executive management.

#### **Interest Rate Risk:**

*Debt instruments:* As of December 31, 2019 and December 31, 2018, we had a total of \$520.4 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. and the 2022 Senior Notes are fixed and, therefore, changes in interest rates affect their fair value which as of December 31, 2019 was \$0.1 million and \$368.3 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 December 31, 2019, the Company’s floating rate loan facilities was \$145.2 million. A change in the LIBOR rate of 100 basis points would increase interest expense for the year ended December 31, 2019 by \$1.5 million.

**Foreign Currency Transactions:**

Our 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. For accounting purposes, we use U.S. dollars as our 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 the foreign operations are translated using the exchange rate at the balance sheet date except for property and equipment and equity, which are translated at historical rates.

Our subsidiaries in Uruguay, Argentina, Brazil and Paraguay transact part of their operations in Uruguayan pesos, Argentinean pesos, Brazilian reals and Paraguayan guaranies; however, all of the subsidiaries' primary cash flows are U.S. dollar denominated. For the year ended December 31, 2019 and for the year ended December 31, 2018, approximately 53.4% and 48.6%, respectively, of our expenses were incurred in currencies other than U.S. dollars. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. 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. A change in exchange rates between the U.S. dollar and each of the foreign currencies listed above by 1.00% would change our net income for the year ended December 31, 2019 by \$0.6 million.

**Inflation and Fuel Price Increases:**

The impact of inflation and the resulting pressure on prices in the South American countries in which we operate may not be fully neutralized by equivalent adjustments in the rate of exchange between the local currencies and the U.S. dollar. Specifically, for our vessels, barges and pushboats business, we negotiated, and will continue to negotiate, fuel price adjustment clauses; however, in some cases, prices that we pay for fuel are temporarily not aligned with the adjustments that we obtain under our freight contracts.

**Item 12. Description of Securities Other than Equity Securities**

Not applicable.

**PART II****Item 13. Defaults, Dividend Arrearages and Delinquencies**

Not applicable.

**Item 14. Material Modifications to the Rights of Shareholders and Use of Proceeds**

Not applicable.

**Item 15. Controls and Procedures****A. Disclosure Controls and Procedures**

The Company's management, with the participation of the Chief Executive Officer and Chief Financial Officer, conducted an evaluation, pursuant to Rule 13a-15 promulgated under the Exchange Act, of the effectiveness of our disclosure controls and procedures as of December 31, 2019. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures were effective as of December 31, 2019.

**B. Management's Annual Report on Internal Control over Financial Reporting**

The management of Navios Logistics is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) of the Exchange Act. Navios Logistics' internal control system was designed to provide reasonable assurance to Navios Logistics' management and Board of Directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Navios Logistics' management assessed the effectiveness of Navios Logistics' internal control over financial reporting as of December 31, 2019. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control — Integrated Framework (2013). Based on its assessment, management believes that, as of December 31, 2019, Navios Logistics' internal control over financial reporting is effective based on those criteria.

**C. Attestation Report of the Registered Public Accounting Firm**

Not applicable.

**D. Changes in internal control over financial reporting**

There have been no changes in internal controls over financial reporting that occurred during the year covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, Navios Logistics' internal controls over financial reporting.

**Item 16A. Audit Committee Financial Expert**

The Board of Directors has determined that Mr. Achnotis qualifies as “an audit committee financial expert” as defined in the instructions of Item 16A of Form 20-F. Mr. Achnotis may not be deemed to be “independent” within the definition published by the New York Stock Exchange.

**Item 16B. Code of Ethics**

Navios Logistics has adopted a code of ethics, the Navios Code of Corporate Conduct and Ethics, applicable to officers, directors and employees of Navios Logistics. The Navios Code of Corporate Conduct and Ethics is available for review on Navios Logistics' website at [www.navios-logistics.com](http://www.navios-logistics.com).

**Item 16C. Principal Accountant Fees and Services**

**Audit Fees**

Our principal accountants for fiscal years 2019 and 2018 were Price Waterhouse and Co S.R.L. The audit fees for the audit of each of the years ended December 31, 2019 and 2018 were \$0.9 million and \$0.8 million, respectively.

**Audit-Related Fees**

There were no audit-related fees billed in 2019 and 2018.

**Tax Fees**

There were no tax fees billed in 2019 and 2018.

**All Other Fees**

There were no other fees billed in 2019 and 2018.

**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

**Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

Not applicable.

**Item 16F. Change in Registrant's Certifying Accountant**

Not applicable.

## Item 16G. Corporate Governance

Not applicable.

## Item 16H. Mine Safety Disclosure

Not applicable.

## PART III

### Item 17. Financial Statements

See Item 18.

### Item 18. Financial Statements

The financial information required by this Item is set forth on pages F-1 to F-37 and is filed as part of this report.

### Item 19. Exhibits

- 1.1 [Amended Articles of Incorporation of Navios South American Logistics Inc.](#)<sup>(1)</sup>
- 1.2 [Bylaws of Navios South American Logistics Inc.](#)<sup>(1)</sup>
- 2.1 [Shareholders' Agreement, dated as of June 17, 2010, between Navios South American Logistics Inc., Navios Corporation and Grandall Investment S.A.](#)<sup>(1)</sup>
- 2.2 [Shareholders' Agreement, dated as of November 19, 2019, by and among bNavios South American Logistics Inc., Navios Maritime Holdings Inc. and Peers Business S.A.\\*](#)
- 2.3 [Amended and Restated Waiver to Shareholder's Agreement.](#)<sup>(2)</sup>
- 2.4 [Indenture, dated April 22, 2014, among Navios South American Logistics Inc., Navios Logistics Finance \(US\) Inc., each of the Guarantors thereto and Wells Fargo Bank, National Association.](#)<sup>(3)</sup>
- 2.5 [First Supplemental Indenture, dated as of November 3, 2014, among Navios South American Logistics Inc., Navios Logistics Finance \(US\) Inc., each of the Guarantors thereto and Wells Fargo Bank, National Association.](#)<sup>(4)</sup>
- 2.6 [Second Supplemental Indenture, dated as of February 6, 2015, among Navios South American Logistics Inc., Navios Logistics Finance \(US\) Inc., each of the Guarantors thereto and Wells Fargo Bank, National Association.](#)<sup>(4)</sup>
- 2.7 [Third Supplemental Indenture, dated as of September 26, 2016, among Navios South American Logistics Inc., Navios Logistics Finance \(US\) Inc., each of the Guarantors thereto and Wells Fargo Bank, National Association.](#)<sup>(5)</sup>
- 2.8 [Fourth Supplemental Indenture, dated as of March 20, 2019, among Navios South American Logistics Inc., Navios Logistics Finance \(US\) Inc., each of the Guarantors thereto and Wells Fargo Bank, National Association.](#)<sup>(8)</sup>
- 4.1 [Administrative Services Agreement, dated as of April 12, 2011, between Navios South American Logistics Inc. and Navios Maritime Holdings Inc.](#)<sup>(1)</sup>
- 4.2 [Senior Secured Term Loan Agreement, dated December 15, 2016, between Corporacion Navios S.A., as a borrower, and Banco Bilbao Vizcaya Argentaria Uruguay S.A., as lender.](#)<sup>(6)</sup>
- 4.3 [Credit Agreement, dated as of November 3, 2017, among Navios South American Logistics Inc., Navios Logistics Finance \(US\) Inc., the Guarantors named therein, the several banks, financial institutions, institutional investors and other entities from time to time party thereto as lenders, and Morgan Stanley Senior Funding, Inc., as Administrative Agent.](#)<sup>(7)</sup>
- 4.4 [Unloading, Storing, Weighing and Loading Services Contract, by and between Corporacion Navios Sociedad Anonima and Vale International SA, dated September 27, 2013.](#)<sup>(9)</sup>

- 4.5 [Loan Agreement, dated April 25, 2019, between Navios Maritime Holdings Inc., as borrower, and Navios South American Logistics Inc., as lender.<sup>\(10\)</sup>](#)
- 4.6 [Assignment Agreement, dated August 29, 2019, among Navios Corporation, Navios South American Logistics Inc. and Navios Shipmanagement Inc.<sup>\(10\)</sup>](#)
- 4.7 [Supplemental Agreement, dated as of December 2, 2019, between Navios Maritime Holdings Inc., as borrow, and Navios South American Logistics Inc. as lender, in relation to the Loan Agreement, dated April 25, 2019.\\*](#)
- 4.8 [Form of Loan Facility Agreement, dated as of February 14, 2020, by and among Corporación Navios Granos S.A., as borrower, Navios South American Logistics Inc., as guarantor, and Banco Bilbao Vizcaya Argentaria Uruguay S.A., as lender.\\*](#)
- 8 [Subsidiaries of Navios South American Logistics Inc.\\*](#)
- 11 [Code of Ethics<sup>\(2\)</sup>](#)
- 12.1 [Section 302 Certifications of Principal Executive Officer.\\*](#)
- 12.2 [Section 302 Certification of Principal Financial Officer.\\*](#)
- 13 [Section 906 Certifications of Principal Executive and Principal Financial Officer.\\*](#)
- 101 The following materials from the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2019, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets at December 31, 2019 and 2018; (ii) Consolidated Statements of Operations for each of the years ended December 31, 2019, 2018 and 2017; (iii) Consolidated Statements of Cash Flows for each of the years ended December 31, 2019, 2018 and 2017; (iv) Consolidated Statements of Changes in Equity for each of the years ended December 31, 2019, 2018 and 2017; and (v) the Notes to Consolidated Financial Statements as blocks of text.\*\*
- \* Filed herewith.
- \*\* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.
- (1) Previously filed with Registration Statement on Form F-4 (Registration No. 333-179250), as filed with the Securities and Exchange Commission on January 31, 2012.
- (2) Previously filed with the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2011, as filed with the Securities and Exchange Commission on April 5, 2012.
- (3) Previously filed with the Company’s Report on Form 6-K, filed with the Securities and Exchange Commission on April 23, 2014.
- (4) Previously filed with the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2014, as filed with the Securities and Exchange Commission on March 30, 2015.
- (5) Previously filed with the Company’s Report on Form 6-K, filed with the Securities and Exchange Commission on November 29, 2016.
- (6) Previously filed with the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2016, as filed with the Securities and Exchange Commission on March 30, 2017.
- (7) Previously filed with the Company’s Report on Form 6-K, filed with the Securities and Exchange Commission on November 6, 2017.
- (8) Previously filed with the Company’s Annual Report on Form 20-F for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission on April 26, 2019.



(9) Previously filed with the Company's Report on Form 6-K, filed with the Securities and Exchange Commission on June 3, 2019.

(10) Previously filed with the Company's Report on Form 6-K, filed with the Securities and Exchange Commission on September 12, 2019.

## **SIGNATURES**

Navios South American Logistics Inc. hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on Form 20-F on its behalf.

NAVIOS SOUTH AMERICAN LOGISTICS INC.

By: NAVIOS SOUTH AMERICAN LOGISTICS INC.

/s/ Claudio Pablo Lopez

Name: Claudio Pablo Lopez

Title: Chief Executive Officer, Vice Chairman and Director

Date: February 21, 2020

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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## Report of Independent Registered Public Accounting Firm

### To Navios South American Logistics Inc.

To the Board of Directors and Shareholders of Navios South American Logistics Inc.

### *Opinion on the Financial Statements*

We have audited the accompanying consolidated balance sheets of Navios South American Logistics Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PRICE WATERHOUSE & Co. S.R.L.

By: /s/ Carlos Martin Barbafina (Partner)  
Carlos Martin Barbafina

Buenos Aires, Argentina  
February 21, 2020.

We have served as the Company's auditor since 2009.

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

	Notes	December 31, 2019	December 31, 2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	\$ 45,605	\$ 76,472
Accounts receivable, net	4	30,077	28,225
Due from affiliate companies	18	4,043	150
Note receivable, current portion	6	96	174
Prepaid expenses and other current assets	5	5,518	17,512
Inventories		6,829	4,575
<b>Total current assets</b>		<b>92,168</b>	<b>127,108</b>
Deposits for vessels, port terminals and other fixed assets	6	4,504	—
Vessels, port terminals and other fixed assets, net	6	535,166	559,587
Intangible assets other than goodwill, net	7	54,511	57,284
Goodwill		104,096	104,096
Deferred drydock and special survey costs, net		11,129	11,156
Operating lease asset	17	8,852	—
Intercompany receivable loan from parent (related party), net	18	68,966	—
Note receivable, net of current portion	6	375	428
Other long-term assets	8	10,391	3,644
<b>Total noncurrent assets</b>		<b>797,990</b>	<b>736,195</b>
<b>Total assets</b>		<b>\$ 890,158</b>	<b>\$ 863,303</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable	9	\$ 13,743	\$ 17,086
Accrued expenses	9	20,365	16,982
Deferred income		5,015	4,763
Operating lease liabilities, current portion	17	467	—
Notes payable—current portion	10	4,841	4,781
Current portion of long-term debt	10	7,374	9,797
<b>Total current liabilities</b>		<b>51,805</b>	<b>53,409</b>
Senior notes, net	10	371,677	370,424
Notes payable, net of current portion	10	17,628	22,094
Long-term debt, net of current portion	10	113,409	123,090
Income tax payable		109	205
Operating lease liabilities, net of current portion	17	8,397	—
Deferred tax liability	16	8,133	7,177
Other long-term liabilities		724	767
<b>Total noncurrent liabilities</b>		<b>520,077</b>	<b>523,757</b>
<b>Total liabilities</b>		<b>571,882</b>	<b>577,166</b>
<b>Commitments and contingencies</b>	15	—	—
<b>STOCKHOLDERS' EQUITY</b>			
Common stock—\$1.00 par value: 50,000,000 authorized shares; 20,000 shares issued and outstanding in 2019 and 2018	19	20	20
Additional paid-in capital		233,441	233,441
Retained earnings		84,815	52,676
<b>Total stockholders' equity</b>		<b>318,276</b>	<b>286,137</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$ 890,158</b>	<b>\$ 863,303</b>

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

**NAVIOS SOUTH AMERICAN LOGISTICS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Expressed in thousands of U.S. dollars — except share data)

	Notes	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Time charter, voyage and port terminal revenues		\$ 218,887	\$ 175,126	\$ 180,044
Sales of products		9,384	32,508	32,572
Time charter, voyage and port terminal expenses	12	(43,090)	(31,949)	(33,617)
Direct vessel expenses	13	(48,725)	(48,962)	(62,554)
Cost of products sold		(9,077)	(31,289)	(30,717)
Depreciation of vessels, port terminals and other fixed assets	6	(26,662)	(26,583)	(23,322)
Amortization of intangible assets	7	(2,773)	(2,724)	(3,543)
Amortization of deferred drydock and special survey costs	2	(5,166)	(7,204)	(7,928)
General and administrative expenses	14	(17,393)	(15,064)	(16,665)
Provision for losses on accounts receivable	4	(341)	(75)	(569)
Taxes other than income taxes		(7,745)	(7,056)	(9,018)
Interest expense and finance cost		(40,531)	(39,669)	(28,347)
Interest income		4,579	517	238
Gain on sale of assets		—	28	1,064
Foreign exchange differences, net	2	(1,596)	(1,355)	(726)
Other income, net		3,621	9,237	2,725
<b>Income/(loss) before income taxes</b>		<b>\$ 33,372</b>	<b>\$ 5,486</b>	<b>\$ (363)</b>
Income tax (expense)/benefit	16	(1,233)	1,376	3,468
<b>Net income</b>		<b>\$ 32,139</b>	<b>\$ 6,862</b>	<b>\$ 3,105</b>
<b>Earnings per share, basic and diluted</b>	21	<b>\$ 1.61</b>	<b>\$ 0.34</b>	<b>\$ 0.16</b>
<b>Weighted average number of shares, basic and diluted</b>		<b>20,000</b>	<b>20,000</b>	<b>20,000</b>

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

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

	Notes	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>OPERATING ACTIVITIES:</b>				
Net income		\$ 32,139	\$ 6,862	\$ 3,105
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>				
Depreciation of vessels, port terminals and other fixed assets	6	26,662	26,583	23,322
Amortization of deferred drydock and special survey costs	2	5,166	7,204	7,928
Income tax expense/(benefit)	16	1,233	(1,376)	(3,468)
Amortization of deferred financing costs	2	2,552	2,362	1,275
Amortization of intangible assets	7	2,773	2,724	3,543
Accretion of Notes payable-receivable / unwinding of discount		(122)	(12)	(25)
Gain on sale of assets		—	(28)	(1,064)
Amortization of operating lease asset		412	—	—
Deferred interest income amortization		(171)	—	—
Mark-to-market debt security investment		(908)	—	—
Gain on debt security investment disposal		(176)	—	—
Provision for losses on accounts receivable	4	341	75	569
<b>Changes in operating assets and liabilities:</b>				
(Increase)/decrease in accounts receivable		(2,193)	(2,574)	6,684
Decrease/(increase) in prepaid expenses and other current assets		13,193	(11,329)	3,609
(Increase)/decrease in inventories		(2,254)	3,682	(442)
(Increase)/decrease in other long term assets		(6,747)	(2,875)	1,166
Payments for drydock and special survey costs	2	(5,139)	(1,948)	(3,687)
Income tax payable (decrease)/increase		(96)	(261)	30
Decrease in operating lease liability		(400)	—	—
Decrease in accounts payable		(3,343)	(5,590)	(9,164)
(Decrease)/increase in due to/ due from affiliate companies, net		(3,893)	(415)	211
Increase/(decrease) in accrued expenses		3,106	(581)	2,156
Increase/(decrease) in deferred income		252	(977)	1,223
Decrease in other long term liabilities		(43)	(368)	—
<b>Net cash provided by operating activities</b>		<b>\$ 62,344</b>	<b>\$ 21,158</b>	<b>\$ 36,971</b>
<b>INVESTING ACTIVITIES:</b>				
Acquisition of vessels, port terminals and other fixed assets,	6	(3,439)	(7,307)	(9,932)
Deposits for vessels, port terminals and other fixed assets	6	(4,504)	(12,572)	(36,589)
Loan to parent Company, net of deferred interest income (related party)	18	(68,795)	—	—
Investments in debt securities (related party)	18	(17,642)	—	—
Disposal of debt securities (related party)	18	18,726	—	—
Proceeds from Notes Receivable		150	233	200
<b>Net cash used in investing activities</b>		<b>\$ (75,504)</b>	<b>\$ (19,646)</b>	<b>\$ (46,321)</b>
<b>FINANCING ACTIVITIES:</b>				
Proceeds from Term Loan B Facility, net of deferred finance costs and discount		—	—	95,487
Proceeds from Notes Payable		—	—	709
Proceeds from long term debt, net of deferred finance costs	10	—	6,919	13,893
Repayment of long-term debt and payment of principal		(13,403)	(7,607)	(2,519)
Repayment of Notes Payable		(4,304)	(4,240)	(4,040)
Payments of obligations under capital leases	6	—	—	(12,374)
Dividends paid		—	—	(70,000)
<b>Net cash (used in)/provided by financing activities</b>		<b>\$ (17,707)</b>	<b>\$ (4,928)</b>	<b>\$ 21,156</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(30,867)</b>	<b>(3,416)</b>	<b>11,806</b>
<b>Cash and cash equivalents and restricted cash, beginning of year</b>		<b>76,472</b>	<b>79,888</b>	<b>68,082</b>
<b>Cash and cash equivalents and restricted cash, end of year</b>		<b>\$ 45,605</b>	<b>\$ 76,472</b>	<b>\$ 79,888</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>				
Cash paid for interest, net of capitalized interest		\$ 38,009	\$ 36,999	\$ 25,863
<b>Non-cash investing and financing activities:</b>				
Revaluation of vessels due to termination/restructuring of capital lease obligation		\$ —	\$ —	\$ 5,243
Transfers from deposits for vessels, port terminals and other fixed assets		\$ —	\$ 49,421	\$ 137,357

Transfers to deposits for vessels, port terminals and other fixed assets	\$ —	\$ —	\$ —
Acquisition of vessels port terminals and other fixed assets, net	\$ —	\$ (512)	\$ (843)
Deposits for vessels, port terminals and other fixed assets	\$ —	\$ —	\$ (726)
Transfers to other long term-assets	\$ —	\$ (26)	\$ —

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



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

	Number of shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Total Navios Logistics' Stockholders' Equity	Total Stockholders' Equity
<b>Balance December 31, 2016</b>	<b>20,000</b>	<b>\$ 20</b>	<b>\$303,441</b>	<b>\$42,709</b>	<b>\$ 346,170</b>	<b>\$ 346,170</b>
Net income	—	—	—	\$ 3,105	\$ 3,105	\$ 3,105
Dividends	—	—	\$ (70,000)	—	\$ (70,000)	\$ (70,000)
<b>Balance December 31, 2017</b>	<b>20,000</b>	<b>\$ 20</b>	<b>\$233,441</b>	<b>\$45,814</b>	<b>\$ 279,275</b>	<b>\$ 279,275</b>
Net income	—	—	—	\$ 6,862	\$ 6,862	\$ 6,862
<b>Balance December 31, 2018</b>	<b>20,000</b>	<b>\$ 20</b>	<b>\$233,441</b>	<b>\$52,676</b>	<b>\$ 286,137</b>	<b>\$ 286,137</b>
Net income	—	—	—	\$32,139	\$ 32,139	\$ 32,139
<b>Balance December 31, 2019</b>	<b>20,000</b>	<b>\$ 20</b>	<b>\$233,441</b>	<b>\$84,815</b>	<b>\$ 318,276</b>	<b>\$ 318,276</b>

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

**NAVIOS SOUTH AMERICAN LOGISTICS INC.**  
**NOTES TO THE 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 December 31, 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 consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

**(b) Principles of Consolidation:**

The accompanying 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.

