

Navios Maritime Acquisition CORP
Form 6-K
September 15, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K

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

Dated: September 15, 2010

Commission File No. 001-34104

NAVIOS MARITIME ACQUISITION CORPORATION

85 Akti Miaouli Street, Piraeus, Greece 185 38

(Address of Principal Executive Offices)

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

Form 20-F Form 40-F

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

Yes No

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

Yes No

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

Yes No

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

N/A

This Report on Form 6-K is hereby incorporated by reference into the Navios Maritime Acquisition Corporation Registration Statement on Form F-3, File No. 333-151707.

Acquisition of VLCC Tanker Vessels

On September 10, 2010, Navios Maritime Acquisition Corporation (referred to herein as we, us or Navios Acquisition) consummated its previously announced acquisition of a fleet of seven very large crude carrier (VLCC) tankers for an aggregate purchase price of \$587.0 million, pursuant to a Securities Purchase Agreement, dated as of July 19, 2010, by and between Navios Acquisition and Vanship Holdings Limited (the Seller), by and between Navios Acquisition and Seller (as amended, the Purchase Agreement). The Purchase Agreement contemplated the purchase of the seven vessel owning subsidiaries (Vessel Owning Subsidiaries) that own each of the vessels.

The \$587.0 million consideration was financed as follows: (a) \$411.0 million of bank debt, incurred at closing; (b) \$113.8 million of cash paid at closing (\$133.8 million cash payment net of \$20.0 million working capital adjustments); (c) \$11.0 million through the issuance of 1,894,918 Navios Acquisition shares of common stock at closing; and (d) \$51.2 million due to shipyard in 2011 for the new build scheduled for delivery in June 2011 (of which \$36.3 million will be drawn down from existing debt facilities entered into in connection with the acquisition).

Of the 1,894,918 shares of our common stock issued at closing, 1,378,122 shares of common stock, having an aggregate value of approximately \$8.0 million, were deposited into a one-year escrow to provide for indemnity or other claims under the Purchase Agreement, and the balance of 516,796 shares of common stock, having an aggregate value of approximately \$3.0 million, were delivered to the Seller. The \$411.0 million of debt consists of six credit facilities with a consortium of banks and has a weighted average margin of 2.94%. The cash portion of the consideration paid at closing was financed with: (i) \$32.2 million cash from the balance sheet of the Vessel Owning Subsidiaries; (ii) \$40.0 million in short term financing from Navios Maritime Holdings Inc. (Navios Holdings); and (iii) existing cash resources of Navios Acquisition. The \$40.0 million facility with Navios Holdings has a margin of LIBOR plus 300 bps and a term of 18 months, maturing on April 1, 2012.

The terms of the Purchase Agreement were previously disclosed in a Report on Form 6-K filed with the Securities and Exchange Commission (SEC) on July 26, 2010 (Acquisition 6-K), which is incorporated herein by reference.

After giving effect to the acquisition of the VLCC tankers, Navios Acquisition's consolidated fleet consists of the following:

| Vessel | Type | DWT | Built/ Delivery Date | Net Charter Rate (\$ per day) | Expiration Date | Profit Share |
|--------------------------------|-----------------|---------|----------------------|-------------------------------|-----------------|--|
| Owned Vessels | | | | | | |
| Colin Jacob | LR 1 | 74,671 | 2007 | 17,000 | June 2013 | 50% above \$17,000 |
| Ariadne Jacob | LR 1 | 74,671 | 2007 | 17,000 | July 2013 | 50% above \$17,000 |
| Shinyo Splendor | VLCC | 306,474 | 1993 | 38,019 | 5/18/2014 | None |
| Shinyo Navigator | VLCC | 300,549 | 1996 | 42,705 | 12/18/2016 | None |
| C. Dream | VLCC | 298,570 | 2000 | 29,625(1) | 3/15/2019 | 50% above \$30,000 40% above \$40,000 |
| Shinyo Ocean | VLCC | 281,395 | 2001 | 38,400 | 1/10/2017 | 50% above \$43,500 |
| Shinyo Kannika | VLCC | 281,474 | 2001 | 38,025 | 2/17/2017 | 50% above \$44,000 |
| Shinyo Saowalak | VLCC | 298,000 | 2010 | 48,153 | 6/15/2025 | 35% above \$54,388 40% above \$59,388 50% above \$69,388 |
| Vessels to be delivered | | | | | | |
| Nave Cosmos | Chemical Tanker | 25,000 | Q4 2010 | | | |
| TBN | Chemical Tanker | 25,000 | Q4 2010 | | | |
| Shinyo Kieran | VLCC | 298,000 | Q2 2011 | 48,153 | 6/15/2026 | 35% above \$54,388 |

40% above \$59,388
50% above \$69,388

| | | | |
|-----|------|--------|---------|
| TBN | LR 1 | 75,000 | Q4 2011 |
| TBN | LR 1 | 75,000 | Q4 2011 |

1

| Vessel | Type | DWT | Built/ Delivery Date | Net Charter Rate (\$ per day) | Expiration Date | Profit Share |
|---------------|-------------|------------|-----------------------------|--|------------------------|---------------------|
| TBN | MR 2 | 50,000 | Q1 2012 | | | |
| TBN | MR 2 | 50,000 | Q2 2012 | | | |
| TBN | MR 2 | 50,000 | Q3 2012 | | | |
| TBN | MR 2 | 50,000 | Q3 2012 | | | |
| TBN | MR 2 | 50,000 | Q4 2012 | | | |
| TBN | MR 2 | 50,000 | Q4 2012 | | | |
| TBN | MR 2 | 50,000 | Q4 2012 | | | |

1. Vessel sub-chartered at \$34,843/day over the next two years.

Navios Acquisition has previously filed the audited combined financial statement of the Vessel Owning Subsidiaries for the years ended December 31, 2009, 2008 and 2007 in the Acquisition 6-K and the unaudited combined financial statements for the three month periods ended March 31, 2010 and 2009 in a Report on Form 6-K filed with the SEC on August 6, 2010. This Report on Form 6-K contains the unaudited combined financial statements for the six month periods ended June 30, 2010 and 2009 of the Vessel Owning Subsidiaries. In addition, this Report contains the unaudited condensed combined pro forma financial statements of Navios Acquisition as of and for the six month period ended June 30, 2010 to give effect to the acquisition of the Vessel Owning Subsidiaries. Such financial statements may not be indicative of the future operations or post-closing financial position of such companies.

With respect to the historical financial statements, the revenues of the Vessel Owning Subsidiaries for the first six month period ended June 30, 2010 was approximately \$3.3 million higher than for the comparable 2009 period. However, net income for the first six months was down from approximately \$14.3 million in 2009 to approximately \$2.7 million in 2010. Based on information from the Seller, such decrease was due mainly to a loss of \$4.9 million in 2010 compared to a gain of \$10.7 million in 2009 on the mark-to-market value of certain interest rate swap agreements and a write-off of deferred loan costs of approximately \$1.2 million, partially offset by lower interest expense. Such derivative financial instruments were extinguished in connection with the closing of the acquisition, and the Purchase Agreement required the Seller to take a number of other actions that will impact the post-closing financial statements including, but not limited to, extinguishing the shareholders loans, settlement of accrued tax liabilities, prepayment in full of the loan facility dated August 20, 2008 on the Shinyo Kieran and the related interest rate swap agreements. Accordingly, the unaudited condensed combined balance sheet, statements of income and cash flows contained herein may not be indicative of the continued operations of the Vessel Owning Subsidiaries following their acquisition.