The Company also consolidates entities that are determined to be variable interest entities as defined in the accounting guidance, if it determines that it is the primary beneficiary. The primary beneficiary of a variable interest entity (“VIE”) is the variable interest holder (e.g., a contractual counterparty or capital provider) deemed to have the controlling financial interest in the VIE and therefore must consolidate it. The primary beneficiary is not necessarily the party with the majority or even any of the voting interests in an entity. Rather, the primary beneficiary is the reporting entity that has both of the following characteristics: a) the power to direct the activities that most significantly impact the VIE’s economic performance; and b) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. A VIE is defined as a legal entity where either (a) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity’s residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity’s activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights.

Based on internal forecasts and projections, management believes that the company has adequate financial resources to continue in operation and meet its financial commitments, including but not limited to capital expenditures and debt service obligations, for a period of at least twelve months from the date of issuance of these consolidated financial statements. Accordingly, the Company continues to adopt the going concern basis in preparing its financial statements.

**Subsidiaries Included in the Consolidation:**

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.

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

Company Name	Country of Incorporation	Nature	Percentage of Ownership	Statement of income		
				2019	2018	2017
Corporacion Navios S.A.	Uruguay	Port-Facility Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Energias Renovables del Sur S.A.	Uruguay	Land Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Nauticler S.A.	Uruguay	Sub-Holding Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Compania Naviera Horamar S.A.	Argentina	Vessel-Operating Management Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Compania de Transporte Fluvial Internacional S.A.	Uruguay	Sub-Holding Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Ponte Rio S.A.	Uruguay	Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS Tankers Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS Navigation Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS Shipping Ltd. Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
HS South Inc.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Petrovia Internacional S.A.	Uruguay	Land-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Mercopar S.A.	Paraguay	Operating/Barge-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Petrolera San Antonio S.A.	Paraguay	Port Facility-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Stability Oceanways S.A.	Panama	Barge and Pushboat-Owning Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Hidronave South American Logistics S.A.	Brazil	Pushboat-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Horamar do Brasil Navegação Ltda	Brazil	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Navarra Shipping Corporation	Marshall Is.	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Pelayo Shipping Corporation	Marshall Is.	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Navios Logistics Finance (US) Inc.	Delaware	Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Varena Maritime Services S.A.	Panama	Barge and Pushboat-Owning Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Honey Bunkering S.A.	Panama	Tanker-Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Naviera Alto Parana S.A.	Paraguay	Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Edolmix S.A.	Uruguay	Port-Terminal Rights Owning Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Cartisur S.A.	Uruguay	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
NP Trading S.A.	British Virgin Islands	Sub-Holding Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Ruswe International S.A.	Uruguay	Barge-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Delta Naval Trade S.A.	Panama	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Terra Norte Group S.A.	Paraguay	Non-Operating Company	100%	1/1-12/31	1/1-12/31	1/1-12/31
Corporacion Navios Granos S.A. (1)	Uruguay	Port-Facility Owning Company	100%	1/1-12/31	11/30-12/31	—
Docas Fluvial do Porto Murtinho S.A. (1)	Brazil	Land Owning Company	95%	1/1-12/31	11/12-12/31	—
Siriande S.A. (2)	Uruguay	Non-Operating Company	100%	9/16-12/31	—	—

(1) These companies were acquired during the year ended December 31, 2018.

(2) This company was acquired during the year ended December 31, 2019.

**(c) Use of Estimates:**

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

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**(d) Cash and Cash Equivalents:**

Cash and cash equivalents consist of cash on hand, deposits held with banks, and other short-term liquid investments with original maturities of three months or less.

**(e) Restricted Cash:**

The Company historically presented changes in restricted cash and cash equivalents depending on the nature of the cash flow within the consolidated statement of cash flows. During the first quarter of 2018, the Company adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which requires that restricted cash and cash equivalents be included as components of total cash and cash equivalents as presented on the statement of cash flows. The recognition and measurement guidance for restricted cash is not affected. The Company applied this guidance retrospectively to all prior periods presented in the Company's financial statements. Restricted cash balance was zero for all periods presented.

**(f) Accounts Receivable, Net:**

The amount shown as accounts receivable, net, at each balance sheet date, includes receivables from charterers for hire, freight and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts.

**(g) Insurance Claims:**

Insurance claims at each balance sheet date consist of claims submitted and/or claims in the process of compilation or submission (claims pending). They are recorded on the accrual basis and represent the claimable expenses, net of applicable deductibles, incurred through December 31 of each reported period, which are expected to be recovered from insurance companies. Any remaining costs to complete the claims are included in accrued liabilities. Claims receivable mainly represent claims against ports' and vessels' insurance underwriters in respect of damages arising from accidents or other insured risks. While it is anticipated that claims receivable will be recovered within one year, such claims may not all be recovered within one year due to the attendant process of settlement. Nonetheless, amounts are classified as current as they represent amounts currently due to the Company. All amounts are shown net of applicable deductibles.

**(h) Inventories:**

Inventories, which primarily consist of petroleum products and other inventories such as lubricants and stock provisions on board of the owned vessels and pushboats at period end, are valued at the lower of cost or market as determined on the first-in, first-out basis.

**(i) Barges, Pushboats and Other Vessels:**

Barges, pushboats and other vessels acquired as part of a business combination are recorded at fair value on the date of acquisition and if acquired as an asset acquisition are recorded at cost (including transaction costs). All other barges, pushboats and other vessels acquired are stated at cost, which consists of the contract price, capitalized interest and any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for major improvements and upgrading are capitalized, provided they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the assets. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of the sale or retirement and any gain or loss is included in the accompanying consolidated statements of income. We also capitalize interest on long-term construction projects.

Expenditures for routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the useful life of the assets, after considering the estimated residual value. Management estimates the useful life of the Company's vessels to be between 15 and 45 years from the asset's original construction or acquisition. However, when regulations place limitations over the ability of a vessel to trade on a worldwide basis, its useful life is re-estimated to end at the date such regulations become effective. An increase in the useful life of a vessel or in its residual value would have the effect of decreasing the annual depreciation charge and extending it into later periods. A decrease in the useful life of a vessel or in its residual value would have the effect of increasing the annual depreciation charge.

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**(j) Port Terminals and Other Fixed Assets, net:**

Port terminals and other fixed assets acquired as part of a business combination are recorded at fair value on the date of acquisition. All other port terminals and other fixed assets are stated at cost and are depreciated utilizing the straight-line method at rates equivalent to their average estimated economic useful lives. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement and any gain or loss is included in the accompanying consolidated statements of income.

Useful lives of the assets are:

Dry port terminal	5 to 49 years
Oil storage, plant and port facilities for liquid cargoes	5 to 20 years
Other fixed assets	5 to 10 years

**(k) Deposits for Vessels, Port terminals and Other Fixed Assets:**

Deposits for vessels, port terminals and other fixed assets represent amounts paid by the Company in accordance with the terms of the purchase agreements for the construction of vessels, port terminals and other fixed assets. Deposits for vessels, port terminals and other fixed assets also include pre-delivery expenses. Pre-delivery expenses represent any direct costs to bring the asset to the condition necessary (including possible relocation) for it to be capable of operating in the manner intended by management. Interest costs incurred during the construction (until the asset is substantially complete and ready for its intended use) are capitalized. Capitalized interest for the years ended December 31, 2019, 2018 and 2017 amounted to nil, \$971 and \$4,764, respectively.

**(l) Impairment of Long-Lived Assets:**

Vessels, other fixed assets and other long-lived assets held and used by Navios Logistics are reviewed periodically for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In accordance with accounting for long-lived assets, management determines projected undiscounted cash flows for each asset group and compares it to its carrying amount. In the event that projected undiscounted cash flows for an asset group is less than its carrying amount, then management reviews fair values and compares them to the asset's carrying amount. In the event that impairment occurs, an impairment charge is recognized by comparing the asset's carrying amount to its fair value. For the purposes of assessing impairment, long lived-assets are grouped at the lowest levels for which there are separately identifiable cash flows.

For all the periods presented, the management of Navios Logistics after considering various indicators, including but not limited to its long-lived assets' contracted revenues and cash flows over their remaining useful life and the economic outlook, concluded that no impairment analysis should be performed on the long-lived assets.

Although management believes the underlying indicators supporting this conclusion are reasonable, if charter rate trends and the length of the current market downturn occur, management may be required to perform impairment analysis that could expose Navios Logistics to material charges in the future.

No impairment loss was recognized for any of the periods presented.

**(m) Deferred Drydock and Special Survey Costs:**

The Company's vessels, pushboats and barges are subject to regularly scheduled drydocking and special surveys that are carried out every five years for oceangoing vessels and up to every six to eight years for pushboats and barges, to coincide with the renewal of the related certificates issued by the classification societies, unless a further extension is obtained under certain conditions. The costs of drydocking and special survey are deferred and amortized over the above mentioned periods or to the next drydocking or special survey date if such has been determined. Unamortized drydocking or special survey costs of vessels, pushboats and barges sold are charged against income in the year the vessel, pushboat or barge is sold. Costs capitalized as part of the drydocking or special survey consist principally of the actual costs incurred at the yard, spare parts, paints, lubricants and fuel, labour and services incurred solely during the drydocking or special survey period. For each of the years ended December 31, 2019, 2018 and 2017, the amortization expense was \$5,166, \$7,204 and \$7,928, respectively and the payments for drydocking and special survey were \$5,139, \$1,948 and \$3,687, respectively. Accumulated amortization as of December 31, 2019 and 2018 amounted to \$46,462 and \$41,296, respectively.

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**(n) Deferred Financing Costs:**

Deferred financing costs include fees, commissions and legal expenses associated with obtaining or modifying loan facilities. These costs are amortized over the life of the related debt using the effective interest rate method, and are included in interest expense. Amortization expense for each of the years ended December 31, 2019, 2018 and 2017 was \$2,552, \$2,362 and \$1,275, respectively.

**(o) Goodwill and Other Intangibles:**

*(i) Goodwill:* Goodwill is tested for impairment at the reporting unit level at least annually. The Company evaluates impairment of goodwill using a two-step process. First, the aggregate fair value of the reporting unit is compared to its carrying amount, including goodwill. The Company determines the fair value of the reporting unit based on discounted cash flow analysis. The Company believes that the discounted cash flow analysis is the best indicator of fair value for its individual reporting units.

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

The fair value for goodwill impairment testing was estimated using the expected present value of future cash flows, using judgments and assumptions that management believes were appropriate in the circumstances. The significant factors and assumptions the Company used in its discounted cash flow analysis included: EBITDA, the discount rate used to calculate the present value of future cash flows and future capital expenditures.

EBITDA assumptions included revenue assumptions, general and administrative expense growth assumptions, port terminal and direct vessel expenses growth assumptions. The future cash flows from operations were determined principally by combining revenues from existing contracts and estimated revenues based on the historical performance of each segment, including utilization rates and actual storage capacity. A weighted average cost of capital ("WACC") was used to discount future estimated cash flows to their present values. The WACC was based on externally observable data regarding risk free rates, risk premiums and systematic risk and on the Company's cost of equity and debt and its capital structure.

No impairment loss was recognized for any of the periods presented.

*(ii) Intangibles Other Than Goodwill:* Navios Logistics' intangible assets consist of customer relationships, trade name (was fully amortized as of December 31, 2019) and port terminal operating rights.

Intangible assets resulting from acquisitions accounted for using the purchase method of accounting and are recorded at fair value as estimated based on market information, the "relief from royalty" method or discounted cash flows.

The fair value of the trade name was determined based on the "relief from royalty" method which values the trade name based on the estimated amount that a company would have to pay in an arm's length transaction in order to use that trade name. Other intangibles that are being amortized, such as the port terminal operating rights and customer relationships, would be considered impaired if their fair market value could not be recovered from the future undiscounted cash flows associated with the asset. The fair value of customer relationships was determined based on the "excess earnings" method, which relies upon the future cash flow generating ability of the asset. The asset is amortized under the straight line method.

When intangible assets or liabilities associated with the acquisition of a vessel are identified, they are recorded at fair value. Fair value is determined by reference to market data and the discounted amount of expected future cash flows. Where charter rates are higher than market charter rates, an asset is recorded, being the difference between the acquired charter rate and the market charter rate for an equivalent vessel. Where charter rates are less than market charter rates, a liability is recorded, being the difference between the assumed charter rate and the market charter rate for an equivalent vessel. The determination of the fair value of acquired assets and assumed liabilities requires us to make significant assumptions and estimates of many variables including market charter rates, expected future charter rates, the level of utilization of our vessels and our weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on our financial position and results of operations.

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No impairment loss was recognized for any of the periods presented.

Amortizable intangible assets are amortized under the straight-line method according to the following weighted average amortization periods:

<u>Intangible Assets/Liabilities</u>	<u>Years</u>
Trade name	10
Port terminal operating rights	47
Customer relationships	20

**(p) Foreign Currency Translation:**

The Company's and its subsidiaries' functional currency and reporting currency is the U.S. dollar. Therefore, the financial statements of the foreign operations are translated using the exchange rate at the balance sheet date except for property and equipment and equity, which are translated at historical rates. The Company's subsidiaries in Uruguay, Argentina, Brazil and Paraguay transact part of their operations in Uruguayan pesos, Argentinean pesos, Brazilian reals and Paraguayan guaranies. 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 consolidated statement of operations.

The foreign currency exchange losses recognized in the consolidated statements of income for each of the years ended December 31, 2019, 2018 and 2017 were \$1,596, \$1,355 and \$726, respectively.

**(q) Provisions for Contingencies Losses:**

The Company, in the ordinary course of business, is subject to various claims, suits and complaints. Management, in consultation with internal and external advisers, provides for a contingent loss in the financial statements if the contingency loss is probable at the date of the financial statements and the amount of the loss can be reasonably estimated. If the Company has determined that the reasonable estimate of the probable loss is a range and there is no best estimate within the range, the Company accrues the lower amount of the range. For probable losses accrued any reasonably possible loss in excess of amounts accrued are disclosed. See Note 15, "Commitments and Contingencies" for further discussion.

**(r) Segment Reporting:**

Operating segments, as defined, are components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision makers in deciding how to allocate resources and in assessing performance. Based on the Company's methods of internal reporting and management structure, the Company has three reportable segments: Port Terminal Business, Cabotage Business and Barge Business. See Note 22 for details.

**(s) Revenue and Expense 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.

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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 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 income.

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.



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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.

	Year ended December 31, 2019	Year ended December 31, 2018	Year ended December 31, 2017
COA/Voyage revenues	\$ 49,488	\$ 35,623	\$ 42,455
Time chartering revenues	76,680	72,689	84,063
Dry port terminal revenues	80,180	58,552	43,984
Storage fees (dry port) revenues	3,452	882	1,974
Dockage revenues	4,310	3,136	4,497
Sale of products revenues	9,384	32,508	32,572
Liquid port terminal revenues	4,032	3,739	2,841
Other dry port terminal revenue	745	505	230
<b>Total</b>	<b>\$ 228,271</b>	<b>\$ 207,634</b>	<b>\$ 212,616</b>

**Time Charter, Voyage and Port Terminal Expenses:**

Time charter and voyage expenses comprise all expenses related to each particular voyage, including time charter hire paid and voyage freight paid, bunkers, port charges, canal tolls, cargo handling, agency fees and brokerage commissions.

**Direct Vessel Expenses:**

Direct vessel expenses consist of all expenses relating to the operation of vessels, including crewing, repairs and maintenance, victualing costs, dockage expenses, insurance, stores and lubricants and miscellaneous expenses such as communications.

**(t) Financial Instruments:**

Financial instruments carried on the balance sheet include cash and cash equivalents, trade receivables and payables, other receivables, long-term debt and other liabilities. The particular recognition methods applicable to each class of financial instrument are disclosed in the applicable significant accounting policy description of each item, or included below as applicable.

*Financial risk management:* The Company's activities expose it to a variety of financial risks including fluctuations in future freight rates, time charter hire rates, and fuel prices, credit and interest rates risk. Risk management is carried out under policies approved by management. Guidelines are established for overall risk management, as well as specific areas of operations.

*Credit risk:* The Company closely monitors its exposure to customers and counterparties for credit risk. Navios Logistics, through its access to Navios Shipmanagement policies and personnel, has policies designed to limit trading to customers and counterparties with an appropriate credit history. Credit risk with respect to accounts receivable is reduced by the Company by rendering services to established international operators. Management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

*Liquidity risk:* Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company monitors cash balances for its working capital needs.

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*Foreign exchange risk:* Foreign currency transactions are translated into the measurement currency rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of operations.

**(u) Earnings per Share:**

Basic earnings per share are computed by dividing net income by the weighted average number of common shares outstanding during the years presented. There are no dilutive or potentially dilutive securities, accordingly there is no difference between basic and diluted net earnings per share.

**(v) Income Taxes:**

The Company is a Marshall Islands corporation. The Company believes that substantially all of its operations are exempt from income taxes in the Marshall Islands. The Company's subsidiaries are, however, subject to income taxes in some of the countries in which they operate, mainly Argentina, Brazil and Paraguay. The Company's operations in Uruguay and Panama are exempt from income taxes. As per the tax laws of the countries in which the Company operates that are subject to income taxes, the provisions for income taxes have been computed on a separate return basis (i.e., the Company does not prepare a consolidated income tax return). All income tax payments are made by the subsidiaries as required by the respective tax laws.

At any point in time, the Company may have tax audits underway at various stages of completion. The Company evaluates the tax positions and establishes liabilities for uncertain tax positions that may be challenged by local authorities and may not be fully sustained, despite the Company's belief that the underlying tax positions are fully supportable. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances, including progress of tax audits, developments in case law, and closing of statute of limitations. Such adjustments are reflected in the tax provision as appropriate.

Argentinean companies have open tax years ranging from 2013 and onwards and Paraguayan and Brazilian companies have open tax years ranging from 2015 and onwards. In relation to these open tax years, the Company believes that there are no material uncertain tax positions. The Company is generally not able to reliably estimate the ultimate settlement amounts until the close of an audit. The Company classifies interest and penalties, related to income taxes in the consolidated statements of income under income taxes.

The asset and liability method is used to account for future income taxes. Under this method, future income tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts and the tax bases of assets and liabilities. Future income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A deferred tax asset is recognized for temporary differences or losses carried forward that will result in deductible amounts in future years. Valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

On December 23, 2019, the Argentine government enacted the Law 27,541 that made changes to the income tax law in Argentina. The new law modifies the rates for income taxes applicable for the fiscal years beginning on January 1, 2020 and 2021. In measuring its income tax assets and liabilities, the Company used the rate that is expected to be enacted at the time of the reversal of the asset or liability in the calculation of the deferred tax for the items related to Argentina. An income tax rate of 30% was applied on temporary differences, whose reversal is expected to occur in 2020 and 2021, and a rate of 25% on temporary differences remaining thereafter. Due to these changes in the rate of the income tax, the Company has recorded an income tax benefit of \$2,837 during the year ended December 31, 2017, and an income tax expense of \$208 during the year ended December 31, 2019, within the caption "Income tax (expense)/ benefit" in the consolidated statements of income.

**Minimum presumed income tax (MPIT):**

Under the tax laws of Argentina, the Company's subsidiary in that country is subject to a minimum presumed income tax, or MPIT. This tax is supplementary to income tax. The tax is calculated by applying the effective tax rate of 1% on the tax basis of certain assets. The subsidiaries' tax liabilities will be the higher of income tax or MPIT. However, if the MPIT exceeds income tax during any fiscal year, such excess may be computed as a prepayment of any income tax excess over the MPIT that may arise in the next ten fiscal years. The Company has recorded as other non-current asset a total amount of \$102, which was set-off with taxes payable, as of December 31, 2019 (\$162 in 2018) in relation to MPIT which will be prescribed in 2028.

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Through General Instruction N° 2/2017 of the Administracion Federal de Ingresos Publicos (“AFIP”) in Argentina, the organization has instructed its legal areas to respect the criteria set by the Supreme Court of Justice of the Nation. This criteria states that there is no minimum profit presumed when a company has recorded losses in the accounting balances and losses tax carry forward in the income tax presentation in the fiscal period. As a consequence of this measure, the Argentine subsidiary of the Company has not determined a tax on minimum presumed income (or advances) for the 2018 fiscal year. Following the tax reform voted by the Argentinean Parliament in December 2017 and the subsequent resolution in-force since May 2018, this tax does not apply as of the fiscal year 2019.

**(w) Other Taxes:**

**Turnover tax:**

Under the tax laws of Argentina, the Company’s subsidiary in that country is subject to taxes levied on gross revenues. Rates differ depending on the jurisdiction where revenues are earned for tax purposes. Average rates were approximately 2.0% for the year ended December 31, 2019 (3.0% for 2018 and 5.0% for 2017). Turnover taxes are recorded as part of taxes other than income tax in the consolidated statements of income and amounted to \$1,062 for the year ended December 31, 2019 (\$1,343 in 2018 and \$2,948 in 2017).

**(x) Dividends:**

Dividends are recorded in the Company’s consolidated financial statements in the period in which they are declared. On November 3, 2017, the Company paid a dividend in the aggregate amount of \$70,000.

**(y) Pension Information:**

The Company does not maintain any pension plans. The laws in the different countries in which the Company carries out its operations provide for pension benefits to be paid to retired employees from government pension plans and/or privately-managed pension funds.

**(z) Severance Payments:**

Under certain laws and labor agreements of the countries in which the Company conducts its operations, the Company is required to make minimum severance payments to its dismissed employees without cause and employees leaving its employment in certain other circumstances. Accrual of severance costs is made if they relate to services already rendered, relate to rights that accumulate or vest, are probable of payment and are reasonably estimable. While the Company expects to make severance payments in the future, it is impossible to estimate the number of employees that will be dismissed without proper cause in the future, if any, and accordingly the Company has not recorded such liability. Instead, severance payments are expensed as incurred.

**(xx) Leases:**

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 consolidated financial statements to assess the amount, timing and uncertainty of cash flows arising from lease arrangements (See Note 17).

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**(aa) Recent Accounting Pronouncements:**

In December 2019, FASB issued ASU 2019-12, Income Taxes (Topic 740), which modifies ASC 740 to simplify the accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. The amendments in ASU 2019-12 are effective for public business entities for fiscal years beginning after December 15, 2020, including interim periods therein. Early adoption of the standard is permitted, including adoption in interim or annual periods for which financial statements have not yet been issued. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements.

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. Since there are no entities included in the Company’s consolidation under the VIE model or required to be assessed for consolidation under the VIE model, the Company believes that this ASU will not have a material impact on its 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”. This update modifies the disclosure requirements for defined benefit pension plans and other postretirement plans. ASU 2018-14 is effective for public business entities that are SEC filers beginning in the first quarter of fiscal year 2021, and earlier adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its disclosures to the consolidated financial statements.

In August 2018, FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement”. This update modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, and earlier adoption is permitted. The Company believes that this ASU will not have a material impact on its consolidated financial statements.

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

In June 2016, FASB issued ASU No. 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” This standard requires entities to measure all expected credit losses of financial assets held at a reporting date based on historical experience, current conditions and reasonable and supportable forecasts in order to record credit losses in a more timely manner. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. In November 2018, FASB issued ASU 2018-19 “Codification Improvements to topic 326, Financial Instruments—Credit Losses”. The amendments in this update clarify that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842. In April 2019, FASB issued ASU 2019-04 “Codification Improvements to topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments”. In May 2019, FASB issued ASU 2019-05, “Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief”. The amendments in this update provide entities that have certain instruments within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost, with an option to irrevocably elect the fair value option in Subtopic 825-10, Financial Instruments—Overall, applied on an instrument-by-instrument basis for eligible instruments, upon adoption of Topic 326. The fair value option election does not apply to held-to-maturity debt securities. An entity that elects the fair value option should subsequently apply the guidance in Subtopics 820-10, Fair Value Measurement—Overall, and 825-10. In December 2019, FASB issued ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. This update introduced an expected credit loss model for the impairment of financial assets measured at amortized cost basis. That model replaces the probable, incurred loss model for those assets. 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 has assessed all the expected credit losses of its financial assets and the adoption of this ASU does not have a material impact on the Company’s consolidated financial statements.

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**NOTE 3: CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consisted of the following:

	December 31, 2019	December 31, 2018
Cash on hand and at banks	\$ 45,405	\$ 73,972
Short-term deposits	200	2,500
<b>Total cash and cash equivalents</b>	<b>\$ 45,605</b>	<b>\$ 76,472</b>

Short-term deposits are comprised of deposits with banks with original maturities of less than 90 days.

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

**NOTE 4: ACCOUNTS RECEIVABLE, NET**

Accounts receivable consisted of the following:

	December 31, 2019	December 31, 2018
Accounts receivable	\$ 32,566	\$ 31,081
Less: Provision for losses on accounts receivables	(2,489)	(2,856)
<b>Accounts receivable, net</b>	<b>\$ 30,077</b>	<b>\$ 28,225</b>

Changes to the provision for accounts receivables are summarized as follows:

<u>Provision for Losses on Accounts Receivables</u>	<u>Balance at Beginning of Year</u>	<u>Charges to Expenses</u>	<u>Amount Utilized</u>	<u>Balance at End of Year</u>
Year ended December 31, 2017	\$ (2,212)	\$ (569)	\$ —	\$ (2,781)
Year ended December 31, 2018	\$ (2,781)	\$ (75)	\$ —	\$ (2,856)
Year ended December 31, 2019	\$ (2,856)	\$ (341)	\$ 708	\$ (2,489)

See Note 2(t) for a discussion of credit risk. For the year ended December 31, 2019, one customer accounted for 36.2% of the Company's revenue. For the year ended December 31, 2018, three customers accounted for 32.0%, 10.8% and 10.2%, respectively, of the Company's revenue, one of which is the same as the one customer accounted for in 2019. For the year ended December 31, 2017, three customers accounted 20.3%, 13.7% and 12.7% of the Company's revenue, two of which were the same as the ones accounted for in 2018. For the three years, the most significant customer is common.

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**NOTE 5: PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets consist of the following:

	December 31, 2019	December 31, 2018
VAT and other tax credits	1,012	1,421
Insurance claims receivable, net <sup>(1)</sup>	109	11,761
Deferred insurance premiums	2,117	2,604
Advances to suppliers	621	494
Other	1,659	1,232
<b>Total prepaid expenses and other current assets</b>	<b>\$ 5,518</b>	<b>\$ 17,512</b>

(1) As of December 31, 2018, includes \$11,571 related to insurance claim at the iron ore port terminal in Nueva Palmira, Uruguay.

See Note 2(g) for insurance claims receivable.

**NOTE 6: VESSELS, PORT TERMINALS AND OTHER FIXED ASSETS, NET**

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

	Cost	Accumulated Depreciation	Net Book Value
<b>Tanker Vessels, Barges and Pushboats</b>			
<b>Balance January 1, 2017</b>	<b>\$475,380</b>	<b>\$ (150,040)</b>	<b>\$325,340</b>
Additions	5,531	(17,603)	(12,072)
Disposals	(3,585)	3,585	—
Revaluation of vessels due to termination of capital lease obligation	(5,243)	—	(5,243)
<b>Balance December 31, 2017</b>	<b>\$472,083</b>	<b>\$ (164,058)</b>	<b>\$308,025</b>
Additions	3,581	(18,528)	(14,947)
Transfers from oil storage plant and port facilities for liquid cargoes	629	—	629
Transfers from deposits for vessels, port terminal and other fixed assets, net	49,421	—	49,421
<b>Balance December 31, 2018</b>	<b>\$525,714</b>	<b>\$ (182,586)</b>	<b>\$343,128</b>
Additions	2,403	(19,038)	(16,635)
Write-down	(2,064)	866	(1,198)
<b>Balance December 31, 2019</b>	<b>\$526,053</b>	<b>\$ (200,758)</b>	<b>\$325,295</b>
<b>Dry Port Terminals</b>			
<b>Balance January 1, 2017</b>	<b>\$ 80,103</b>	<b>\$ (15,823)</b>	<b>\$ 64,280</b>
Additions	4,362	(4,826)	(464)
Transfers from deposits for vessels, port terminals and other fixed assets	137,357	—	137,357
<b>Balance December 31, 2017</b>	<b>\$221,822</b>	<b>\$ (20,649)</b>	<b>\$201,173</b>
Additions	2,530	(6,806)	(4,276)
Disposals	(156)	137	(19)
Transfers to other long term-assets	(26)	—	(26)
<b>Balance December 31, 2018</b>	<b>\$224,170</b>	<b>\$ (27,318)</b>	<b>\$196,852</b>
Additions	602	(6,866)	(6,264)
<b>Balance December 31, 2019</b>	<b>\$224,772</b>	<b>\$ (34,184)</b>	<b>\$190,588</b>

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<u>Oil Storage Plant and Port Facilities for Liquid Cargoes</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance January 1, 2017</b>	<b>\$29,121</b>	<b>\$ (11,568)</b>	<b>\$17,553</b>
Additions	698	(411)	287
<b>Balance December 31, 2017</b>	<b>\$29,819</b>	<b>\$ (11,979)</b>	<b>\$17,840</b>
Additions	—	(478)	(478)
Transfers to tanker vessels, barges and pushboats	(629)	—	(629)
<b>Balance December 31, 2018</b>	<b>\$29,190</b>	<b>\$ (12,457)</b>	<b>\$16,733</b>
Additions	—	(320)	(320)
<b>Balance December 31, 2019</b>	<b>\$29,190</b>	<b>\$ (12,777)</b>	<b>\$16,413</b>
<u>Other Fixed Assets</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance January 1, 2017</b>	<b>\$ 5,613</b>	<b>\$ (3,297)</b>	<b>\$ 2,316</b>
Additions	184	(482)	(298)
Disposals	(75)	28	(47)
<b>Balance December 31, 2017</b>	<b>\$ 5,722</b>	<b>\$ (3,751)</b>	<b>\$ 1,971</b>
Additions	1,708	(771)	937
Write-off	(34)	—	(34)
<b>Balance December 31, 2018</b>	<b>\$ 7,396</b>	<b>\$ (4,522)</b>	<b>\$ 2,874</b>
Additions	434	(438)	(4)
<b>Balance December 31, 2019</b>	<b>\$ 7,830</b>	<b>\$ (4,960)</b>	<b>\$ 2,870</b>
<u>Total</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
<b>Balance January 1, 2017</b>	<b>\$590,217</b>	<b>\$ (180,728)</b>	<b>\$409,489</b>
Additions	10,775	(23,322)	(12,547)
Disposals	(3,660)	3,613	(47)
Transfers from deposits for vessels, port terminals and other fixed assets	137,357	—	137,357
Revaluation of vessels due to termination of capital lease obligation	(5,243)	—	(5,243)
<b>Balance December 31, 2017</b>	<b>\$729,446</b>	<b>\$ (200,437)</b>	<b>\$529,009</b>
Additions	7,819	(26,583)	(18,764)
Disposals	(156)	137	(19)
Transfers from deposits for vessels, port terminals and other fixed assets	49,421	—	49,421
Transfers to other long term-assets	(26)	—	(26)
Write-off	(34)	—	(34)
<b>Balance December 31, 2018</b>	<b>\$786,470</b>	<b>\$ (226,883)</b>	<b>\$559,587</b>
Additions	3,439	(26,662)	(23,223)
Write-down	(2,064)	866	(1,198)
<b>Balance December 31, 2019</b>	<b>\$787,845</b>	<b>\$ (252,679)</b>	<b>\$535,166</b>

Certain assets of the Company have been pledged as collateral for loan facilities. As of December 31, 2019 and 2018, the net book value of such assets was \$79,502 and \$109,456, respectively. See also Note 10.

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, for a total cost of \$1,155.

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In February 2017, two self-propelled barges of the Company's fleet, Formosa and San Lorenzo, were sold for a total amount of \$1,109, to be paid in cash. The 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 December 31, 2019, are as follows:

<u>Collections Due by Period</u>	<u>December 31, 2019</u>
December 31, 2020	\$ 114
December 31, 2021	203
December 31, 2022	40
December 31, 2023	169
<b>Total future minimum note receivable collections</b>	<b>526</b>
Less: amount representing interest	(55)
<b>Present value of future minimum Note receivable collections <sup>(1)</sup></b>	<b>\$ 471</b>

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

**Deposits for vessels, port terminals and other fixed assets**

On November 21, 2019, Navios Logistics entered into a shipbuilding contract, for the construction of six liquid barges for a total consideration of \$15,800. Pursuant to this agreement, the Company has secured the availability of credit for up to 75% of the purchase price, and up to a five year repayment period starting from the delivery of each vessel. The barges are expected to be delivered starting from the third quarter of 2020 through the fourth quarter of 2020. As of December 31, 2019, Navios Logistics had paid \$4,046 for the construction of these barges.

As of December 31, 2019, Navios Logistics had paid \$458 for capitalized expenses for the development of its port operations in Port Murtinho region, Brazil.

**NOTE 7: INTANGIBLE ASSETS OTHER THAN GOODWILL**

Intangible assets as of December 31, 2019 and 2018 consist of the following:

<u>December 31, 2019</u>	<u>Acquisition Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value December 31, 2019</u>
Port terminal operating rights	53,152	(12,837)	40,315
Customer relationships	36,120	(21,924)	14,196
<b>Total intangible assets</b>	<b>\$ 89,272</b>	<b>\$ (34,761)</b>	<b>\$ 54,511</b>
<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
<b>Total intangible assets</b>	<b>\$ 89,272</b>	<b>\$ (31,988)</b>	<b>\$ 57,284</b>

Amortization expense for each of the years ended December 31, 2019, 2018 and 2017, amounted to \$2,773, \$2,724 and \$3,543, respectively.



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The aggregate amortization of acquired 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	35,340	40,315
Customer relationships	1,775	1,775	1,775	1,775	1,775	5,321	14,196
<b>Total</b>	<b><u>\$2,770</u></b>	<b><u>\$2,770</u></b>	<b><u>\$2,770</u></b>	<b><u>\$2,770</u></b>	<b><u>\$2,770</u></b>	<b><u>\$ 40,661</u></b>	<b><u>\$54,511</u></b>

**NOTE 8: OTHER LONG-TERM ASSETS**

Other long-term assets as of December 31, 2019 and 2018 consist of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Prepaid expenses (1)	9,321	1,713
Fuel delivery	—	687
Deposits in guarantee to the Free Zone	195	—
Other	875	1,244
<b>Total other long-term assets</b>	<b><u>\$ 10,391</u></b>	<b><u>\$ 3,644</u></b>

(1) Includes \$9,307 related to deferred financing cost.

**NOTE 9: ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable as of December 31, 2019 and 2018 consist of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Trade payable	\$ 12,858	\$ 15,470
Rent payable	336	183
Professional fees payable	549	1,433
<b>Total accounts payable</b>	<b><u>\$ 13,743</u></b>	<b><u>\$ 17,086</u></b>

Accrued expenses as of December 31, 2019 and 2018 consist of the following:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accrued salaries	\$ 6,548	\$ 4,746
Taxes	7,887	6,094
Accrued fees	215	266
Accrued bond coupon	4,531	4,531
Accrued interest	1,143	1,305
Other	41	40
<b>Total accrued expenses</b>	<b><u>\$ 20,365</u></b>	<b><u>\$ 16,982</u></b>

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**NOTE 10: BORROWINGS**

Borrowings consist of the following:

	December 31, 2019	December 31, 2018
Senior Notes	\$ 375,000	\$ 375,000
Term Loan B Facility	\$ 98,000	\$ 99,000
Notes Payable	\$ 22,469	\$ 26,875
BBVA loan	\$ 14,275	\$ 19,300
Term Bank loan	\$ 10,500	\$ 11,900
Credit agreement for a river and estuary tanker	\$ —	\$ 5,909
Loan for Nazira	\$ 115	\$ 184
<b>Total borrowings</b>	<b>520,359</b>	<b>538,168</b>
Less: current portion	(12,215)	(14,578)
Less: deferred financing costs, net	(5,430)	(7,982)
<b>Total long-term borrowings</b>	<b>\$ 502,714</b>	<b>\$ 515,608</b>

**2022 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 May 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 December 31, 2019 and December 31, 2018, deferred financing costs associated with the 2022 Senior Notes amounted to \$3,323 and \$4,576, respectively. Interest expense associated with the senior notes amounted to \$27,188, \$27,188 and \$27,188 for the years ended December 31, 2019, 2018 and 2017, 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 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.

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***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 in substitution of 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 December 31, 2019, a balance of \$98,000 was outstanding under the Term Loan B Facility.

As of December 31, 2019 and December 31, 2018, unamortized deferred financing costs associated with the Term Loan B Facility amounted to \$2,056 and \$3,188, respectively. Interest expense associated with the Term Loan B Facility amounted to \$7,150, \$7,171 and \$1,006 for the year ended December 31, 2019, 2018 and 2017, 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 \$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 December 31, 2019, the Company had drawn the total available amount and the outstanding balance of Notes Payable was \$22,469.

Interest expense associated with the Notes Payable amounted to \$1,591, \$1,775 and \$1,013 for the year ended December 31, 2019, December 31, 2018 and December 31, 2017, respectively.

***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 December 31, 2019, the outstanding amount of the loan was \$14,275.

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 December 31, 2019, the outstanding amount of the Term Bank Loan was \$10,500. As of December 31, 2019 and December 31, 2018, unamortized deferred financing costs associated with the Term Bank Loan amounted to \$51 and \$73, respectively.

On August 17, 2018, the Company entered into a \$6,781 (€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. On August 26, 2019, the Company prepaid the total outstanding balance of the credit agreement for a river and estuary tanker, which was \$3,472 (€3,100).

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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 December 31, 2019, the outstanding loan balance was \$115. 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 as of December 31, 2019.

The annual weighted average interest rates of the Company's total borrowings were 7.12%, 7.04% and 6.13% for the year ended December 31, 2019, 2018 and 2017, respectively.

The maturity table below reflects future payments of the long-term debt outstanding as of December 31, 2019, for the next five years and thereafter.

<u>Year</u>	<u>Amount in thousands of U.S. dollars</u>
2020	\$ 13,360
2021	110,257
2022	389,205
2023	5,012
2024	2,443
2025 and thereafter	82
<b>Total</b>	<b><u>\$ 520,359</u></b>

**NOTE 11: 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.

**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 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:

	<u>December 31, 2019</u>		<u>December 31, 2018</u>	
	<u>Book Value</u>	<u>Fair Value</u>	<u>Book Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ 45,605	\$ 45,605	\$ 76,472	\$ 76,472
Note receivable, including current portion	\$ 471	\$ 471	\$ 602	\$ 602
Senior notes	\$(371,677)	\$(368,306)	\$(370,424)	\$(343,373)
Term Loan B Facility	\$ (95,944)	\$ (97,510)	\$ (95,812)	\$ (98,505)
Notes payable, including current portion	\$ (22,469)	\$ (22,469)	\$ (26,875)	\$ (26,875)
Long-term debt, including current portion	\$ (24,839)	\$ (24,839)	\$ (37,075)	\$ (37,075)

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**Fair Value Measurements**

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

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

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

Level III: Inputs that are unobservable.

	<b>Fair Value Measurements at December 31, 2019</b>			
	<b>Total</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
Cash and cash equivalents	\$ 45,605	\$ 45,605	\$ —	\$ —
Note receivable, including current portion	\$ 471	\$ 471	\$ —	\$ —
Senior Notes	\$(368,306)	\$(368,306)	\$ —	\$ —
Term Loan B Facility	\$ (97,510)	\$ —	\$(97,510)	\$ —
Notes payable, including current portion <sup>(1)</sup>	\$ (22,469)	\$ —	\$(22,469)	\$ —
Long-term debt <sup>(1)</sup>	\$ (24,839)	\$ —	\$(24,839)	\$ —

	<b>Fair Value Measurements at December 31, 2018</b>			
	<b>Total</b>	<b>Level I</b>	<b>Level II</b>	<b>Level III</b>
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 <sup>(1)</sup>	\$ (26,875)	\$ —	\$(26,875)	\$ —
Long-term debt <sup>(1)</sup>	\$ (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 12: TIME CHARTER, VOYAGE AND PORT TERMINAL EXPENSES**

Time charter, voyage and port terminal expenses for the years ended December 31, 2019, 2018 and 2017 were as follows:

	<b>Year Ended December 31, 2019</b>	<b>Year Ended December 31, 2018</b>	<b>Year Ended December 31, 2017</b>
Fuel	\$ 14,103	\$ 11,150	\$ 10,471
Time charter	3,865	114	1,564
Ports payroll and related costs	8,880	8,302	7,971
Ports repairs and maintenance	2,011	1,059	1,044
Ports rent	1,770	1,059	1,104
Ports insurances	1,708	1,534	1,017
Docking expenses	2,423	2,436	3,272
Maritime and regulatory fees	802	615	578
Towing expenses	3,526	2,177	2,597
Other expenses	4,002	3,503	3,999
<b>Total</b>	<b>\$ 43,090</b>	<b>\$ 31,949</b>	<b>\$ 33,617</b>

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**NOTE 13: DIRECT VESSEL EXPENSES**

Direct vessel expenses for the year ended December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Payroll and related costs	\$ 27,837	\$ 30,138	\$ 41,231
Insurances	3,931	3,831	3,534
Repairs and maintenance	6,100	6,638	7,952
Lubricants	686	631	736
Victualing	1,223	1,242	1,739
Travel expenses	2,557	2,013	3,343
Stores	2,167	1,825	2,062
Other expenses	4,224	2,644	1,957
<b>Total</b>	<b>\$ 48,725</b>	<b>\$ 48,962</b>	<b>\$ 62,554</b>

**NOTE 14: GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses at December 31, 2019, 2018 and 2017 were as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Payroll and related costs	\$ 8,180	\$ 5,423	\$ 7,030
Professional fees	4,125	4,677	3,998
Other expenses	5,088	4,964	5,637
<b>Total</b>	<b>\$ 17,393</b>	<b>\$ 15,064</b>	<b>\$ 16,665</b>

**NOTE 15: 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 September 12, 2019, the full amount has been collected in relation to this claim.

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**NOTE 16: INCOME TAXES**

As indicated in Note 2(v), the Company is a Marshall Islands corporation. However, the Company is subject to tax in Argentina, Brazil and Paraguay, jurisdictions where certain of its subsidiaries operate. The Company's operations in Panama and Uruguay are not taxed. The corporate income tax rate in Argentina, Brazil and Paraguay is 30%, 34% and 10%, respectively for the year ended December 31, 2019. As a result of the tax reforms voted by the Argentinean Parliament in December 2017 and December 2019, the corporate income tax rate has decreased from 35% in 2017 to 30% for the period from 2018 to 2021.

The components of income before income taxes in consolidated statements of income for the years ended December 31, 2019, 2018 and 2017 are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Argentina	\$ (530)	\$ (5,219)	\$ (6,496)
Paraguay	1,786	454	(1,306)
Uruguay	59,270	37,113	36,931
Panama	(23,652)	(20,262)	(26,701)
Marshall Islands	(3,597)	(6,984)	(2,894)
Others	95	384	103
<b>Total income/(loss) before income taxes and noncontrolling interest</b>	<b>\$ 33,372</b>	<b>\$ 5,486</b>	<b>\$ (363)</b>

Income tax (expense)/ benefit is comprised of:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Current	\$ (175)	\$ 846	\$ (194)
Deferred	(856)	590	3,966
<b>Total Argentina</b>	<b>\$ (1,031)</b>	<b>\$ 1,436</b>	<b>\$ 3,772</b>
Current	\$ (102)	\$ (58)	\$ (99)
Deferred	(100)	(2)	(205)
<b>Total Paraguay</b>	<b>\$ (202)</b>	<b>\$ (60)</b>	<b>\$ (304)</b>
<b>Total income tax (expense)/ benefit</b>	<b>\$ (1,233)</b>	<b>\$ 1,376</b>	<b>\$ 3,468</b>

A reconciliation between the income tax expense resulting from applying the Marshall Islands, Panamanian or Uruguayan statutory income tax rate and the reported income tax expense has not been presented herein, as it would not provide any additional useful information to the users of these consolidated financial statements, as the Company's net income is subject to neither Marshall Islands, Panama nor Uruguay tax.