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

INDEX TO UNAUDITED CONDENSED COMBINED FINANCIAL STATEMENTS

Unaudited Condensed Combined Financial Statements of the Vessel Owning

Subsidiaries:

| | |
|---|---------------|
| <u>Unaudited Condensed Combined Balance Sheets as of December 31, 2009 and June 30, 2010</u> | C-2 |
| <u>Unaudited Condensed Combined Statements of Income for the six month periods ended June 30, 2009 and 2010</u> | C-3 |
| <u>Unaudited Condensed Combined Statements of Shareholder's Equity for the six month periods ended June 30, 2009 and 2010</u> | C-4 |
| <u>Unaudited Condensed Combined Statements of Cash Flows for the six month periods ended June 30, 2009 and 2010</u> | C-5 - C-6 |
| <u>Notes to the Unaudited Condensed Combined Financial Statements</u> | C-7 - C-23 |

C-1

Vessel Owning Subsidiaries
 Unaudited Condensed Combined Balance Sheets
 as of December 31, 2009 and June 30, 2010
 (expressed in US\$)

| | Note | December 31, 2009 | June 30, 2010 |
|---|------|----------------------|--------------------|
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash | | 18,217,569 | 13,619,655 |
| Restricted cash | | 2,639,807 | 2,497,163 |
| Trade accounts receivable | | | 858,807 |
| Prepayments and other receivables | | 2,104,359 | 1,861,504 |
| Amounts due from related parties | 9(b) | 883,654 | 1,112,422 |
| Supplies | | 416,205 | 1,414,120 |
| Total current assets | | 24,261,594 | 21,363,671 |
| Restricted cash | | 6,500,000 | 14,500,000 |
| Loan to a related party | 9(b) | 8,882,533 | 8,882,533 |
| Deferred loan costs | | 3,200,992 | 2,216,573 |
| Vessels, net | 4 | 359,334,424 | 490,727,007 |
| Vessels under construction | 5 | 174,901,072 | 89,543,922 |
| Total assets | | 577,080,615 | 627,233,706 |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Current portion of long-term bank loans | 6 | 51,979,567 | 40,223,988 |
| Amounts due to related parties | 9(b) | 13,788,975 | 16,584,296 |
| Accrued liabilities and other payables | | 10,358,065 | 8,257,729 |
| Total current liabilities | | 76,126,607 | 65,066,013 |
| Long-term bank loans | 6 | 344,910,681 | 376,850,067 |
| Loans from a related party | 9(b) | 131,459,170 | 156,385,888 |
| Derivative financial instruments | 7 | 9,729,403 | 11,354,087 |
| Total liabilities | | 562,225,861 | 609,656,055 |
| Commitments and contingencies | 10 | | |
| Shareholder's equity | | | |
| Paid-in capital | | 15 | 15 |
| Retained earnings | | 14,854,739 | 17,577,636 |

| | | |
|---|--------------------|--------------------|
| Total shareholder s equity | 14,854,754 | 17,577,651 |
| Total liabilities and shareholder s equity | 577,080,615 | 627,233,706 |

See accompanying notes to the unaudited condensed combined financial statements.

C-2

Vessel Owning Subsidiaries

Unaudited Condensed Combined Statements of Income
for the six month periods ended June 30, 2009 and 2010
(expressed in US\$)

| | Note | 2009 | 2010 |
|---|------|-------------|--------------|
| Operating revenue | | | |
| Revenue | 8 | 31,825,564 | 35,173,743 |
| Operating expense ^(a) | | | |
| Vessel operating expenses | | 8,679,973 | 8,514,394 |
| Depreciation expenses | | 10,938,752 | 11,465,923 |
| Management fee | 9(a) | 300,000 | 330,050 |
| Commission | | 621,237 | 728,265 |
| Administrative expenses | | 76,019 | 178,898 |
| Total operating expense | | 20,615,981 | 21,217,530 |
| Operating income | | 11,209,583 | 13,956,213 |
| Other income/(expense) ^(a) | | | |
| Interest income | | 207,624 | 153,558 |
| Interest expense | | (7,843,283) | (5,100,899) |
| Write off of deferred loan costs | 6(f) | | (1,206,915) |
| Changes in fair value of derivative financial instruments | 7 | 10,777,913 | (4,899,212) |
| Others, net | | (12,490) | (179,848) |
| Total other income/(expense) | | 3,129,764 | (11,233,316) |
| Income before income taxes | | 14,339,347 | 2,722,897 |
| Income taxes | | | |
| Net income | | 14,339,347 | 2,722,897 |