A reconciliation between the income tax expense resulting from applying the Brazilian or Paraguayan statutory income tax rate and the reported income tax expense has not been presented herein since these amounts are not material to the Company's consolidated financial statements.

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Reconciliation of income tax benefit to taxes calculated based on Argentinean statutory tax rate is as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Loss before income taxes and noncontrolling interest	\$ (530)	\$ (5,219)	\$ (6,496)
Statutory tax rate	30%	30%	35%
Income before taxes at the statutory tax rate	159	1,566	2,274
Permanent differences	(1,190)	(130)	1,498
<b>Income tax (expense)/ benefit of the year</b>	<b>\$ (1,031)</b>	<b>\$ 1,436</b>	<b>\$ 3,772</b>

The components of deferred income taxes included on the balance sheets were as follows:

	December 31, 2019	December 31, 2018
<b>Deferred income tax assets:</b>		
Future deductible differences	\$ 142	\$ 923
Tax loss carry-forward	—	387
Total deferred income tax assets	142	1,310
<b>Deferred income tax liability:</b>		
Intangible assets	(3,745)	(4,013)
Property, plant and equipment, net	(3,225)	(3,264)
Other	(1,305)	(1,210)
Total deferred income tax liability	(8,275)	(8,487)
<b>Net deferred income tax liability</b>	<b>\$ (8,133)</b>	<b>\$ (7,177)</b>

**NOTE 17: 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:

*Time charter out contracts*

The Company's contract revenues from time chartering are governed by ASC 842. Upon adoption of ASC 842, the timing and recognition of earnings from the time charter contracts to which the Company is party did not change from previous practice. In a time charter contract, the Company is responsible for all the costs incurred for running the vessel such as crew costs, vessel insurance, repairs and maintenance and lubes. The charterer bears the voyage related costs such as bunker expenses, port charges and canal tolls during the hire period. The Company has determined to recognize lease revenue as a combined single lease component for all time charters (operating leases) as the related lease component and non-lease component will have the same timing and pattern of the revenue recognition of the combined single lease component. The performance obligations in a time charter contract are satisfied over the term of the contract beginning when the vessel is delivered to the charterer until it is redelivered back to the Company. The Company determined that all time charter contracts are considered operating leases and therefore fall under the scope of ASC 842 because: (i) the vessel is an identifiable asset; (ii) the Company does not have substantive substitution rights; and (iii) the charterer has the right to control the use of the vessel during the term of the contract and derives the economic benefits from such use.

The transition guidance associated with ASC 842 allows for certain practical expedients to the lessors. The Company elected to not separate the lease and non-lease components included in the time charter revenue because the pattern of revenue recognition for the lease and non-lease components (included in the daily hire rate) is the same. The daily hire rate represents the hire rate for a bare boat charter as well as the compensation for expenses incurred running the vessel such as crewing expense, repairs, insurance, maintenance and lubes. Both the lease and non-lease components are earned by passage of time.



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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.

As of December 31, 2019, the future minimum revenue (charter-out rates are presented net of commissions, where applicable, and assume no off-hire days) expected to be earned on non-cancelable time charters, COA's with minimum guaranteed volumes and contracts with minimum guaranteed throughput in the Company's ports were as follows:

	<u>Amount</u>
2020	\$ 129,437
2021	97,544
2022	75,425
2023	69,250
2024	60,200
2025 and thereafter	642,479
<b>Total minimum revenue, net of commissions</b>	<b><u>\$1,074,335</u></b>

Revenues from time charters are not generally received when a vessel is off-hire, including time required for scheduled maintenance of the vessel.

*Time charter in contracts*

As of December 31, 2019, the Company has no future commitments, net of any commissions, under chartered-in vessels.

*Land lease agreements*

As of December 31, 2019, Navios Logistics had land lease agreements whose remaining lease terms range from 46.2 years to 46.6 years.

*Office lease agreements*

As of December 31, 2019, Navios Logistics had office lease agreements whose remaining lease terms range from 0.2 years to 3.8 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.

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	December 31, 2019	January 1, 2019
<b>Operating lease assets*</b>		
Land lease agreements	7,660	7,427
Office lease agreements	1,192	1,619
<b>Total</b>	<b>\$ 8,852</b>	<b>\$ 9,046</b>
	December 31, 2019	January 1, 2019
<b>Operating lease liabilities, current portion</b>		
Land lease agreements	(218)	535
Office lease agreements	685	584
<b>Total</b>	<b>\$ 467</b>	<b>\$ 1,119</b>
<b>Operating lease liabilities, net of current portion</b>		
Land lease agreements	7,878	6,892
Office lease agreements	519	1,035
<b>Total</b>	<b>\$ 8,397</b>	<b>\$ 7,927</b>

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 year ended December 31, 2019 and 2018:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Lease expense for land lease agreements	552	344
Lease expense for office lease agreements	676	702
Lease expense for chartered-in pushboats and barges	3,865	114
<b>Total</b>	<b>\$ 5,093</b>	<b>\$ 1,160</b>

Lease expenses from land lease and office lease agreements are included in the condensed consolidated statements of income within the captions "Time charter, voyage and port terminal expenses" and "General and administrative expenses", respectively. Lease expenses from chartered-in pushboats and barges are included in the condensed consolidated statements of income within the captions "Time charter, voyage and port terminal expenses".

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The Company entered into new lease liabilities amounting to \$218 during the year ended December 31, 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 December 31, 2019:

	<u>Land leases</u>	<u>Office space</u>	<u>Total</u>
December 31, 2020	556	753	1,309
December 31, 2021	556	356	912
December 31, 2022	556	101	657
December 31, 2023	556	81	637
December 31, 2024	556	—	556
December 31, 2025 and thereafter	23,002	—	23,002
<b>Total</b>	<b><u>25,782</u></b>	<b><u>1,291</u></b>	<b><u>27,073</u></b>
<b>Operating lease liabilities including current portion</b>	<b><u>7,660</u></b>	<b><u>1,204</u></b>	<b><u>8,864</u></b>
<b>Discount based on incremental borrowing rate</b>	<b><u>18,122</u></b>	<b><u>87</u></b>	<b><u>18,209</u></b>

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

	<u>Land leases</u>	<u>Office space</u>	<u>Total</u>
December 31, 2019	556	697	1,253
December 31, 2020	556	631	1,187
December 31, 2021	556	297	853
December 31, 2022	556	107	663
December 31, 2023	556	81	637
December 31, 2024 and thereafter	23,561	—	23,561
<b>Total</b>	<b><u>\$ 26,341</u></b>	<b><u>\$ 1,813</u></b>	<b><u>\$28,154</u></b>

As of December 31, 2019, the weighted average remaining lease terms of our land lease and office lease agreements were 46.3 and 1.9 years, respectively.

**NOTE 18: TRANSACTIONS WITH RELATED PARTIES**

At December 31, 2019 and 2018, the amounts due from affiliate companies were as follows:

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Navios Holdings	\$ 72,315	\$ 150
Navios Shipmanagement Inc.	694	—
<b>Total</b>	<b><u>\$ 73,009</u></b>	<b><u>\$ 150</u></b>

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

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*The Navios Holdings Loan Agreement:* On April 25, 2019, Navios Logistics agreed to lend Navios Holdings up to \$50,000 on a secured basis (the “Navios Holdings Loan Agreement”) to be used for general corporate purposes, including the repurchase of Navios Holdings’ 7.375% First Priority Ship Mortgage Notes due 2022 (the “Navios Holdings 2022 Notes”). The secured credit facility is secured by (i) Navios Holdings 2022 Notes purchased with secured credit facility funds and (ii) equity interests in five companies that have entered into certain bareboat contracts. The secured credit facility included an arrangement fee of \$500 and bears fixed interest of 12.75% for the first year and 14.75% for the second year. The secured credit facility also includes negative covenants substantially similar to the 2022 Notes and customary events of default. On December 2, 2019, Navios Logistics agreed to increase the secured credit facility by \$20,000. Following this amendment, if certain conditions are met, (a) the interest rate on the secured credit facility would decrease to 10.0%, and (b) the maturity of the secured credit facility would be extended to December 2024. As of December 31, 2019, \$69,295 million was drawn under the secured credit facility. The arrangement fee is amortized in income following the interest method over the life of the credit facility, resulting in \$329 deferred income at year-end.

During the first and the second quarters of 2019, Navios Logistics purchased \$35,500 face value Navios Holdings 2022 Notes from unaffiliated third parties in open market transactions for a total consideration of \$17,642 and subsequently sold these securities to Navios Holdings for \$18,726, recognizing a gain of \$1,084 which is included under “Other income, net” in the income statement.

*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 year ended December 31, 2019 amounted to \$1,144 (\$1,000 in 2018 and \$1,000 in 2017).

*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 \$15 for the year ended December 31, 2019 (\$34 in 2018 and \$51 in 2017) and amounts payable amounted to \$1 as of December 31, 2019 and \$4 as of December 31, 2018.

#### **Shareholders’ Agreement**

Pursuant to a shareholders’ agreement (the “Shareholders’ Agreement”) entered into in January 2008 in connection with the original combination of the Uruguayan port business and the upriver barge business, Grandall Investments S.A. (“Grandall”) (an entity owned and controlled by Lopez family members, including Claudio Pablo Lopez, our Chief Executive Officer and Vice Chairman) has certain rights as our shareholders, including certain rights of first offer, rights of first refusal, tag along rights, exit options and veto rights. Pursuant to an amendment dated June 17, 2010, when we became subject to the reporting requirements of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), the shares of our common stock held by Navios Holdings were to convert into shares of Class B Common Stock, with each share of Class B Common Stock entitling its holder to ten votes per share. Navios Holdings has currently waived such conversion provision. If and when the conversion occurs, it will permit Navios Holdings to control our business even if it does not hold a majority economic interest in our company.

Pursuant to an Assignment and Succession agreement dated December 17, 2012, Peers Business Inc., a Panamanian corporation assumed all rights and obligations of Grandall under the Shareholders’ Agreement.

On November 19, 2019, Navios Holdings entered into a shareholder agreement with Peers granting certain protections to minority shareholders in certain events.

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**Employment Agreements**

The Company has executed employment agreements with several of its key employees who are noncontrolling shareholders of the Company. These agreements stipulate, among other things, severance and benefit arrangements in the event of termination. In addition, the agreements include confidentiality provisions and covenants not to compete. The employment agreements initially expired in December 31, 2009, but are being renewed automatically for successive one-year periods until either party gives 90 days written notice of its intention to terminate the agreement. Generally, the agreements call for a base salary ranging from \$280 to \$340 per year, annual bonuses and other incentives, provided certain performance targets are achieved. Under the agreements, the Company accrued compensation totaling \$2,900 for the year ended December 31, 2019 (\$900 in 2018; \$900 in 2017).

**NOTE 19: 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 December 31, 2019 and 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 20: RESTRICTIONS ON DISTRIBUTION OF PROFITS**

Under the laws of the countries in which the Company conducts its operations, the Company is subject to certain restrictions on the distribution of profits. Under the laws of Argentina, Brazil, Paraguay and Uruguay, a minimum of 5% of net income for the year calculated in accordance with local generally accepted accounting principles, plus/less previous years adjustments and, if any, considering the absorption of accumulated losses, must be appropriated by resolution of the shareholders to a legal reserve until such reserve reaches 20% of the outstanding capital of those subsidiaries.

The payment of dividends is in the discretion of Navios Logistics' board of directors. Any determination as to dividend policy will be made by the Company's board of directors and will depend on a number of factors, including the provisions of Marshall Islands law, our future earnings, capital requirements, financial condition and future prospects and such other factors as the Company's 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.

The Company's ability to pay dividends is also restricted by the terms of the indenture governing its 2022 Senior Notes and the Term Loan B Facility. See also Note 10 for restrictions on distribution of dividends under the indenture governing the Senior Notes.

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 \$70,000.

**NOTE 21: EARNINGS PER COMMON SHARE**

Basic and diluted net earnings per share are computed using the weighted-average number of common shares outstanding. The computations of basic and diluted earnings per share for each of the years ended December 31, 2019, 2018 and 2017, are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Year Ended December 31, 2017
Net income attributable to Navios Logistics' stockholders	\$ 32,139	\$ 6,862	\$ 3,105
Weighted average number of shares, basic and diluted	20,000	20,000	20,000
Net earnings per share from continuing operations:			
Basic and diluted	\$ 1.61	\$ 0.34	\$ 0.16

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At December 31, 2019, 2018 and 2017, the Company had no dilutive or potentially dilutive securities, accordingly there is no difference between basic and diluted net earnings per share.

**NOTE 22: 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 are 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.

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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 years ended December 31, 2019, 2018 and 2017:

	Port Terminal Business Segment for the Year Ended December 31, 2019	Cabotage Business Segment for the Year Ended December 31, 2019	Barge Business Segment for the Year Ended December 31, 2019	Total
Time charter, voyage and port terminal revenues	\$ 92,719	\$ 47,510	\$ 78,658	\$218,887
Sales of products	9,384	—	—	9,384
Time charter, voyage and port terminal expenses	(17,648)	(2,076)	(23,366)	(43,090)
Direct vessel expenses	—	(23,982)	(24,743)	(48,725)
Cost of products sold	(9,077)	—	—	(9,077)
Depreciation of vessels, port terminals and other fixed assets	(7,186)	(3,489)	(15,987)	(26,662)
Amortization of intangible assets	(995)	—	(1,778)	(2,773)
Amortization of deferred drydock and special survey costs	—	(3,033)	(2,133)	(5,166)
General and administrative expenses	(5,694)	(2,463)	(9,236)	(17,393)
Provision of losses on accounts receivable	(198)	—	(143)	(341)
Taxes other than income taxes	—	(3,485)	(4,260)	(7,745)
Interest expense and finance cost, net	(17,296)	(5,158)	(18,077)	(40,531)
Interest income	1,934	441	2,204	4,579
Foreign exchange differences, net	(387)	(911)	(298)	(1,596)
Other income, net	1,539	104	1,978	3,621
<b>Income/(loss) before income taxes</b>	<b>47,095</b>	<b>3,458</b>	<b>(17,181)</b>	<b>33,372</b>
Income tax (expense)/ benefit	—	(1,905)	672	(1,233)
<b>Net income/(loss)</b>	<b>\$ 47,095</b>	<b>\$ 1,553</b>	<b>\$ (16,509)</b>	<b>\$ 32,139</b>

  

	Port Terminal Business Segment for the Year Ended December 31, 2018	Cabotage Business Segment for the Year Ended December 31, 2018	Barge Business Segment for the Year Ended December 31, 2018	Total
Time charter, voyage and port terminal revenues	\$ 66,812	\$ 43,102	\$ 65,212	\$175,126
Sales of products	32,508	—	—	32,508
Time charter, voyage and port terminal expenses	(14,830)	(1,565)	(15,554)	(31,949)
Direct vessel expenses	—	(23,134)	(25,828)	(48,962)
Cost of products sold	(31,289)	—	—	(31,289)
Depreciation of vessels, port terminals and other fixed assets	(7,284)	(2,932)	(16,367)	(26,583)
Amortization of intangible assets	(950)	—	(1,774)	(2,724)
Amortization of deferred drydock and special survey costs	—	(4,576)	(2,628)	(7,204)
General and administrative expenses	(3,837)	(2,496)	(8,731)	(15,064)
Provision of losses on accounts receivable	—	—	(75)	(75)
Taxes other than income taxes	—	(3,298)	(3,758)	(7,056)
Interest expense and finance cost, net	(16,320)	(4,928)	(18,421)	(39,669)
Interest income	64	—	453	517
Gain on sale of assets	28	—	—	28
Foreign exchange differences, net	(377)	(583)	(395)	(1,355)
Other income/(expense), net	9,240	704	(707)	9,237
<b>Income/(loss) before income taxes</b>	<b>33,765</b>	<b>294</b>	<b>(28,573)</b>	<b>5,486</b>
Income tax (expense)/ benefit	—	(910)	2,286	1,376
<b>Net income/(loss)</b>	<b>\$ 33,765</b>	<b>\$ (616)</b>	<b>\$ (26,287)</b>	<b>\$ 6,862</b>

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	Port Terminal Business Segment for the Year Ended December 31, 2017	Cabotage Business Segment for the Year Ended December 31, 2017	Barge Business Segment for the Year Ended December 31, 2017	Total
Time charter, voyage and port terminal revenues	\$ 53,526	\$ 48,130	\$ 78,388	\$180,044
Sales of products	32,572	—	—	32,572
Time charter, voyage and port terminal expenses	(14,432)	(1,866)	(17,319)	(33,617)
Direct vessel expenses	—	(32,017)	(30,537)	(62,554)
Cost of products sold	(30,717)	—	—	(30,717)
Depreciation of vessels, port terminals and other fixed assets	(5,238)	(2,940)	(15,144)	(23,322)
Amortization of intangible assets	(729)	—	(2,814)	(3,543)
Amortization of deferred drydock and special survey costs	—	(5,148)	(2,780)	(7,928)
General and administrative expenses	(3,778)	(1,718)	(11,169)	(16,665)
Provision of losses on accounts receivable	—	—	(569)	(569)
Taxes other than income taxes	—	(4,463)	(4,555)	(9,018)
Interest expense and finance cost, net	(7,004)	(4,784)	(16,559)	(28,347)
Interest income	14	—	224	238
Gain on sale of assets	—	—	1,064	1,064
Foreign exchange differences, net	(406)	144	(464)	(726)
Other income, net	16	—	2,709	2,725
<b>Income/(loss) before income taxes</b>	<b>23,824</b>	<b>(4,662)</b>	<b>(19,525)</b>	<b>(363)</b>
Income tax (expense)/ benefit	—	(1,199)	4,667	3,468
<b>Net income/(loss)</b>	<b>\$ 23,824</b>	<b>\$ (5,861)</b>	<b>\$ (14,858)</b>	<b>\$ 3,105</b>

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, including constructions in progress, amounted to \$329,341 and \$343,128 at December 31, 2019 and 2018, respectively.

All 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 \$207,001 and \$213,585 as of December 31, 2019 and 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 \$14,196 and \$15,970 as of December 31, 2019 and 2018, respectively, while the net book value of intangible assets allocated to the Port Terminal segment amounted to \$40,315 and \$41,314 as of December 31, 2019 and 2018, respectively.

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 23: SUBSEQUENT EVENTS**

On February 14, 2020, the Company agreed to a \$25,000 loan facility (the "New BBVA Facility") with BBVA, which can be drawn if certain conditions are met. The new BBVA Facility can be used to repay the existing loan facility with BBVA, which as of December 31, 2019 had an outstanding amount of \$14,275, and for general corporate purposes. The new loan will bear interest at a rate of LIBOR (180 days) plus 325 basis points, will be repayable in equal quarterly installments with final maturity in March 31, 2022 and will be secured by assignments of certain receivables.

Our board of directors declared a \$27,500 dividend, which was paid on February 21, 2020.



## SHAREHOLDERS' AGREEMENT

THIS SHAREHOLDERS' AGREEMENT (this "Agreement") is made as of the 19<sup>th</sup> day of November, 2019 (the "Effective Date"), by and among Navios South American Logistics Inc., a Marshall Islands corporation (the "Company"), Navios Maritime Holdings Inc. ("Navios Holdings") and Peers Business S.A. ("Peers"). Each of Navios Holdings and Peers is herein referred to as a "Shareholder" and collectively, the "Shareholders."

### RECITALS

WHEREAS, in order to induce Navios Holdings and Peers to continue as shareholders of the Company, the Shareholders and the Company hereby agree that this Agreement shall govern the rights of the Shareholders in the event of certain changes in the ownership or control of the Company as specified in this Agreement.

NOW, THEREFORE, THE PARTIES HEREBY AGREE AS FOLLOWS:

#### 1. Voting; Board of Directors.

1.1. Agreement to Vote. Each Shareholder hereby agrees on behalf of himself, herself or itself that, following a Navios Holdings Transfer or a Change of Control (each as hereinafter defined), such Shareholder will vote all of the shares of common stock of the Company ("Common Stock") which such Shareholder owns (or as to which the Shareholder has voting power) at a regular or special meeting of shareholders (or action by written consent) in accordance with the provisions of this Agreement.

For purposes hereof:

"Change of Control" means any time that Angeliki Frangou occupies neither of the following positions (or their equivalents) with the Company or an entity that is the "beneficial owner" (as defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended ("Rule 13d-3")), directly or indirectly, of shares of Common Stock entitled to cast a majority of the votes in the election of directors of the Company: (i) Chief Executive Officer or (ii) Chair of the Board.

"Navios Holdings Transfer" means a Transfer (as defined in Section 2) by Navios Holdings of any of its shares of Common Stock permitted in accordance with this Agreement.

1.2. Election of Directors. At any time at which Peers owns any shares of Common Stock, in connection with each regular or special meeting of shareholders (or action by written consent) at which directors of the Company are to be elected occurring following a Navios Holdings Transfer or a Change of Control, the board of directors of the Company (the "Board of Directors") shall nominate for election as directors, and each of the Shareholders shall vote all shares of Common Stock over which such Shareholder then has voting power for the election of, the director candidates, if any, designated by Peers as hereinafter provided:

In connection with each regular or special meeting of shareholders (or action by written consent) at which directors are to be elected that occurs (a) following a Navios Holdings Transfer, as long as Peers is beneficially owned (as defined in Rule 13d-3) by the Lopez family, or (b) following a Change of Control, regardless of the Lopez family's beneficial ownership (as defined in Rule 13d-3) of Peers, Peers shall have the right to designate a number of director candidates such that if all such director candidates were elected, after such election, the number of directors designated by Peers will be equal to the greater of (i) the Applicable Percentage (as hereinafter defined) of the members of the whole Board of Directors (rounded up or down to the nearest whole number); and (ii) one (such greater number, the "Applicable Director Number"). For purposes hereof, the "Applicable Percentage" shall be, at any specific time, the percentage determined by dividing (a) the number of votes entitled to be cast in the election of directors of the Company in respect of the shares of Common Stock over which Peers has voting power as of such time, by (b) the total number of votes entitled to be cast in the election of directors of the Company by all holders of shares of Common Stock at such time.

1.3. Vacancies; Resignation. Any vacancy on the Board of Directors of a director designated by Peers pursuant to Section 1.2 shall be filled by Peers in the manner allowed by applicable law and as provided in the Company's Certificate of Incorporation and the Company's Bylaws, consistent with the provisions of Section 1.2, but only if, after the filling of such vacancy, the number of directors designated by Peers will be no more than the Applicable Director Number. In the event that at any time the number of director designated by Peers pursuant to Section 1.2 is more than the Applicable Director Number, Peers shall take all action necessary to cause such number of its designees to resign as directors such that the number of director designated by Peers pursuant to Section 1.2 is not more than the Applicable Director Number.

1.4. Grant of Proxy. Should the provisions of this Agreement be construed to constitute the granting of proxies, such proxies shall be deemed coupled with an interest and are irrevocable for the term of this Agreement.

1.5. Termination. The covenants set forth in this Section 1 shall terminate and be of no further force or effect upon the earlier of (i) the consummation of an IPO (as hereinafter defined) and (ii) the first date upon which Peers no longer owns any shares of Common Stock. Upon termination of the covenants set forth in this Section 1, Peers shall take all action necessary to cause the directors designated by Peers to resign as directors of the Company. For purposes hereof, "IPO" shall mean any underwritten public offering of the Common Stock pursuant to a registration statement filed in accordance with the Securities Act of 1933, as amended, or other applicable securities laws and regulations of another jurisdiction, that results in the Common Stock becoming a security that is listed or admitted to trading on a major internationally recognized stock exchange.

## 2. Restrictions on Transfer.

Other than as provided in Section 3, Navios Holdings may not sell, assign, transfer, exchange, gift, devise, or otherwise alienate or dispose of ("Transfer") any shares of Common Stock owned by it, whether voluntarily or involuntarily, by operation of law or otherwise, except to another existing shareholder of the Company, unless as a condition to such Transfer, the proposed transferee (the "Transferee") shall deliver to the Company and Peers a written instrument confirming that the Transferee shall be bound by all of the terms and conditions of this Agreement as if it were Navios Holdings. Any Transfer in contravention of this Agreement shall be null and void *ab initio*. The foregoing provisions of this Section 2 shall terminate and be of no further force or effect upon the earlier of (i) the consummation of an IPO and (ii) the first date upon which Peers no longer owns any shares of Common Stock.

### 3. Participation in Sales.

3.1. Tag Along Right. In the event that at a time at which Peers owns any shares of Common Stock, Navios Holdings or any Transferee receives a *bona fide* offer from a third party or parties (other than the Company or any other existing shareholder of the Company) (the "Third Party Buyer") to purchase shares of Common Stock owned by Navios Holdings (an "Offer"), and Navios Holdings and/or any Transferees proposes to sell any of its shares of Common Stock to the Third Party Buyer pursuant to the Offer, neither Navios Holdings nor any such Transferees shall effect such sale unless Peers is first given written notice in accordance with Section 7.5, which shall include a copy of the Offer (an "Offer Notice"), of its right to sell to the Third Party Buyer, at the same consideration per share of Common Stock and on the same terms and conditions as stated in the Offer, up to the number of shares of Common Stock equal to the Tag Along Number (as hereinafter defined). For purposes hereof, the "Tag Along Number" shall, at any time, be equal to (i) a percentage derived by dividing (a) the number of shares of Common Stock then proposed to be sold by Navios Holdings and any Transferees pursuant to the Offer, by (b) the total number of shares of Common Stock owned by Navios Holding and the Transferees, multiplied by the (ii) the number of shares of Common Stock then owned by Peers.

3.2. Notices of Offer and Intent to Participate. If Peers wishes to participate in any sale pursuant to this Section 3 it shall notify Navios Holdings and/or the Transferees, as applicable, in writing of such intention and the number of shares of Common Stock it wishes to sell in connection with the applicable Offer (a "Tag Along Notice") not later than ten (10) business days after delivery of the Offer Notice. If Navios Holdings and/or the Transferees, as applicable, does not receive a Tag Along Notice from Peers within such ten (10) business day period, Navios Holdings and/or the Transferee, as applicable, shall be free to consummate the proposed transaction without any obligation to include all or any portion of the Tag Along Number of shares of Common Stock then owned by Peers in such transaction.

3.3. Sale of Tag Along Shares. Navios Holdings, any Transferees and Peers (to the extent it has provided a timely Tag Along Notice in accordance with Section 3.2) shall sell to the Third Party Buyer all, or at the option of the Third Party Buyer any part, of the shares of Common Stock proposed to be sold by them (the "Tag Along Shares") at not less than the consideration and upon other terms and conditions, if any, not more favorable to the Third Party Buyer than those stated in the Offer; provided, however, that any purchase of less than all of Tag Along Shares by the Third Party Buyer shall be made from Navios Holdings, the Transferees and Peers pro rata based on the relative amount of the shares of Common Stock that each of them would have been entitled to sell in accordance with this Section 3, as determined pursuant to Section 3.1, if the Third Party Buyer had purchased all the Tag Along Shares.

3.4. The provisions of this Section 3 shall terminate and be of no further force or effect upon the consummation of an IPO.

#### 4. Employment Agreements.

Within ninety (90) calendar days after the execution of this Agreement, the Company shall enter into employment agreements with each of Claudio Pablo Lopez, Carlos Augusto Lopez and Horacio Enrique Lopez, in the form substantially identical to the form used currently by the Company with executives in similar positions, to be effective upon a Change of Control, providing for continued employment for a two (2) year term following the date of the Change of Control and providing for the same salary, position, responsibilities and benefits as is in effect for each such person at the time of the Change of Control.

#### 5. Negative Covenants of the Company.

5.1. Certain Vote Required. Without limiting any other covenants or provisions hereof, the Company covenants and agrees that following a Change of Control and for so long as Peers owns any shares of Common Stock, the Company will comply with and observe the following negative covenants and provisions, and will cause each subsidiary of the Company to comply with and observe such of the following covenants and provisions as are applicable to such subsidiary, if and when such subsidiary exists, and without the written consent or written waiver of Peers, the Company and any applicable subsidiary will not:

(a) Amend, alter or repeal any of the provisions of its Certificate of Incorporation or Bylaws so as to materially adversely and disproportionately affect the contractual and economic rights of Peers with respect to the Company;

(b) Approve or authorize (i) the incurrence of Debt (as hereinafter defined) that would result in the Company's leverage ratio exceeding 0.7x or (ii) the issuance of any guarantee of any obligation of any other person or entity (a "Person") outside the ordinary course of business. As used herein, "Debt" shall mean indebtedness for borrowed money, but shall not include indebtedness incurred in connection with the purchase of a vessel or other asset related to the Core Business (as hereinafter defined), provided such indebtedness has recourse only to such vessel or asset. As used herein, "Core Business" shall mean the business of operating river ports, the ownership and operation of convoys of river barges on the Hidrovia, and the ownership and operation of tanker vessels and cabotage fuel operations on the Mercosur waters;

(c) (i) Merge or consolidate with any other Person or sell, assign, lease or otherwise dispose of all or substantially all of its assets, in one transaction or in a series of transactions, nor (ii) approve any voluntary bankruptcy or reorganization filing, or approve the dissolution, liquidation or other termination of the business or operations of, the Company or any of its subsidiaries. The Company shall not permit any subsidiary to consolidate or merge into or with or sell or transfer all or substantially all its assets, except that any subsidiary may (x) consolidate or merge into or with or sell or transfer assets to any other subsidiary, or (y) merge into or with or sell or transfer assets to the Company;

(d) Enter into or amend in any material respect any transaction between the Company or its subsidiaries, on the one hand, and an equity holder of the Company or its subsidiaries or a member of the Company's Board or management (other than employment-related agreements), on the other hand, except as contemplated by this Agreement.

5.2. The covenants set forth in Section 5.1 shall terminate and be of no further force or effect upon the consummation of an IPO.

6. Legend. Each certificate representing the shares of Common Stock held by Navios Holdings covered by this Agreement shall except as otherwise provided in this Agreement, be stamped or otherwise imprinted with a legend substantially in the following form (in addition to any legend required under applicable state securities laws):

“THE SALE OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO THE TERMS AND CONDITIONS OF A SHAREHOLDERS’ AGREEMENT, DATED AS OF NOVEMBER 19, 2019 AMONG THE COMPANY AND CERTAIN HOLDERS OF ITS OUTSTANDING CAPITAL STOCK. COPIES OF SUCH AGREEMENT MAY BE OBTAINED AT NO COST BY WRITTEN REQUEST BY THE HOLDER OF RECORD OF THE CERTIFICATE TO THE SECRETARY OF THE COMPANY.”

7. Miscellaneous.

7.1. Successors and Assigns. Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

7.2. Governing Law; Dispute Resolution. This Agreement and the rights and duties of the parties hereunder shall be governed by, and construed in accordance with, the law of the State of New York. Any dispute, controversy or claim among the parties which arises out of or relates to this Agreement shall be settled by arbitration in accordance with the rules of the American Arbitration Association—Commercial Division. The arbitration proceedings shall be held in New York, New York.

7.3. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

7.4. Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

7.5. Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given upon personal delivery to the party to be notified or upon delivery by confirmed facsimile transmission, internationally recognized overnight courier service, and addressed to the party to be notified at the address indicated for such party on the signature page hereof, or at such other address as such party may designate by ten (10) business days’ advance written notice to the other parties.

7.6. Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

7.7. Entire Agreement; Amendments and Waivers. This Agreement (and the Shareholder's Agreement, dated as of June 17, 2010, by and between, the Company, Navios Corporation and Grandall Investment S.A. and the Amended and Restated Waiver to the Shareholder's Agreement, dated March 22, 2012, each which shall remain in full force and effect) constitutes the full and entire understanding and agreement among the parties with regard to the subjects hereof. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance), only with the written consent of the Company and the Shareholders. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each Shareholder and each future Shareholder, and the Company.

7.8. Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall be enforceable in accordance with its terms.

7.9. Aggregation of Stock. All shares of the Company held or acquired by affiliated Persons shall be aggregated together for the purpose of determining the availability of any rights under this Agreement.

[Signature page immediately follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

NAVIOS SOUTH AMERICAN LOGISTICS INC.

By: /s/ Angeliki Frangou  
Title: Angeliki Frangou, Chairman of the Board

NAVIOS MARITIME HOLDINGS INC.

By: /s/ Angeliki Frangou  
Title: Angeliki Frangou, Chairman of the Board

PEERS BUSINESS S.A.



By: \_\_\_\_\_  
Title: Attorney In Fact

Private and Confidential

Date December 02, 2019

**NAVIOS MARITIME HOLDINGS INC.**  
as Borrower

and

**NAVIOS SOUTH AMERICAN LOGISTICS INC.**  
as Lender

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**SUPPLEMENTAL AGREEMENT**

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in relation to a Loan Agreement dated 25<sup>th</sup> April 2019  
for a term loan facility of up to USD50,000,000

**INCE**

**PIRAEUS**



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**THIS SUPPLEMENTAL AGREEMENT** is made on December 02, 2019

**BETWEEN**

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

**BACKGROUND**

- (A) Pursuant to a Loan Agreement dated 25<sup>th</sup> April 2019 made between the parties hereto, the Lender made available to the Borrower a term loan of (originally) up to USD50,000,00.
- (B) The Lender has agreed in principle to (a) to increase the amount of the Loan to USD70,000,000 and (b) to certain other amendments to the Loan Agreement.
- (C) This Agreement sets out the terms and conditions on which the Lender agrees, with effect on and from the Effective Date, at the request of the Borrower, to consent to the matters referred to at (B) above.

**IT IS AGREED** as follows:

**1 INTERPRETATION**

- 1.1 **Defined expressions.** Words and expressions defined in the Loan Agreement shall have the same meanings when used in this Agreement unless the context otherwise requires.
- 1.2 **Definitions.** In this Agreement, unless the contrary intention appears:
  - “**Effective Date**” means the Lending Day on which all the conditions precedent referred to in Clause 3 have been fulfilled by the Borrower to the satisfaction of the Lender (or such other date as the Lender may agree with the Borrower);
  - “**Loan Agreement**” means the Loan Agreement dated 25<sup>th</sup> April 2019 referred to in Recital (A).
- 1.3 **Application of construction and Interpretation provisions of Loan Agreement.** Clauses 1.3 and 1.4 of the Loan Agreement apply, with any necessary modifications, to this Agreement.

**2 AGREEMENT OF THE LENDER**

- 2.1 **Agreement of the Lender.** The Lender, relying upon the representations and warranties in Clause 4 and subject to Clause 3, agrees to amend the Loan Agreement in accordance with Clause 5.
- 2.2 **Effective Date.** The agreement of the Lender contained in Clause 2.1 shall have effect on and from the Effective Date.

**3 CONDITIONS PRECEDENT**

- 3.1 **Lender’s consent.** The consent of the Lender is conditional upon:
  - 3.1.1 the Lender having received the documents and evidence specified in Clause 3.2 in form and substance satisfactory to the Lender;

- 3.1.2 the representations and warranties contained in Clause 4 being true and correct as if each was made with respect to the facts and circumstances existing at such time; and
- 3.1.3 no Default having occurred and being continuing, other than any which is waived or cured by this Agreement.
- 3.2 **Conditions precedent.** The conditions referred to in Clause 3.1.1 are that the Lender shall have received the following documents on or before the date of this Agreement (or such later date as the Lender may agree with the Borrower):
- 3.2.1 Corporate documents  
Certified Copies of all documents which evidence or relate to the constitution of the Borrower and its current corporate existence;
- 3.2.2 Corporate authorities
- (i) Certified Copies of resolutions of the directors of the Borrower approving this Agreement and authorising the execution and delivery hereof and performance of the Borrower's obligations hereunder, additionally certified by an officer of the Borrower as having been duly passed at a duly convened meeting of the directors of the Borrower and not having been amended, modified or revoked and being in full force and effect; and
- (ii) original or Certified Copy of any power of attorney issued by the Borrower pursuant to such resolutions;
- 3.2.3 Certificate of incumbency  
a list of directors and officers of the Borrower, specifying the names and positions of such persons, certified by an officer of the Borrower respectively to be true, complete and up to date;
- 3.2.4 Laws of the Marshall Islands: opinion  
an opinion of Messrs Ince, special legal advisers to the Lender on Marshall Islands law;
- 3.2.5 Laws of England: opinion  
an opinion of Messrs Ince, special legal advisers to the Lender on English law;
- 3.2.6 London agent  
documentary evidence that the agent for service of process named in Clause 18 of the Loan Agreement has accepted its appointment in respect of this Agreement;
- 3.2.7 Endorsement  
evidence that all of the Security Parties are aware of the terms of this Agreement and agree that the Security Documents, respectively executed by them, shall continue in full force and effect; and
- 3.2.8 Further opinions, etc.  
any further opinions, consents, agreements and documents in connection with this Agreement and the Security Documents which the Lender may request by notice to the Borrower prior to the Effective Date.

4     **REPRESENTATIONS AND WARRANTIES**

**Repetition of Loan Agreement representations and warranties.** The Borrower represents and warrants to the Lender that the representations and warranties in Clause 7 of the Loan Agreement, as amended and supplemented by this Agreement and updated with appropriate modifications to refer to this Agreement, remain true and not misleading if repeated on the date of this Agreement with reference to the circumstances now existing.

5     **AMENDMENTS TO LOAN AGREEMENT AND OTHER SECURITY DOCUMENTS**

5.1     **Specific amendments to Loan Agreement.** With effect on and from the Effective Date the Loan Agreement shall be, and shall be deemed by this Agreement to be, amended as follows:

5.1.1     By deleting from Clause 1.2 the definition of “Repayment Date” and replacing it with:

    “**Repayment Date**” means (a) the date which falls 24 months after the Closing Date or (b) if (i) the Senior Notes and (ii) the Existing Term Loan B are successfully refinanced before the date in (a), 31 December 2024;”;

5.1.2     by replacing the figures “USD50,000,000” in each of clause 2.1 and 2.3 and Schedule 1 and Schedule 5 with the figures “USD70,000,000”;

5.1.3     by deleting Clause 3.1 (interest rate) thereof and replacing it with the following:

    “**3.1 Interest rate**

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

- (a)     up to (but not including) the date of the successful re-financing of (i) the Senior Notes and (ii) the Existing Term Loan B, 12.75% per annum; and
- (b)     thereupon and thereafter, 10.00% 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”;

5.1.4     By deleting Clause 4.1 and replacing it with:

    “**Repayment**

    “Subject as otherwise provided in this Agreement, the Borrower must repay the Loan (i) following the successful refinancing of the Senior Notes and the Existing Term Loan B, in four equal instalments of USD17,500,000 each, the first one payable on December 31, 2021 and annually thereafter and (b) in full on the Repayment Date.”

5.1.5     By deleting Clause 4.1 and replacing it with:

    “4.5.3 No amount repaid pursuant to Clause 4.1 or otherwise prepaid may be reborrowed.”; and

5.1.6     by construing references throughout to “this Agreement”, “hereunder” and other like expressions as if the same referred to the Loan Agreement as amended and supplemented by this Agreement.

- 5.2 **Amendments to Security Documents.** With effect on and from the Effective Date each of the Security Documents other than the Loan Agreement, shall be, and shall be deemed by this Agreement to be, amended as follows:
- 5.2.1 the definition of, and references throughout each of the Security Documents to, the Loan Agreement and any of the other Security Documents shall be construed as if the same referred to the Loan Agreement and those Security Documents as amended and supplemented by this Agreement or the Third Mortgage Addendum;
- 5.2.2 by construing references throughout each of the Security Documents to “this Agreement”, “this Deed”, “hereunder” and other like expressions as if the same referred to such Security Documents as amended and supplemented by this Agreement or the Third Mortgage Addendum.
- 5.3 **Security Documents to remain in full force and effect.** The Security Documents shall remain in full force and effect as amended and supplemented by such further or consequential modifications as may be necessary to give full effect to the terms of this Agreement.

## 6 FURTHER ASSURANCES

**Borrower’s obligation to execute further documents etc.** The Borrower undertakes with the Lender to ensure that, throughout the Facility Period, the Security Documents shall create valid and binding obligations of the respective parties thereto and rights of the Lender enforceable in accordance with their respective terms and that it and any other party to any Security Document will, at their 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 Security Documents in light of this Agreement.

## 7 EXPENSES

- 7.1 **Expenses.** The provisions of Clause 5 (Fees and Expenses) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

## 8 NOTICES AND OTHER MATTERS

**General.** The provisions of Clause 16 (Notices) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

## 9 SUPPLEMENTAL

- 9.1 **Counterparts.** This Agreement may be executed in any number of counterparts.
- 9.2 **Third party rights.** A person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

## 10 LAW AND JURISDICTION

- 10.1 **Governing law.** This Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.
- 10.2 **Incorporation of the Loan Agreement provisions.** The provisions of Clause 17 (Governing Law) and Clause 18 (Jurisdiction) of the Loan Agreement, as amended and supplemented by this Agreement, shall apply to this Agreement as if they were expressly incorporated in this Agreement with any necessary modifications.

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

SIGNED as a deed for and on behalf of )  
NAVIOS MARITIME HOLDINGS INC. ) /s/ Georgios Akhniotis  
by **Georgios Akhniotis, CFO** )

SIGNED as a deed for and on behalf of )  
NAVIOS SOUTH AMERICAN LOGISTICS INC. ) /s/ Ioannis Karyotis  
by **Ioannis Karyotis, CFO** )

Witness to all the above )  
Signatures: ) /s/ Francisco Tazelaar  
Name: Francisco Tazelaar )  
Address )

We on this 02 day of December 2019 hereby confirm and acknowledge that we have read and understood the terms and conditions of the above Supplemental Agreement and agree in all respects to the same and confirm that the Security Documents to which we are a party shall remain in full force and effect and shall continue to stand as security for the obligations of the Borrower under the Loan Agreement (as amended by the Supplemental Agreement) and shall, without limitation, secure the Loan.

/s/ Vasiliki Papaefthymiou  
Vasiliki Papaefthymiou  
for and on behalf of  
**ANEMOS MARITIME HOLDINGS INC.**

CORPORACION NAVIOS GRANOS S.A.  
as Borrower

BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.  
as Lender

US\$25,000,000 LOAN FACILITY  
AGREEMENT

This Loan Facility Agreement is dated February 14, 2020 and is made between:

(1) **CORPORACIÓN NAVÍOS GRANOS S.A.**, a corporation (*sociedad anónima*) duly incorporated and existing under the laws of Uruguay, with registered offices at 2141 Paraguay, Of. 1603, Montevideo, Uruguay (hereinafter “**Corporación Navíos Granos**” or the “**Borrower**”); and

(2) **BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.**, corporation (*sociedad anónima*) duly incorporated and existing under the laws of Uruguay and duly authorized by the Executive Power and licensed by the Central Bank of Uruguay to act as a bank (hereinafter, the “**Lender**” and together with the Borrower, the “**Parties**”).