(a) Includes the following income/expenses resulting from transactions with related parties (see note 9(a)):

| | 2009 | 2010 |
|--|-----------|-----------|
| Vessel operating expenses | | |
| Agency fee | 600,000 | 600,000 |
| Management fee | 300,000 | 330,050 |
| Interest income | 184,912 | 126,046 |
| Interest expense, net of amounts capitalized | 1,537,400 | 1,579,552 |

See accompanying notes to the unaudited condensed combined financial statements.
C-3

Vessel Owning Subsidiaries

Unaudited Condensed Combined Statements of Shareholders Equity
for the six month periods ended June 30, 2009 and 2010
(expressed in US\$)

| | Paid-in capital | Retained earnings | Total shareholders equity |
|--------------------------------------|----------------------------|------------------------------|--|
| Balance as of January 1, 2009 | 15 | (3,820,639) | (3,820,624) |
| Net income | | 14,339,347 | 14,339,347 |
| Dividend paid | | (4,000,000) | (4,000,000) |
| Balance as of June 30, 2009 | 15 | 6,518,708 | 6,518,723 |
| Balance as of January 1, 2010 | 15 | 14,854,739 | 14,854,754 |
| Net income | | 2,722,897 | 2,722,897 |
| Balance as of June 30, 2010 | 15 | 17,577,636 | 17,577,651 |

See accompanying notes to the unaudited condensed combined financial statements.

C-4

Vessel Owning Subsidiaries

Unaudited Condensed Combined Statements of Cash Flows
for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

| | 2009 | 2010 |
|--|---------------------|---------------------|
| <i>Cash flows from operating activities</i> | | |
| Net income | 14,339,347 | 2,722,897 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation expenses | 10,938,752 | 11,465,923 |
| Amortization of deferred loan costs | 148,436 | 112,445 |
| Amortization of loan premium | (36,993) | (36,993) |
| Expenditure relating to drydocking | (5,001,428) | |
| Amortization of deferred revenue | (1,232,948) | |
| Write off of deferred loan costs | | 1,206,915 |
| Change in fair value of derivative financial instruments (net of cash settlement payment of \$3,274,528 in 2010) | (10,777,913) | 1,624,684 |
| Changes in operating assets and liabilities: | | |
| Trade accounts receivable | 869,424 | (858,807) |
| Prepayments and other receivables | (2,648,978) | 242,855 |
| Amounts due from related parties | 1,267,853 | (228,768) |
| Supplies | (81,988) | (997,915) |
| Accrued liabilities and other payables | 3,411,514 | (2,100,336) |
| Amounts due to related parties | 4,528,035 | 2,795,321 |
| Net cash provided by operating activities | 15,723,113 | 15,948,221 |
| <i>Cash flows from investing activities:</i> | | |
| Capital expenditure on vessels under construction | (4,729,758) | (57,501,356) |
| Increase in restricted cash | (554,136) | (7,857,356) |
| Net cash used in investing activities | (5,283,894) | (65,358,712) |
| <i>Cash flows from financing activities:</i> | | |
| Proceeds from long-term bank loans | | 90,000,000 |
| Repayment of long-term bank loans | (18,625,000) | (69,779,200) |
| Proceeds from loans from a related party | 3,835,714 | 24,926,718 |
| Dividend paid | (4,000,000) | |
| Payment of loan costs | (189,068) | (334,941) |
| Net cash (used in)/provided by financing activities | (18,987,354) | 44,812,577 |
| Net decrease in cash | (8,539,135) | (4,597,914) |
| <i>Cash:</i> | | |
| At beginning of period | 22,476,300 | 18,217,569 |

| | | |
|------------------|------------|------------|
| At end of period | 13,937,165 | 13,619,655 |
|------------------|------------|------------|

Supplemental Disclosure of Cash Flow Information:

| | 2009 | 2010 |
|---|-------------|-------------|
| <i>Cash paid during the period for:</i> | | |
| Interest, net of amounts capitalized | 7,192,521 | 4,154,521 |

See accompanying notes to the unaudited condensed combined financial statements.