It is agreed as follows:

## **1 Definitions**

### **1.1 Certain Defined Terms**

Unless otherwise defined above, capitalized terms used in this Agreement shall have the following meanings (such meanings to be equally applicable to both the singular and plural of the terms defined unless otherwise indicated):

“**Affiliate**” means any Person directly or indirectly controlling, controlled by, or under common control with, any other Person. For this purpose, “control” of any Person means ownership of 50,1% or more of the voting power of that Person.

“**Agreement**” means this Loan Facility Agreement, together with its exhibits and schedules, as it may be amended, restated, amended and restated, varied, novated or supplemented or otherwise modified from time to time.

“**AML Laws**” means any anti-money laundry laws or regulations and any similar law or regulation enacted in Uruguay and any law, rule and regulation similar to the foregoing in Uruguay or elsewhere.

“**AML Prohibited Transaction**” means any transaction, investment, undertaking or activity that (i) conceals the identity, source or destination of the proceeds from any category of prohibited offenses designated by the Organization for Economic Co-operation and Development’s Financial Action Task Force on Money Laundering, (ii) is related to any property (or interests in property) blocked pursuant to any anti-money laundering law, rule or regulation, (iii) evades or avoids (or has the purpose of evading or avoiding) any of the prohibitions set forth in any antimoney laundering law, rule or regulation or (iv) violates any AML Laws.

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or the Lender from time to time concerning or relating to bribery or corruption, including without limitation, the Uruguayan Law N° 19.574. and Law N° 17.060.

“**Anti-Terrorism Laws**” has the meaning ascribed to it in Section 3(x)(i).



“**Applicable Law**” means any law, especially any bankruptcy or judicial or extra-judicial restructuring law and any other applicable law pertaining to preferential transfers, fraudulent transfers or acts voidable by creditors, in each case as such law may be amended from time to time.

“**Assets**” means, for any Person, all assets of such Person that have been or should be recorded as such in accordance with applicable GAAP.

“**Availability Period**” means the period from the Facility Closing Date to and including August 31, 2020.

“**Borrower**” has the meaning ascribed to it in the preamble.

“**Business Day**” means a day other than a Saturday or Sunday, on which commercial banks and other financial institutions are not required or authorized to close in Montevideo, Uruguay.

“**Capital Stock**” means any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests (such as quotas) in a Person (other than a corporation) and any and all warrants or options to purchase or subscribe for any of the foregoing.

“**Cash**” means, for any Person or Persons at any time, the aggregate of all paper currency and coins, negotiable money orders and checks, bank balances, marketable securities, immediately redeemable investments, trade and other receivables of such Person(s).

“**Central Bank**” means the Central Bank of Uruguay (*Banco Central del Uruguay*).

“**Change of Control**” means that the Controlling Shareholders shall cease to, collectively (i) own beneficially and control (either directly or indirectly) at least a majority of each of the Borrower’s issued and outstanding Capital Stock having the right to vote or other equity interests (or securities convertible into equity interests) in the Borrower having the right to vote, or (ii) have the power (whether by ownership of Capital Stock, contract or otherwise) to control the management or policies of the Borrower.

“**Collateral**” means the assets and properties in or over which a security interest has been granted or is purported to be granted to and for the benefit of the Lender, to secure the Loans and the Obligations, pursuant to the Security Documents.

“**Commitment Fee**” means the fee applied to average daily unused commitments under the Loan, payable together with interest payments as set forth in Section 10.

“**Controlling Shareholder**” is Navios South American Logistics, Inc.

“**Credit Documents**” means this Agreement, the Notes, the Security Documents and any other agreement, document or instrument in connection with the Loan, in each case as amended, restated, amended and restated, varied, novated or supplemented or otherwise modified from time to time.

“**Credit Event**” means a fact or event that results in a cross default with other Indebtedness of the Borrower or in a decrease of category 2B according to the Central Bank’s regulation, not cured within thirty (30) calendar days.

“**Default**” means the occurrence of an Event of Default or event or condition that, but for the requirement that time elapses or notice be given, or both, would constitute an Event of Default.

“**Disbursement**” means the drawdown of the Loan Amount, pursuant to a Notice of Disbursement.

“**Disbursement Date**” means in regards to the Disbursement, the date of such disbursement.

“**Dividend**” means, with respect to any Person, the declaration or payment of any dividend on or in respect of any shares of any class of Capital Stock of such Person; the purchase, redemption, or other retirement of any shares of any class of Capital Stock of such Person, directly or indirectly through a Subsidiary of such Person or otherwise; the return of capital by such Person to its shareholders as such; or any other distribution on or in respect of any shares of any class of Capital Stock of such Person, including, without limitation, payments of interest thereon.

“**Dollars**” and the designation “**US\$**” each means the lawful currency of the United States of America.

“**ESG Laws**” means any and all national, state, provincial or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any Governmental Authority including without limitation, licenses, permits or other Government Approvals relating to or imposing liability or standards of conduct concerning pollution or protection of human health or the environment, as well as setting standards concerning, social, governance, labor, health and safety or security risks or imposing liability for the breach thereof as now or may at any time hereafter be in effect.

“**Event of Default**” has the meaning ascribed to it in Section 7.

“**Execution Date**” means the date on which this Agreement is executed by the parties hereto.

“**Executive Order**” has the meaning ascribed to it in Section 3(x)(i).

“**Existing Shareholder Loan**” means the intercompany loan dated December 18, 2018 entered into between the Controlling Shareholder and the Debtor, as amended and supplemented, from time to time.

“**Existing Indebtedness**” means (a) the Controlling Shareholder’s US\$375 million Senior Unsecured Notes due in 2022 dated April 22, 2014, as amended and supplemented, from time to time, (b) the Controlling Shareholder’s US\$100 million Term Loan B due in 2021 dated November 3, 2017, as amended and supplemented, from time to time, and (c) the Existing Shareholder Loan .

“**Facility Closing Date**” means the date on which all conditions precedent to the first Disbursement have been complied with or waived by the Lender at its exclusive discretionary option.

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor versions that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b)(1) of the Code and any law, regulation, rule, promulgation, or official agreement implementing an official governmental agreement with respect to the foregoing.

“**Final Maturity Date**” means the date which falls on March 31, 2022.

“**Financial Statements**” has the meaning ascribed to it in Section 3(h).

“**GAAP**” means generally accepted accounting principles and practices in Uruguay as in effect from time to time and applied on a consistent basis.

“**Governmental Approval**” means any consent, license, approval, authorization, exemption, registration, filing, opinion or declaration from or with, as the case may be, any Governmental Authority.

“**Governmental Authority**” means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) and any entity exercising executive, legislative, judicial, regulatory or administrative authority of or pertaining to a government (whether such authority is recognized as a *de jure* government or is a *de facto* government).

“**Granos’ Debt**” means the current amount owed to the Lender by the Borrower, which as of the date hereof amounts to US\$ 14,275,000 .

“**Hazardous Materials**” means any hazardous or toxic substance, materials or wastes, defined, listed, classified or regulated as such in or under any ESG Laws, including without limitation, asbestos, petroleum or petroleum products and sub products.

“**Indebtedness**” means, as to any Person, without duplication, (i) all indebtedness of such Person in respect of (a) borrowed money including, but not limited to, obligations in connection with acceptance facilities and letter of credit facilities and (b) the deferred purchase price of property or services, (ii) all payment obligations of such Person evidenced by bonds, debentures, notes or other similar securities, (iii) all obligations of such Person as lessee under leases which shall have been or ought to be, in accordance with applicable GAAP, recorded as financial or operative or capital leases, (iv) net liabilities arising under derivative transactions, repurchase agreements or hedging transactions, (v) all indebtedness of another Person secured by a Lien on any property owned by such Person, whether or not such Person has assumed or otherwise become liable for the payment thereof, (vi) all direct or indirect guarantees of such Person in respect of, and all obligations (contingent or otherwise) of such Person to any other Person in respect of, any of the above and (vii) all Existing Indebtedness, or the refinance thereof as the case may be.

“**Indemnified Parties**” has the meaning ascribed to it in Section 10.12.1.

**“Indemnified Taxes”** means (a) Taxes other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower under any Credit Document, and (b) to the extent not otherwise described in (a), Other Taxes.

**“Interest Payment Date”** means the last day of each Interest Period.

**“Interest Period”** means (i) the period commencing on the date of each Disbursement and ending on (but not including) the date which is the last calendar day of that period; then (ii) each succeeding three-month period starting on the last day of the preceding Interest Period and ending on (but not including) the date which is the last calendar day of that month, provided that (a) an Interest Period that would otherwise end after any respective Principal Repayment Date for the Loan shall end on such Principal Repayment Date; and (b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period, subject to (a) above, shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day.

**“Interest Rate”** means Libor 180 days plus 3.25% with a minimum of 4.25% per annum, payable in arrears on the last day of each Interest Period.

**“Joint Venture”** means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

**“Knowledge of the Borrower”** means the actual knowledge (following reasonable inquiry), or knowledge which such persons should have had by virtue of his or her position as a member of the board or as an officer of the Borrower, or of the Controlling Shareholder (or any person who may replace them from time to time).

**“Lender”** has the meaning ascribed to it in the preamble.

**“Liabilities”** has the meaning ascribed to it in Section 10.12.1.

**“Lien”** or **“Liens”** shall mean a lien, mortgage, pledge, hypothecation, deposit arrangement, title retention, trust, encumbrance, security interest or other charge, or any other type of preferential arrangement, priority or other security agreement having the practical effect of constituting a security interest, upon or with respect to any property or asset, including, without limitation, any agreement to give any of the foregoing.

**“Loan”** has the meaning ascribed to it in Section 2.1.1.

**“Loan Amount”** has the meaning ascribed to it in Section 2.1.1.

**“Material”** means a value of principal, interest, obligation, undertaking or liability in excess of US\$ 1,000,000 or the loss or breach of which would result in a Material Adverse Effect.

“**Material Adverse Effect**” means a material adverse effect on (i) the business, assets, property, operations, or condition (financial or otherwise) of the Borrower or its Subsidiaries, (ii) the binding effect, legality, validity or enforceability of any Credit Document, or the rights or remedies of the Lender thereunder or (iii) the ability of any Borrower or any other Person to perform its obligations under any Credit Document to which such Borrower or such other Person is a party.

“**Notes**” means the promissory notes in the form of **Exhibit B**, governed by Uruguayan law and duly executed by the Borrower with respect to each Disbursement of the Loan.

“**Notice of Disbursement**” has the meaning ascribed to it in Section 2.2.2.

“**Obligations**” means any and all obligations of the Borrower under any of the Credit Documents.

“**OFAC**” has the meaning ascribed to it in Section 3(x)(i).

“**Permitted Purpose**” has the meaning ascribed to it in Section 2.1.1.

“**Person**” means any individual, corporation, partnership, trust, unincorporated organization, joint stock company or other legal entity or organization and any Governmental Authority.

“**Principal Repayment Date**” means the date that is the last calendar day of each 3 month-period, provided, however, that the last Principal Repayment Date shall be the Final Maturity Date. In the event that a Principal Repayment Date shall be a day that is not a Business Day, then the Principal Repayment Date shall be the next succeeding day that is a Business Day, provided, however, that, if such extension would cause the Principal Repayment Date to occur in the next following calendar month, the Principal Repayment Date shall occur on the next preceding Business Day.

“**Requirement of Law**” means with respect to any Person, any statutes, laws, treaties, rules, regulations, orders, decrees, writs, injunctions or determinations of any arbitrator or court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“**Responsible Officer**” of any Person means any individual who is duly authorized to represent that Person in accordance with the corporate documents or powers of attorney of that Person.

“**Security Documents**” means the assignment of receivables for at least US\$ 15,000,000 to the satisfaction of the Lender and the corporate guarantee referred to in Section 5.2.

“**Shareholding Structure**” has the meaning ascribed to it in Section 3(z).

“**Subsidiary**” means, as to any Person, any company or entity directly or indirectly controlled by such Person. For this purpose, “control” of any Person means ownership of 50,1% or more of the voting power of that Person ..

“**Taxes**” means, any and all present or future taxes, levies, imposts, duties, deductions, charges and withholdings whatsoever, and all interest, penalties, additions or similar amounts with respect thereto or with respect to the non-payment thereof, now or hereafter imposed, assessed, levied or collected by any Governmental Authority.

“Uruguay” means the Eastern Republic of Uruguay (*República Oriental del Uruguay*)

## **1.2 Other Interpretive Provisions**

**1.2.1** The meanings of defined terms are equally applicable to the singular and plural forms of the defined terms.

**1.2.2** The words “hereof,” “herein,” “hereunder” and similar words refer to this Agreement as a whole and not to any particular provision of this Agreement, and any subsection, section, article, annex, schedule and exhibit references are to this Agreement unless otherwise specified.

**1.2.3** The term “documents” includes any and all documents, instruments, written agreements, certificates, indentures, notices and other writings, however evidenced (including electronically).

**1.2.4** The term “including” is not limiting and (except to the extent specifically provided otherwise) shall mean “including without limitation.”

**1.2.5** Words importing the singular include the plural and vice versa and the masculine, feminine and neuter genders include all genders.

**1.2.6** Unless otherwise specified, in the computation of periods of time from a specified date to a later specified date, the word “from” shall mean “from and including,” the words “to” and “until” each shall mean “to but excluding,” and the word “through” shall mean “to and including.”

**1.2.7** The terms “may” and “might” and similar terms used with respect to the taking of an action by any Person shall reflect that such action is optional and not required to be taken by such Person.

**1.2.8** Unless otherwise expressly provided herein: (i) references to agreements (including this Agreement) and other documents shall be deemed to include all subsequent restatements, amendments and restatements, variations, novations or supplements and other modifications thereto, but only to the extent that such amendments and other modifications are not prohibited by any Credit Document, and (ii) references to any applicable law are to be construed as including all statutory and regulatory provisions or rules consolidating, amending, replacing, supplementing, interpreting or implementing such applicable law.

**1.2.9** In the event of any conflict between the terms and conditions of this Agreement and the terms and conditions of any other Credit Document, the terms and conditions of this Agreement shall prevail.

**1.2.10** The Credit Documents are the result of negotiations among, and have been reviewed by, counsel to the Borrower and the Lender, and are the work products of all such Persons. Accordingly, they shall not be construed against the Borrower or the Lender merely because of any such Person’s involvement in their preparation.

## **2 The Loan**

### **2.1 Commitment**

**2.1.1** The Lender agrees, subject to the terms and conditions hereby agreed, and relying upon the representations and warranties hereinafter set forth in this Agreement, to make a loan, in Dollars, to the Borrower, in the aggregate amount of up to twenty five million Dollars (US\$ 25,000,000) (the “**Loan Amount**”) to be disbursed in a maximum of five (5) disbursements, within the Availability Period (the “**Loan**”) only for the following purposes: (i) to completely pay the outstanding Granos’ Debt; and (ii) for general corporate purposes including a distribution to the Controlling Shareholder to cancel in part the Existing Shareholder Loan (the “**Permitted Purpose**”). The Disbursement to be disbursed on the Facility Closing Date, will be equal to the outstanding amount of Granos’ Debt as of that date corresponding to the Permitted Purpose (i). Each Subsequent Disbursement must be of at least one million Dollars (US\$1,000,000) and (b) duly requested in writing by the Borrower to the Lender at least five (5) Business Days in advance of the proposed date of Disbursement.

**2.1.2** The aggregate amount of the Disbursement shall not exceed the Loan Amount.

**2.1.3** Amounts paid, repaid or prepaid in respect of the Loan shall not be re-borrowed.

### **2.2 Procedures for Borrowing; Funding by Lender**

**2.2.1** The Borrower shall draw the Loan in up to five (5) disbursements by delivering an irrevocable notice in the form of **Exhibit A** hereto (a “**Notice of Disbursement**”) to the Lender, during the Availability Period, and in no event after the end of the Availability Period, which notice must be received no later than 11:00 A.M. (Montevideo time), five (5) Business Days prior to the requested Disbursement Date. The receipt of the Notice of Disbursement by the Lender shall obligate the Borrower to borrow the aggregate principal amount of the Loan on the date set forth therein.

**2.2.3** Subject to the terms and conditions of this Agreement, each Disbursement (net of any expenses, fees or other payments to the Lender shall be deposited by the Lender in the the bank account of the Borrower with the Lender as indicated in the Notice of Disbursement.

### **2.3 Notes**

Each Disbursement of the Loan made by the Lender shall be evidenced by a Note dated as of the relevant Disbursement Date substantially in the form of **Exhibit B** and duly executed on behalf of the Borrower in an amount equivalent to 100% of each Disbursement, with the blanks to the satisfaction of the Lender and payable to the order of the Lender.

## **2.4 Interest on the Loan**

**2.4.1** The Borrower shall pay the Lender interest in Dollars on the Disbursement at a rate per annum equal to the Interest Rate. Interest shall accrue on the Disbursement from the Facility Closing Date and shall be paid on each Interest Payment Date.

**2.5.2** Interest on the Disbursements shall be computed on the basis of a 365-day year and the actual number of days elapsed (including the first day but excluding the last day).

## **2.6 Default Margin**

Upon the occurrence and during the continuation of an Event of Default, including, if any amount due under any of the Credit Documents or under the Loan, including principal, interest, fees, premiums, expenses or any other amount, is not paid when due (whether at maturity, by acceleration or otherwise), then interest ("*interés moratorio*") shall accrue and compound monthly] on all Disbursements at the Interest Rate plus two percent (2.00%) per annum.

## **2.7 Scheduled Repayment**

**2.7.1** Subject to adjustment pursuant to Section 2.8, the Borrower shall repay the principal amount of the Loan to the Lender in Dollars in quarterly consecutive and equal installments from the month corresponding to the Execution Date and until March 31, 2022 (the "**Repayment Schedule**") together with accrued and unpaid interest on the principal amount to be paid to but excluding the date of such payment.

**2.7.2** If any date on which a repayment is due by the Borrower to the Lender pursuant to this Section 2.7 is not a Business Day, such payment shall be due on the next succeeding Business Day.

## **2.8 Method of Payment**

Except as otherwise provided herein, all payments and prepayments of principal and all payments of interest, fees and other amounts payable hereunder shall be made by the Borrower to the Lender to the bank account provided in **Schedule 2.8.1**, or at such other account as the Lender may from time to time specify in writing, with each such payment to be made in immediately available Dollars, on or before 2:30 p.m. (Montevideo time) on the due date thereof, without counterclaim or setoff and free and clear of, and without any deduction or withholding for, any Taxes or other payments.

## **2.9 Illegality**

Notwithstanding any other provisions herein, if at any time the Lender shall have determined in good faith (which determination shall be final and conclusive absent manifest error) that compliance by the Lender with any applicable law or governmental regulation, guidance or order of interpretation thereof or change therein by any Governmental Authority charged with the interpretation or administration thereof or with any request or directive of any such Governmental Authority shall make it unlawful for the Lender to make or maintain the Loan, then, and in any such event, the Lender shall immediately notify the Borrower. If such change in circumstances occurs prior to the Disbursement, then all the Lender's obligations hereunder shall terminate without any indemnification in favor of the Borrower. If such change in circumstances occurs while the Loan is outstanding, the outstanding amount of the Loan, together with accrued interest thereon and all other amounts payable to the Lender under this Agreement; shall be prepaid by the Borrower immediately or, if it is permitted by the relevant law, regulation, guideline, order, request or directive, at the end of the then current Interest Period.



## **2.10 Increased Costs**

**2.10.1** If after the date of this Agreement any law, rule, regulation, order or directive, whether or not having the force of law, or any interpretation thereof by any Person charged with the interpretation or administration thereof (i) subjects the Lender to any tax, duty, mandatory contribution or other charge or payment of any kind whatsoever with respect to this Agreement or the Notes or any other Credit Document, or to any extraordinary tax, or changes the basis of taxation of any payments to the Lender hereunder or under the Notes or any other Credit Document (except any change in the rate of tax on the overall income of the Lender imposed by the jurisdiction in which the principal office of the Lender is located), or (ii) imposes, modifies or deems applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Lender (including any capital adequacy law or any change in the interpretation thereof), or shall impose on the Lender any other condition affecting this Agreement or the Notes, and the result of any of the foregoing is to increase the cost to the Lender of making, converting to, continuing or maintaining the Loan, or to reduce the amount of any payment received or receivable by the Lender, or to impose on the Lender an obligation to make any payment to any fiscal, monetary, regulatory or other authority calculated on or by reference to any amount received or receivable by it under this Agreement or the Notes, then the Borrower shall pay to the Lender, within ten (10) calendar days upon demand, such additional amount or amounts as will compensate the Lender for such increased cost or reduction in the amount received or receivable by it. As of the Effective Date, Lender is not aware of any event that will entitle the Lender to such additional amount or amounts pursuant to this Section 2.10.

**2.10.2** The Lender shall notify the Borrower of any event that will entitle the Lender to such additional amount or amounts pursuant to this Section 2.10 as promptly as practicable after becoming aware of such event, and shall use commercially reasonable efforts to mitigate such event. A certificate of the Lender setting forth the basis for the determination of such additional amount or amounts necessary to compensate the Lender as provided herein shall be conclusive and binding, absent manifest error.

## **2.11 Indemnity**

The Borrower shall indemnify the Lender against any loss or reasonable expense which the Lender may sustain or incur as a consequence of (i) any failure by the Borrower to fulfill on the date set forth in a Notice of Disbursement, as the case may be, the applicable conditions set forth in Section 4, (ii) any failure by the Borrower to borrow any Disbursement hereunder after irrevocable notice of such borrowing has been given pursuant to Section 2.2, or (iii) any payment or prepayment of the Loan on a date other than a Principal Prepayment Date therefor, including, in each such case, any loss or reasonable expense sustained or incurred or to be sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain the Loan or any part thereof. A certificate of the Lender setting forth in reasonable detail any amount or amounts which the Lender is entitled to receive pursuant to this Section and evidencing a loss suffered or expense incurred by the Lender of such amount or amounts shall be delivered to the Borrower and shall be conclusive absent manifest error.