C-5

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements
for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(1) Description of Business

The combined Vessel Owning Subsidiaries (the Company) are entities under common control and include Shinyo Loyalty Limited, Shinyo Kannika Limited, Shinyo Navigator Limited, Shinyo Ocean Limited, Shinyo Dream Limited, Shinyo Saowalak Limited and Shinyo Kieran Limited, all of which were wholly-owned subsidiaries of Vanship Holdings Limited (the Parent) prior to the Parent's disposal of these entities to Navios Maritime Acquisition Corporation (NMAC) on September 10, 2010. (see Note 14).

Details of the Vessel Owning Subsidiaries are set out below:

| Company | Country of incorporation | Date of incorporation | Vessel name |
|--------------------------|--------------------------|-----------------------|------------------------------|
| Shinyo Loyalty Limited | Hong Kong | September 8, 2003 | Shinyo Splendor |
| Shinyo Kannika Limited | Hong Kong | September 27, 2004 | Shinyo Kannika |
| Shinyo Navigator Limited | Hong Kong | September 21, 2006 | Shinyo Navigator |
| Shinyo Ocean Limited | Hong Kong | December 28, 2006 | Shinyo Ocean |
| Shinyo Dream Limited | Hong Kong | July 20, 2007 | C Dream |
| Shinyo Saowalak Limited | British Virgin Islands | April 3, 2008 | Shinyo Saowalak |
| Shinyo Kieran Limited | British Virgin Islands | April 3, 2008 | Shinyo Kieran ⁽¹⁾ |

(1) Shinyo Kieran is under construction and scheduled to be delivered in 2011.

The Company engages in the business of ocean transportation of crude oil worldwide. The principal activity of the Company is the ownership and chartering of double-hulled very large crude oil carriers with capacity over 281,000 deadweight tonnage each.

The Company has outsourced substantially all its day-to-day operations to its related party, Belindtha Marine Limited (Belindtha), a company controlled by a shareholder of the Parent. Belindtha then sub-contracted its obligations under the outsourcing arrangement to Univan Ship Management Limited (Univan) which assists in providing technical management services to the Company. Univan is controlled by a director of the Vessel Owning Subsidiaries. All expenses incurred by Univan on behalf of the Company are charged to the Company based on the actual expenditures incurred on its behalf.

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010
(expressed in US\$)

The Company received time charter revenue pursuant to time charter agreements with charterers and details are set out below:

| Company | Charterer | Daily charter rate | Period |
|--------------------------|-----------------------------------|---------------------------|--|
| Shinyo Loyalty Limited | Blue Light Chartering Inc. | \$39,500 | May 18, 2007 to May 17, 2014 |
| Shinyo Kannika Limited | Dalian Ocean Shipping Company | \$39,000 | February 17, 2007 to February 16, 2017 |
| Shinyo Navigator Limited | Dalian Ocean Shipping Company | \$43,800 | December 18, 2006 to December 17, 2016 |
| Shinyo Ocean Limited | Formosa Petrochemical Corporation | \$38,500 | January 10, 2007 to January 9, 2017 |
| Shinyo Dream Limited | Sanko Steamship Co., Ltd | \$28,900 | September 7, 2007 to April 19, 2009 |
| Shinyo Saowalak Limited | SK Shipping Company Limited | \$30,000 | April 19, 2009 to April 18, 2019 |
| Shinyo Kieran Limited | Dalian Ocean Shipping Company | \$49,388 | June 20, 2010 to June 19, 2025 |
| Shinyo Kieran Limited | Dalian Ocean Shipping Company | \$49,388 | 15 years from date of delivery of the vessel |