### 3. Representations and Warranties

To induce the Lender to make the Loan to the Borrower, the Borrower represents and warrants to the Lender on the Execution Date and on each Disbursement Date, that:

(a) **Corporate Existence.** The Borrower is a corporation (*sociedad anónima*) duly organized, validly existing and in good standing under the laws of Uruguay. The Borrower has all requisite corporate power and authority and all necessary licenses, authorizations, consents, approvals and permits to own its properties and assets and to conduct its business as now conducted.

(b) **No Breach.** The execution, delivery and performance of the Credit Documents will not (i) conflict with or result in a breach of, or require any consent under, its organizational documents, (ii) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect and applicable to it, (iii) result in a breach of or constitute a default under any indenture or financing or credit agreement or any other material agreement, lease or instrument to which it is a party or by which it or its properties are bound or affected, or (iv) result in or require the creation or imposition of any Lien upon or with respect to any of its properties or assets, other than pursuant to the Credit Documents. It is in compliance with all applicable laws and regulations (including ESG Laws) and the terms of all licenses held by it or applicable to it, and is not in default under any agreement or instrument to which it is a party, except where the consequences of such failure to comply or default could not reasonably be expected to result in a Material Adverse Effect.

(c) **Authority; Binding Effect.** It has all necessary corporate power, authority and legal right to execute, deliver and perform its obligations under the Credit Documents; the execution, delivery and performance by it of the Credit Documents have been duly authorized by all necessary corporate action on its part; and the Credit Documents (other than the Notes) have been duly executed and delivered by it, and constitute, and the Notes when executed and delivered will constitute, its legal, valid and binding obligations, enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally.

(d) **Tax Returns and Payments.** The Borrower operates in the Free Zone and is not subject to any taxes. Notwithstanding the foregoing, the Borrower has complied with all presentations of tax returns required by law as a free zone user.

(e) **Litigation.** There are no legal or arbitral proceedings, or any proceedings by or before any Governmental Authority or agency, now pending or, to the best of the Borrower's Knowledge, threatened against or affecting it or any of its respective Subsidiaries, properties or assets, either (i) with respect to or arising out of the Credit Documents or the transactions relating thereto, arising thereunder or (ii) which, if adversely determined, could reasonably be expected to have a Material Adverse Effect.

(f) **Absence of Defaults.** No Default or Event of Default has occurred and is continuing.

(g) **Governmental Approvals.** No Governmental Approval or other act by or in respect of, any Governmental Authority, or consent or authorization of, approval by or notice to any other Person (other than the parties to the Credit Documents) is required or is necessary (i) in connection with the execution, delivery and performance of the Credit Documents, (ii) for the legality, validity, binding effect and enforceability against it of the Credit Documents, and (iii) for the availability and transfer of Dollars required to make payments under the Credit Documents.

(h) **Financial Condition.** The financial statements of the Borrower, dated as of December 31, 2018 (the “**Financial Statements**”), including the related schedules and notes (if available), fairly present in all material respects the financial condition of the Borrower as of the dates and the results of its operations for the periods stated therein (other than customary year-end adjustments for unaudited financial statements) and have been prepared in accordance with applicable GAAP, consistently applied throughout the periods involved (except as disclosed therein and except, with respect to unaudited financial statements, for the absence of footnotes and normal year-end audit adjustments). The Borrower has no material contingent liabilities, liabilities for taxes, unusual forward or long term commitments or unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in such Financial Statements as at such date. Since December 31, 2018 there has been no material adverse change in the condition (financial or otherwise), operations, or business of the Borrower which could reasonably be expected to adversely affect the ability of the Borrower to perform its respective obligations under any of the Credit Documents.

(i) **Ranking.** The obligations evidenced by each of the Credit Documents are its direct and unconditional obligations, and rank to the extent not secured by the Collateral (if any), at least *pari passu* in priority of payment and in all other respects with all its other secured obligations, whether now existing or hereafter outstanding.

(j) **Proper Form.** This Agreement and the other Credit Documents (other than the Notes) are, and the Notes when executed will be, in proper legal form under the laws of Uruguay for the enforcement thereof in Uruguay; and to ensure the legality, validity, enforceability, priority or admissibility in evidence of this Agreement, the Notes and the other Credit Documents it is not necessary that this Agreement, the Notes or any other document, be filed, registered or recorded with, or executed or notarized before, any court or other authority in Uruguay or that any registration charge or stamp or similar tax be paid on or in respect of any Credit Documents or any document relating to the matters covered by any Credit Document, other than as provided herein and therein.

(k) **Choice of Law.** In any action or proceeding involving it that arises out of or is related to this Agreement, or the other Credit Documents, in any court of Uruguay, the Lender would be entitled to the recognition and enforcement of the choice of law provisions contained herein and therein.

(l) **No Immunity.** Neither the Borrower nor any of its property has any immunity (sovereign or otherwise) from the jurisdiction of any court or from setoff or any legal process (whether through service or notice, attachment prior to judgment, attachment in aid of execution, execution or otherwise) under the laws of any jurisdiction.

(m) **Solvency.** After giving effect to the execution and delivery of the Credit Documents and the making of the Loan under this Agreement: (i) it will not (x) be “insolvent,” as defined or used in any Applicable Law, (y) be unable to pay its debts generally as such debts become due or (z) have an unreasonably small capital to engage in any business or transaction, whether current or contemplated; and (ii) its obligations under the Credit Documents and with respect to the Loan will not be rendered avoidable under any Applicable Law.

(n) **Environmental Matters.** Except as could not reasonably be expected to have a Material Adverse Effect, the properties of it do not contain, and have not previously contained, Hazardous Materials in amounts or concentrations that constitute or constituted a material violation of, or reasonably could give rise to material liability under, ESG Laws, and those properties and all operations at such properties are in compliance and at all times have been in compliance in all material respects with all ESG Laws, and there is no contamination or illegal deforestation at, under or about the properties which could interfere materially with the continued operation of such properties or impair materially the fair market value thereof. No Borrower has expressly assumed any liability of any Person under any ESG Laws.

(o) **Assets.** It has good title to, or valid leasehold interests in, all its Assets, real and personal property material to its business. It owns or is licensed or otherwise has the right to use all of the patents, contractual franchises, licenses, authorizations and other rights that are material for the operation of its business, without conflict with the rights of any other Person, except where such conflict could not reasonably be expected to have a Material Adverse Effect.

(p) **Completeness and Accuracy of Information.** There is nothing of which it is aware which would be reasonably likely to have a Material Adverse Effect which has not been disclosed to the Lender in writing in connection with or pursuant to the terms of the Credit Documents. All information supplied by it to the Lender relating to it (including the representations, warranties and other assertions made under the Credit Documents) was true and accurate in all material respects as of the date supplied, and did not as of such date, and does not as of the date hereof, omit to state any material information necessary to make the information therein contained, in light of the circumstances under which such information was supplied, not misleading provided that to the extent any such information was based upon or constitutes a forecast or projection, the Borrower only represents that it acted in good faith and utilized reasonable assumptions and due care in the preparation of such information.

(q) **Insurance.** The Borrower has in full force and effect insurance coverage with insurance companies believed by it to be financially sound and reputable and in such amounts and covering such risks as are usually carried by companies engaged in similar businesses in Uruguay and owning or operating properties or assets similar to those owned or operated by it.

(r) **Security Interests.** On and after the date of execution and delivery thereof, the Security Documents create (or will create, as the case may be), in favor of the Lender, as security for the Obligations, subject to the provisions hereof and thereof, a valid, enforceable and perfected first priority security interest in and Liens on all of the Collateral. The Borrower has good title to all of its Collateral free and clear of all Liens, except as created under the Security Documents. No filings or recordings are required in order to perfect the security interests created under the Security Documents, except for filings or recordings listed under this Agreement or in such agreements, all of which shall have been made as soon as practical after the Execution Date (but in no event after the Facility Closing Date), except as otherwise expressly provided herein or under such agreements.

(s) **Anti-Terrorism Laws**

(i) The Borrower, and to the Knowledge of the Borrower, its Affiliates and Subsidiaries are in compliance with any laws relating to terrorism or money laundering (“**Anti- Terrorism Laws**”), including the regulations administered by the United States Treasury Department’s Office of Foreign Asset Control (“**OFAC**”) and Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “**Executive Order**”).

(ii) Neither the Borrower or, to the Knowledge of the Borrower, any of its Affiliates, Subsidiaries or their respective brokers or other agents acting or benefiting in any capacity in connection with the Loan, is any of the following: (A) a Person or entity that is listed in the annex to, or is otherwise subject to the prohibitions contained in, the Executive Order or the OFAC regulations; (B) a Person or entity owned or controlled by, or acting for or on behalf of, any Person or entity that is listed in the annex to, or is otherwise subject to the prohibitions contained in, the Executive Order or the OFAC regulations; (C) a Person or entity with which the Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (D) a Person or entity that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order or the OFAC regulations; or (E) a Person or entity that is named on the most current list of “Specially Designated Nationals and Blocked Persons” published by OFAC at its official website or any replacement website or other replacement official publication of such list.

(iii) Neither the Borrower, to the Knowledge of the Borrower, any of its brokers or other agents acting in any capacity in connection with the Loan (A) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in clause (ii) above, (B) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or the OFAC regulations, or (C) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

(t) **Shareholding Structure. Schedule 3(z)** contains the detailed current shareholding structure of the Controlling Shareholder (the “**Shareholding Structure**”). There are no pending or to the Knowledge of the Borrower threatened claims of any third party or within the Controlling Shareholder and its, Affiliates and Subsidiaries in connection with the corporate transactions that resulted in the current Shareholding Structure.

(u) **Anti-Corruption and Anti-Money Laundering Laws.** Neither the Borrower, nor any of its Affiliates, directors or officers, (i) has violated, or attempted to violate, any AML Laws or Anti-Corruption Laws or (ii) has engaged in any AML Prohibited Transaction. The Borrower has implemented and maintains in effect policies and procedures designed to ensure compliance by the Borrower and its respective directors, officers, employees and agents with Anti-Corruption Laws and the Borrower and its respective officers and directors, are in compliance with AML Laws and Anti-Corruption Laws in all respects and are not engaged in any activity that may reasonably be expected to result in the Borrower being designated as in violation with AML Laws or Anti-Corruption Laws. None of (a) the Borrower or any of its respective directors, officers or employees, or (b) any agent of the Borrower that will act on behalf of Borrower in any capacity in connection with or benefit from the Loan, is in violation or will violate any AML Laws or Anti-Corruption Law with respect thereto. With respect to Borrower, no borrowing, use of proceeds or other transaction contemplated by this Agreement will violate any AML Laws or Anti-Corruption Law.

(v) **Indebtedness. Schedule 3(bb)** contains a list of any and all outstanding Indebtedness of the Borrower as of the Facility Closing Date.

#### **4. Conditions of Loans**

##### **4.1 Conditions to the Disbursements**

The obligation of the Lender to make each Disbursement is subject to the receipt by the Lender of each of the following documents, each of which shall be satisfactory to the Lender in form and substance:

(a) **Credit Documents.** The Agreement and each of the Credit Documents, and any related documentation is duly executed and delivered by all parties thereto;

(b) **Notice of Disbursement.** The Notice of Disbursement duly executed and delivered by each of the Borrower;

(c) **Corporate Documents and Authorizations.** True and complete copies certified by a public notary in Uruguay of (i) the latest versions of the bylaws (*Estatuto Social*) of the Borrower duly registered and published, certified as of the Execution Date in the Officer's Certificate referred to in Section 4.1(e) as complete and correct copies thereof by a Responsible Officer, and (ii) the resolutions of the Borrower's board of directors, authorizing the execution, delivery and performance of the Credit Documents, the borrowings and the transactions contemplated thereunder.

(d) **Security Interest.** The Lender shall have, under each of the Security Documents, a first priority perfected security interest in the Collateral assigned under the Security Documents for the benefit of the Lender, including but not limited to the acceptance of the assignment by the relevant counterparties of the assigned receivables.

(e) **Representations and Warranties.** Receipt by the Lender of a certificate from the Borrower stating that all representations and warranties made in the Credit Documents are true, complete and accurate and receipt by the Lender of all satisfactory evidence reasonably required by the Lender that the representations and warranties contained in Section 3 of this Agreement, those made by the Borrower in the Credit Documents and those otherwise made in connection with the transactions contemplated by the Credit Documents as well as those representations and warranties made by the Borrower in connection with the Indebtedness shall be correct in all material respects and not misleading in any material respect as of the Disbursement Date (both before and after giving effect to the Loan) with the same effect as if made at and as of such time;

(f) **No Default.** The Borrower shall have performed and complied with all terms and conditions required to be performed or complied with by each of them under the Credit Documents and under all of its other Indebtedness, except where such failure has not resulted in a Credit Event, prior to or at the time of the Disbursement, or cured any failure to perform, and at the time of the Disbursement, both before and after giving effect thereto, there shall exist no Default or Event of Default and no Default or Event of Default is expected to result from a Disbursement according to Lender's reasonable determination;

(g) **Auditor.** Evidence that an auditor, acceptable to the Lender, has been hired in order to provide audited financial statements as from (and including) fiscal year 2018;

(h) **Required Fees.** The Borrower shall have paid or reimbursed the Lender, for all fees, including attorney's or other professional advisers fees, the Structuring Fee, the costs, expenses and commissions then due and payable (or incurred, as the case may be) to such Persons, including those fees pertaining to the preparation of this Agreement and structuring of the transactions contemplated hereby and in the Credit Documents;

(i) **No Material Adverse Effect and Changes.** Since the Execution Date there has been no Material Adverse Effect. ;

(j) **Subordination.** Any and all credits that the shareholders of the Borrower have against the Borrower shall be irrevocably subordinated to the credits arising from the Loan prior to any Disbursement.

(l) **Increase of the Borrower's paid in capital.** The Borrower shall increase its paid in capital in an amount of US\$ 10,000,000 and submit to the Lender a notarized copy of the shareholder's meeting minute that resolved such increase.

(m) **Refinancing of Existing Indebtedness.** The Lender shall have received evidence regarding the successful refinancing of the Existing Indebtedness (other than the Existing Shareholder Loan) (at the discretionary satisfaction of the Lender).

(n) **Other Conditions and Documents.** Such other conditions and documents as may be reasonably requested by the Lender to comply with regulatory, statutory or internal due diligence.

## 5 Collateral

### 5.1 Assignment of receivables

As collateral security for the prompt and complete payment and performance when due, whether at maturity, upon acceleration, extension or otherwise, of all Obligations, the Borrower enters as of today in an agreement for the assignment of receivables (“*contrato de cesion de créditos*”) in terms substantially equal to Exhibit C. From time to time the Borrower will enter into any other agreement for the assignment of receivables in order to have a Collateral pursuant to the Security Documents at all times equal to US\$ 15,000,000. The Borrower shall be entitled to substitute an expiring Security Document with another of similar size and form, to maintain the required collateral security, at the Lenders entire satisfaction.

### 5.2 Corporate Guarantee

As an additional collateral security for the prompt, irrevocable and complete payment and performance when due, whether at maturity, upon acceleration, extension or otherwise, of all Obligations, the Controlling Shareholder hereby agrees to provide a corporate guarantee substantially pursuant to the terms included in Exhibit D.

## 6. Covenants

### 6.1 Affirmative Covenants

The Borrower covenants and agrees that so long as any Obligation is outstanding:

(a) **Financial Statements.** It shall deliver to the Lender (i) its audited financial statements, as of the end of its fiscal year, as soon as available, and in any event no later than one hundred and twenty (120) calendar days after the end of each fiscal year, and (ii) its unaudited consolidated quarterly financial statements, as soon as available, and in any event no later than sixty (60) calendar days after the end of such fiscal quarter; in each case setting forth in comparative form the figures for the previous fiscal periods, and accompanied by a report thereon of independent certified public accountants of recognized international standing selected by the Borrower and satisfactory to the Lender, which report shall state that such financial statements present fairly, in all material respects, the financial position of each of the Borrower as at the dates indicated and the results of their operations and their changes in financial condition for the periods indicated in conformity with GAAP, applied on a basis consistent with prior years (except as otherwise disclosed in the financial statements and, except with respect to unaudited financial statements, for the absence of footnotes and normal year-end adjustments) and that the examination by such accountants in connection with such financial statements has been made in accordance with generally accepted accounting and auditing standards.

(b) **Material Information.** It shall disclose to the Lender any and all material information, which will include, among other things, the following: (i) any fines exceeding US\$ 250,000 (or its equivalent in other currencies) or penalties that have been imposed on the Borrower; (ii) any disputes, fines, or penalties related to the credits assigned pursuant to the Security Documents; (iii) any changes to the shareholder structure of the Borrower; and (iv) any suits, penalties, sanctions, or legal proceedings involving the Borrower’s shareholders that could reasonably be expected to cause a Material Adverse Effect or reasonably be expected to cause compliance issues in maintaining the Loan;



(c) **Additional Information.** It shall provide such other information (including certified copies of relevant documents) with respect to the business, properties, condition and operations, financial or otherwise, of the Borrower, as the Lender may reasonably request;

(d) **Inspection.** Shall permit any officers or employees of the Lender, as well as any third parties indicated by them, to (i) visit and inspect any of its properties, (ii) discuss matters relating to an evaluation of the credit of the Borrower or relating to compliance with the Credit Documents with the principal officers of the Borrower, and (iii) to the fullest extent permitted by law and applicable regulatory authorities, to review all books of record and account and any available reports or statements relevant thereto, all as often as they may request and during regular business hours, at the expense of the Borrower.

(e) **Corporate Existence, Authorizations, Taxes and Maintenance of Properties.** It shall (and it shall cause its respective Subsidiaries to):

(i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and good standing, and all necessary and material rights, franchises, licenses, authorizations, consents, approvals and permits to own its properties and assets and to conduct its business;

(ii) maintain in full effect the resolutions of the Board of Directors, authorizing the execution, delivery and performance of the Credit Documents and the transactions contemplated thereunder;

(iii) promptly pay, discharge, or cause to be paid and discharged, all known taxes, assessments and other governmental charges lawfully levied or imposed upon it or upon its income or profits or upon its operations, properties and assets or any part thereof before the same shall become in default, as well as all lawful claims which, if unpaid, might become a Lien or charge upon any of its or its Subsidiaries' properties or assets (or any part thereof); provided that, no such tax, assessment or claim need be paid if it is being contested in good faith by appropriate proceedings promptly instituted and diligently conducted; and

(iv) maintain, preserve and keep its properties and assets which are necessary for and material to the conduct of its business and operations in good condition and working order (ordinary wear and tear excepted).

(f) **Compliance with Laws and Contractual Obligations.** It shall (and will cause its Subsidiaries to) comply with any and all contractual obligations, Indebtedness (except where the failure to so comply will not result in a Credit Event), material agreements, regulations, rules, laws and orders applicable to it, including, without limitation, any and all regulations, rules, laws and orders pertaining to social security, retirement and pension matters, in all material respects. By way of clarification and not of limitation, it will (and each of them will cause its respective Subsidiaries and Affiliates to) comply with all applicable ESG Laws and obtain and comply with and maintain, any and all licenses, approvals, registrations or permits required by applicable ESG Laws and its businesses, operations, assets, equipment, property, leaseholds and other facilities shall be in compliance with the provisions of all ESG Laws, in each case, in all material respects.

(g) **Books and Records.** The Borrower will (and will cause its Subsidiaries to) satisfy corporate formalities required under applicable Uruguayan law and maintain adequate books and records to record its business affairs and transactions. No bank account of the Borrower shall be commingled with any bank account of any other Person. The Borrower shall not (and shall not permit any of its Subsidiaries to) take any action, or conduct its affairs in a manner that would reasonably be expected to result in its corporate existence being ignored by any court of competent jurisdiction or in its assets or liabilities being substantively consolidated with those of any other Person in a bankruptcy, reorganization or other insolvency proceeding.

(h) **Insurance.** The Borrower will (and will cause its Subsidiaries to) maintain its properties and assets at all times insured with financially sound and reputable insurers in accordance with customary industry standards applicable to entities that operate in the same business and jurisdiction as it; the Borrower will (and will cause its Subsidiaries to) promptly, upon written request by the Lender, deliver or cause to be delivered to the Lender originals or duplicate originals of all such policies of insurance.

(i) **Contracts.** The Borrower will (and will cause its Subsidiaries to) fully perform its obligations under, and maintain in full force and effect during its respective term (except in the event of a breach by the other party), each existing and future agreement or instrument to which it is a party or by which it is bound, except where the failure to so perform or maintain in full force and effect would not reasonably be expected to have a Material Adverse Effect or result in a Credit Event or otherwise affect the ability of the Borrower to contract with public entity or to bid for and obtain additional contracts.

(j) **Ranking.** The Borrower will (and will cause its Subsidiaries to) take all actions as may be necessary to ensure that its obligations to the Lender evidenced by each of the Credit Documents will at all times be its direct and unconditional obligations, and rank, to the extent not covered by the Collateral, at least *pari passu* in priority of payment and in all other respects with all its other secured obligations, whether now existing or hereafter outstanding.

(k) **Security Interest.** The Borrower will take all actions as may be necessary to execute any and all documents, in order to grant and maintain in favor of the Lender, as applicable in accordance with the Security Documents, first priority security interests in each item of the Collateral perfected to the extent contemplated by the Security Documents.

(l) **Capital expenditure.** The Borrower will limit its aggregate annual capital expenditure to US\$5,000,000.

(m) **Litigation Notices.** Immediately and in any event within five (5) calendar days of becoming aware, give notice to the Lender of any arbitral, administrative or judicial litigation or proceeding affecting the Borrower or any of its Subsidiaries in which (i) the amount involved is at least US\$500,000, (ii) in which injunctive or similar relief is sought or (iii) which relates to any Credit Document or (iv) which could reasonably be expected to have a Material Adverse Effect or the outcome of which could result in a Credit Event or otherwise affect the ability of the Borrower to contract with public entities or to bid for and obtain additional contracts, in each case regardless of the amount involved.

(n) **Use of Proceeds.** The Borrower shall use the proceeds of the Loan exclusively in accordance with the Permitted Purpose and furnish to the Lender evidence in such regards as the Lender may request.

(o) **Maintenance of Property.** The Borrower shall cause all of its properties used in or useful for the conduct of its business or the business of any of its Subsidiaries to be maintained in good repair (normal wear and tear excepted), and will cause to be made any repairs, replacements or improvements thereto as may be reasonably necessary to conduct its business or the business of any of its Subsidiaries.

(p) **Maintenance of Ownership.** Unless the Borrower receive the prior written consent of the Lender to transfer or assign its capital stock, one hundred percent (100%) of the capital stock of the Borrower shall continue to be owned directly or indirectly by the Controlling Shareholders.

(q) **Credit Qualification.** The Borrower shall be at all times at least category 2B or superior according to the Central Bank's regulation. Should the Borrower at any time be rated below the aforementioned category, it shall have thirty (30) days of the occurrence thereof to comply with this covenant.

(r) **Further Assurances.** The Borrower shall cooperate with the Lender, and take all actions as may be necessary and execute and deliver such further instruments and documents as the Lender shall reasonably request to carry out or perfect the interests, transactions, terms and conditions contemplated by the Credit Documents.

## 6.2 Negative Covenants

The Borrower agrees that, so long as any Obligations are outstanding, it will not, and will not permit any of its respective Subsidiaries to:

(a) **Mergers and Related Events.** Enter into any merger, acquisition, consolidation, or amalgamation, (except for (i) any merger, consolidation or amalgamation in which the Borrower is the surviving party, provided that the Lender shall have approved such merger, consolidation or amalgamation prior to its implementation; and (ii) any merger of a Subsidiary of the Borrower into (x) another Subsidiary of the Borrower or (y) the Borrower, so long as, in the cases of items (x) and (y) above, the surviving entity remains responsible for the Obligations or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or enter into any reorganization or corporate restructuring, or sell all or substantially all of its properties or assets.

(b) **Change in Nature of Business.** Make any material change in the nature of its business and operations as carried on the date hereof.

(c) **Limit on Accounting Changes.** Make any change in accounting treatment or reporting practices, change its fiscal year or promote any revaluation of its assets, except as permitted by GAAP or/and required by law.

(d) **Accounting Changes; Fiscal Year.** Make any change to it or its Subsidiaries (a) accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or any Requirement of Law and disclosed to the Lender or (b) fiscal year.

(e) **Auditor.** Replace its designated Auditor, except with the consent of the Lender, which shall not be unreasonably withheld.

(f) **Dividend Payments and Other Restricted Payment.** Dividend payments shall be restricted to 80% of Borrower's Annual Net Income – "*utilidades netas distribuibles*"—(as defined in Uruguay GAAP and applicable Law), provided that the free cash flow/debt servicing is greater to 1.3

(g) **Liens.** Create, incur, assume or permit to exist any Liens on or with respect to any of the Collateral (except for those Liens created under the Security Documents) or create, incur, assume or permit to exist any Liens on any of its other properties except for Liens incurred in the ordinary course of business or by operation of law which, in either case, are not material.

(h) **Limits on Further Debts and Investments.** Enter into, directly or through any existing or future Affiliate, any sort of Indebtedness during the first twenty four (24) months of the Execution Date of this Agreement except (a) up to an aggregate US\$ 5,000,000, to be used in the ordinary course of business or as otherwise permitted by this Agreement, or (b) existing guarantees granted under the Existing Indebtedness or the refinance thereof.

(i) **Joint Ventures.** The Borrower shall not (and shall not permit any of its Subsidiaries to) enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interests in any Joint Venture, except if the Lender shall have approved such transaction prior to its implementation.

(j) **Anti-Corruption and Anti-Money Laundering Laws.** The Borrower, its Affiliates, directors or officers shall not (i) violate, or attempt to violate, any AML Laws or AntiCorruption Laws or (ii) engage in any AML Prohibited Transaction.

## 7 Events of Default

If:

(a) The Borrower shall fail to pay when due any principal or interest on the Loan or any other Obligation payable by it hereunder or under any other Credit Document; or

(b) The Borrower shall have defaulted in the payment of the principal of or the interest on any of its Indebtedness (other than the Loan), when due, whether by scheduled maturity, required prepayment, acceleration, demand or otherwise, and such default shall continue beyond any period of grace provided with respect thereto, or any other default shall have occurred under the terms of any instrument or agreement evidencing or setting forth terms and conditions applicable to any of its Indebtedness, or any other event shall occur or condition exist, if the effect of such default, condition or event is to cause or permit the holder or holders of such Indebtedness (or anyone acting on behalf of such holder or holders) to cause such Indebtedness to become due prior to its date of maturity, in each case, which results in a Credit Event; or

(c) One or more judgments, arbitral awards or orders from which no further appeal is permissible under applicable law for the payment of money aggregating in excess of one million Dollars (US\$1,000,000) (or its equivalent in another currency) shall be rendered against the Borrower and such judgment, arbitral award or order shall continue unsatisfied and in effect for a period of thirty (30) calendar days; or

(d) As may be permitted by applicable laws, the Borrower, or any of its Subsidiaries and Affiliates, shall: (i) generally not, or be unable to, or shall admit in writing its inability to, pay its debts as such debts become due; (ii) make an assignment for the benefit of creditors, or petition or apply to any tribunal or court for the appointment of a custodian, receiver, trustee or other similar official for it or any substantial part of its assets; (iii) commence any proceeding under any bankruptcy, insolvency, restructuring, readjustment of debt, dissolution, winding-up or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; (iv) have had any such petition or application (as described in (ii) above) filed or any such proceeding (as described in (iii) above) shall have been commenced, against it, in which an adjudication or appointment is made or order for relief is entered, or which petition, application or proceeding is not dismissed within forty-five (45) calendar days of the Borrower's receipt of notice from the court of such filing or commencement; or (v) by any act or omission indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or

(e) The Borrower shall cease its business activities; or

(f) Any attachment, execution or legal process shall be enforced against any Assets or property of the Borrower which has or could reasonably be expected to have a Material Adverse Effect, and such attachment, execution or legal process shall remain unstated and in effect for a period of forty-five (45) calendar days after the Borrower receipt of notice from the court of such attachment, execution or legal process; or

(g) This Agreement, the Notes, any Security Document or any other Credit Document shall cease, for any reason, to be in full force and effect, or any Security Document shall not give or shall cease in any material respect to give the Lender the Liens, rights, powers and privileges purported to be created thereby (including a first priority perfected security interest in, and Lien on, all of the Collateral subject thereto) or the validity or enforceability of the Liens granted, to be granted, or purported to be granted, by the Security Documents shall be contested by the Borrower, or any of their Subsidiaries; or

(h) This Agreement, the Notes, any Security Document or any other Credit Document or any provision of any of the foregoing is declared to be illegal, invalid or unenforceable;

(i) A Change of Control shall have occurred without the prior written consent of the Lender, such consent not to be unreasonably withheld; or

(j) All or any substantial part of the undertaking, assets, properties or revenues of the Borrower is condemned, seized or otherwise appropriated by any Person acting under the authority of any Governmental Authority, the Borrower or any of the Borrower's Subsidiaries is prevented by any such Person from exercising normal control or use over all or any substantial part of its undertaking, assets, properties or revenues; or

(k) (i) A Governmental Authority (including, without limitation, the Central Bank) shall (A) declare a general suspension of payments or a moratorium on the payment of debt of the Borrower (which does not expressly exclude the Credit Documents) or (B) fail to exchange, or to approve or permit the exchange of, Pesos for Dollars, or take any other action including the promulgation, operation or enforcement of any law, act, decree, regulation, ordinance, order, policy, or determination, or any modification of, or change in the interpretation of, any of the foregoing that has the effect of restricting or preventing such exchange of Pesos for Dollars or the transfer of any funds outside Uruguay, beyond the extent to which such restrictions exist on the Execution Date, or (ii) the unavailability of Dollars in any legal exchange market therefor in Uruguay in accordance with normal commercial practice; or

(l) The Borrower shall, without the prior consent of the Lender, (i) substantially change its business; (ii) dispose of assets material to the Loan; or (iii) without the prior written consent of the Lender, undergo a change in ownership, including but not limited to a merger or acquisition except (a) for transfer of Borrower's shares among the Controlling Shareholder or its wholly-owned Subsidiaries ; or

(m) A Material Adverse Effect shall have occurred; or

(1) Any preliminary court order (including, without limitation, any injunctions such as medida cautelar or similar) is not dismissed in thirty (30) calendar days from the Knowledge thereof by the Borrower or any final and definitive judicial decision (no longer subject to appeal) that, in either case, impedes the Borrower from continuing to render all of the material services related to the Collateral.

(2) then, and in any such event, the Lender (i) may declare its obligation to make the Disbursement to be terminated, whereupon the same shall forthwith terminate, and (ii) may, by notice to the Borrower, declare all or any portion of the Note, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Note, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower, (A) the obligation of the Lender to make the Disbursement shall automatically be terminated and (B) the Note, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

## **8 Taxes**

The Borrower agrees as follows with respect to Taxes:

(a) Any and all payments by or on account of any obligation of the Borrower under each Credit Document shall be made without deduction or withholding for any Taxes, except as required by applicable law. If any applicable law requires the deduction or withholding of any Tax from any such payment by the Borrower, then the Borrower shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with applicable law, if such Tax is an Indemnified Tax, then the sum payable by the applicable Borrower shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section 9) the Lender receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(b) Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay any Taxes to the relevant Governmental Authority in accordance with any Requirement of Law.

(c) As promptly as practicable after the payment of any Taxes by any Borrower to a Governmental Authority pursuant to this Section 9, such Borrower shall furnish to the Lender reasonable evidence of the payment of such Taxes.

## **9 Commitment Fee**

The Borrower agree to pay the Lender a Commitment Fee in Dollars, for the period from this date to the end of the Availability Period, on the daily average of the unused portion of the Loan Amount at a rate per annum equal to one per cent.

## **10 Miscellaneous**

### **10.1 Parties-in-Interest; Assignment; Participations**

10.1.1 This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto; provided that the Borrower shall assign nor transfer any of its rights or obligations hereunder without the prior written consent of the Lender.

10.1.2 The Lender may assign to, without the consent of the Borrower, (a) any Affiliate of the Lender, (b) any commercial bank, or (c) any finance company, insurance company, other financial institution or fund which is regularly engaged in making, purchasing or investing in loans, all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its obligation to make the Loan to the Borrower), provided, however, that with respect to clause (c) above, the Lender shall obtain the prior consent from the Borrower prior to assigning this Agreement to any finance company, insurance company or other financial institution or fund which is named on the most current list of "Specially Designated Nationals and Blocked Persons" published by OFAC at its official website or any replacement website or other replacement official publication of such list.

10.1.3 The Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under the Credit Documents (including, without limitation, all or a portion of its obligation to make the Loan to the Borrower); provided that (i) the Lender's obligations under this Agreement shall remain unchanged, (ii) the Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Lender shall remain the holder of the Notes for all purposes of this Agreement, and (iv) the Borrower shall continue to deal solely and directly with the Lender in connection with the Lender's rights and obligations under the Credit Documents.

10.1.4 The Lender may, in connection with any assignment or participation, or proposed assignment or participation, pursuant to this Section 10.1, disclose to the assignee or participant, or proposed assignee or participant, such financial or other information relating to the Borrower furnished to the Lender by or on behalf of each of the Borrower as the Lender shall deem appropriate including this Agreement and any Credit Documents; provided that prior to any such disclosure, the assignee, designee or participant or proposed assignee, designee or participant shall agree to preserve the confidentiality of any information relating to the Borrower received by it from the Lender.

## **10.2 Fees and Expenses**

The Borrower will promptly pay:

(a) the fees, expenses and disbursements incurred by the Lender in connection with the negotiation, preparation, execution, notarization, registration and perfection of the Agreement, the Security Documents, the other Credit Documents and the related documentation and administration in connection herewith or pursuant hereto, and all reasonable fees, expenses and disbursements incurred by the Lender, in connection with any amendments, modifications, approvals, consents or waivers pursuant hereto or thereto, in all cases, including but not limited to, legal fees (including any fees associated with the delivery of legal opinions by the Lender's counsel), tax advice fees and due diligence costs and expenses; provided, however, that any such payments due by the Borrower shall be reduced by the amount of twenty thousand Dollars (US\$20,000) that has already been paid by the Borrower to the Lender as "minimum break up fee";

(b) all out-of-pocket expenses (including legal fees and costs) actually incurred by the Lender in connection with the enforcement of any of the Credit Documents or related documentation, notwithstanding whether (i) the contemplated transaction is completed or (ii) the documentation in connection therewith is executed, provided that, the Borrower shall not be required to reimburse the Lender for the expenses in the event that the transaction is not completed as a result of the Lender's failure to complete the transaction due to its own fault;

(c) The Borrower shall immediately reimburse the Lender in the event any of them makes any of the payments referred to in this Section 10.2(c).



### **10.3 Right of Set-Off**

The Borrower hereby grant to the Lender a continuing lien, security interest, and right of setoff as security for all liabilities and obligations owned to the Lender (including the Obligations), whether now existing or hereafter arising, upon and against any and all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of the Lender or any entity under the control thereof or in transit to any of them. At any time after an Event of Default has occurred and is continuing, without demand or notice (any such notice being expressly waived by the Borrower), the Lender may setoff the same or any part thereof and apply the same to any liability or obligation of the Borrower (including the Obligations) even though unmatured and regardless of the adequacy of any collateral for the Obligations. ANY AND ALL RIGHTS TO REQUIRE THE LENDER TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY COLLATERAL FOR SUCH OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF THE BORROWER, ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

### **10.4 Survival of Covenants**

All covenants, agreements, representations and warranties made in the Credit Documents and in any certificates or other documents delivered by or on behalf of the Borrower pursuant hereto are material and shall be deemed to have been relied upon by the Lender, notwithstanding any investigation heretofore or hereafter made by it, and shall survive the making by the Lender of the Loan as herein contemplated, and shall continue in full force and effect for so long as any Obligation remains outstanding. All statements contained in any certificate or other document delivered pursuant to the Credit Documents shall constitute representations and warranties by the Borrower hereunder.

### **10.5 Notices**

All notices and other communications made or required to be given pursuant to this Agreement shall be in writing and shall be mailed, sent by overnight courier or transmitted by fax as follows:

(a) *if to the Borrower:*

Corporación Navios Granos S.A.  
Attention: Ruben Martinez  
Address: 2141 Paraguay, Of. 1603, Montevideo, Uruguay

(b) *if to the Lender:*

Banco Bilbao Vizcaya Argentaria Uruguay S.A.  
Attention: Gonzalo Olivera and Karina Vera  
Address: 25 de Mayo 401, 11000 Montevideo,

All such notices and communications shall be sent by electronic mail (which shall not constitute notice), and when mailed, transmitted by fax or sent by overnight courier, be effective five (5) Business Days after deposit in the mails, the next Business Day after delivery to any internationally recognized overnight courier, and the same Business Day after delivery by fax (confirmed by fax transmission confirmation) if sent prior to 5:00 pm New York time or delivered in person.

### **10.7 Consent to Jurisdiction**

The Borrower agree that any action or proceeding relating in any way to this Agreement or the Notes may be brought and enforced in the courts of Montevideo, Uruguay.

### **10.8 Captions**

Captions in this Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

### **10.9 Separate Counterparts**

This Agreement or any amendment may be executed in separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute one instrument. In proving this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

### **10.10 Severability**

If any provision of this Agreement or of the other Credit Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and of the other Credit Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

### **10.11 Consents, Amendments and Waivers**

Neither this Agreement nor any of the other Credit Documents, nor any provision hereof or thereof, may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by, or approved in writing by the Borrower and the Lender.

### **10.12 Indemnification**

10.12.1 The Borrower agrees to indemnify and hold the Lender and its Subsidiaries, Affiliates, officers, directors, employees, agents, representatives, successors and assigns (together, the “**Indemnified Parties**”) harmless from and against any and all liabilities, losses, damages, penalties, actions, judgments, suits, costs, expenses (including reasonable fees and expenses of counsel) and disbursements of any kind whatsoever (together, “**Liabilities**”) arising out of or by reason of any investigation or litigation or other proceedings (including any threatened investigation or litigation or other proceedings) (collectively, the “**Proceedings**” and, individually, a “**Proceeding**”) related to the entering into or performance of this Agreement or any other Credit Document or the use of proceeds of the Loan or the consummation of any of the transactions contemplated hereby or in any other Credit Document or the exercise of any of their rights or remedies provided herein or in the other Credit Documents, including, without limitation, the fees and disbursements of counsel incurred in connection with any such Proceeding (but excluding any such Liabilities to the extent determined by the final and non-appealable judgment of a court of competent jurisdiction to specifically have been proximately caused by the gross negligence or willful misconduct of the Person to be indemnified). To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentences may be unenforceable, the Borrower shall contribute the maximum portion that it is permitted to pay and satisfy under applicable law to the payment and satisfaction of all Liabilities incurred by the Indemnified Parties or any of them.

10.12.2 Without limiting the foregoing, the Borrower will defend, indemnify and hold harmless the Indemnified Parties from and against any Liabilities of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way relating to any Proceeding relating to any violation or noncompliance with or liability under ESG Laws or any licenses, orders, requirements or demands of any Governmental Authority related thereto (including without limitation, reasonable attorney's fees, court costs and litigation expenses), except to the extent determined by the final and non-appealable judgment of a court of competent jurisdiction to specifically have been proximately caused by the gross negligence or willful misconduct of the Indemnified Parties.

10.12.3 Exception made to those obligations of the Lender, expressly set forth in the Credit Documents, such Person shall have no other obligations or liabilities—directly, indirectly, implied or otherwise—towards the Borrower or any other Person whatsoever.

#### **10.13 Survival**

The Borrower's obligations under Sections 2.12, 2.13, 9, 12.2, 12.12 and 12.13 shall survive the termination of this Agreement.

#### **10.14 Indivisible Obligations**

All of the Obligations and any obligation of the Borrower pursuant to this Agreement, any Credit Agreement or the Note, shall be indivisible.

#### **10.15 Neutral Interpretation**

In the interpretation of the Credit Documents, no party shall be deemed the drafting party and each provision hereof and thereof shall be interpreted neutrally with no presumption arising in favor of one party or the other based upon which party prepared the drafts or the final version hereof or thereof.

#### **10.16 Bank secrecy**

*The Borrower hereby expressly waives bank secrecy (article 25 of Law 15.322) to the fully extent permitted by law.*

#### **10.17 Automatic default**

The parties shall fall in automatic default (*mora automática*), without need for any formal judicial or extrajudicial demand or act, for the sole action of performing or not performing an act that constitutes a violation to the terms and conditions of this Agreement.

**IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized representatives as of the date first above written.**

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Banco Bilbao Vizcaya Argentaria Uruguay S.A.

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Banco Bilbao Vizcaya Argentaria Uruguay S.A.

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Corporación Navíos Granos S.A.

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Corporación Navíos Granos S.A.

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Navios South American Logistics Inc.

List of Subsidiaries of Registrant

Corporacion Navios S.A.	Uruguay
Nauticler S.A.	Uruguay
Compania Naviera Horamar S.A.	Argentina
Compania de Transporte de Fluvial Internacional S.A.	Uruguay
Ponte Rio S.A.	Uruguay
Petrovia Internacional S.A.	Uruguay
Merco Par S.A.C.I.	Paraguay
Petrolera San Antonio S.A.	Paraguay
Stability Oceanways S.A.	Panama
Navarra Shipping Corporation	Marshall Islands
Pelayo Shipping Corporation	Marshall Islands
Varena Maritime Services S.A.	Panama
HS Tankers Inc.	Panama
HS Navigation Inc.	Panama
HS Shipping Ltd. Inc.	Panama
HS South Inc.	Panama
Navios Logistics Finance (US) Inc.	Delaware
Energias Renovables del Sur S.A.	Uruguay
Hidronave South American Logistics S.A.	Brazil
Horamar do Brasil Navegação Ltda.	Brazil
Honey Bunkering S.A..	Panama
Naviera Alto Parana S.A.	Paraguay
Edolmix S.A.	Uruguay
Cartisur S.A.	Uruguay
NP Trading S.A.	British Virgin Islands
Ruswe International S.A.	Uruguay
Delta Naval Trade S.A.	Panama
Terra Norte Group S.A.	Paraguay
Corporacion Navios Granos S.A.	Uruguay
Docas Fluvial do Porto Murtinho S.A.	Brazil
Siriande S.A.	Uruguay

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Claudio Pablo Lopez, certify that:

1. I have reviewed this annual report on Form 20-F for the year ended December 31, 2019 of Navios South American Logistics Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 21, 2020

/s/ Claudio Pablo Lopez

Claudio Pablo Lopez

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ioannis Karyotis, certify that:

1. I have reviewed this annual report on Form 20-F for the year ended December 31, 2019 of Navios South American Logistics Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 21, 2020

/s/ Ioannis Karyotis

Ioannis Karyotis  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officers of Navios South American Logistics Inc. (the “Registrant”) hereby certify, to such officers’ knowledge, that:

(i) the accompanying annual report on Form 20-F of the Registrant for the year ended December 31, 2019 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: February 21, 2020

/s/ Claudio Pablo Lopez

Claudio Pablo Lopez  
Chief Executive Officer

Date: February 21, 2020

/s/ Ioannis Karyotis

Ioannis Karyotis  
Chief Financial Officer