(2) Principles of Combination and Basis of Presentation

The accompanying unaudited condensed combined financial statements as of June 30, 2010 and for the six-month periods ended June 30, 2009 and 2010 include the assets, liabilities, revenues, and expenses of the Vessel Owning Subsidiaries for the periods presented. All intercompany transactions and balances among the combined entities have been eliminated. The Vessel Owning Subsidiaries have been under the common control of the Parent since the respective dates of incorporation of these entities. As further described in Note 14, on September 10, 2010, NMAC consummated the acquisition of all of the equity interests in the Vessel Owning Subsidiaries. The accompanying unaudited condensed combined financial statements include the accounts of the seven entities as set out in Note 1 and do not reflect any adjustments to the Company's assets and liabilities that might subsequently be necessary as a result of the acquisition.

In the opinion of the management, all adjustments (which include normal accruals) necessary to present a fair statement of the financial position of the Company as of June 30, 2010, and the results of its operations and cash flows for the six-month periods ended June 30, 2009 and 2010, in conformity with U.S. generally accepted accounting principles (US GAAP), have been made. The unaudited condensed combined statements of income for the six month periods ended June 30, 2009 and 2010 are not necessarily indicative of the operating results to be expected for the full fiscal year or any future periods. The accompanying unaudited condensed combined financial statements should be read in conjunction with the combined financial statements and related notes as of and for the year ended December 31, 2009.

Certain financial information that is normally included in annual financial statements prepared in accordance with US GAAP, but is not required for interim reporting purposes, has been condensed or omitted.

The basis of accounting differs in certain material respects from that used in the preparation of the books of account of the Company, which are prepared in accordance with the accounting principles of the country of their domicile. The accompanying unaudited condensed combined financial statements reflect necessary adjustments to present them in conformity with US GAAP.

(3) Summary of Significant Accounting Policies

(a) Liquidity

As of June 30, 2010, the Company had a working capital deficit of \$43,702,342. These financial statements have been prepared assuming that each of the Vessel Owning Subsidiaries will continue as a going concern. The Parent had confirmed its intention to provide continuing and unlimited financial support to each of the Vessel Owning Subsidiaries, so long as these entities were owned by and under the control of the Parent, to meet its financial obligations as and when they become due. Upon the consummation of the acquisition of the Vessel Owning Subsidiaries on September 10, 2010, NMAC has confirmed its intention to provide such financial support to the Vessel Owning Subsidiaries.

C-7

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)

for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(3) Summary of Significant Accounting Policies (continued)**(b) Use of Estimates**

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the estimated useful lives of the vessels (including drydocking costs), residual values and recovery of the carrying amounts of the vessels. Actual results could differ from those estimates.

(c) Contingencies

In the normal course of business, the Company is subject to loss contingencies, such as legal proceedings and claims arising out of its business. An accrual for a loss contingency is recognized when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

(d) Income and Other Taxes

Under the laws of the countries of incorporation of the Vessel Owning Subsidiaries and/or the registration of their vessels, the Company is not subject to tax on international shipping income. However, it is subject to registration and tonnage taxes, which are charged by the country where the vessel is registered at a fixed rate based on the tonnage of the vessel. Registration and tonnage taxes have been included in vessel operating expenses in the accompanying statements of income.

The Company follows the provisions on accounting for uncertainty in income taxes prescribed by ASC 740, Income Taxes. This standard prescribes a threshold of more-likely-than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. For the periods ended June 30, 2009 and 2010, the Company has no unrecognized tax benefit which would favorably affect the effective income tax rate in future periods and does not believe there will be any significant increases or decreases within the next twelve months. The Company has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of income tax expenses in the statements of income.

(4) Vessels, net

| | December 31, 2009 | June 30, 2010 |
|--------------------------|------------------------------|--------------------------|
| Vessels | | |
| Cost | 439,426,618 | 582,285,124 |
| Accumulated depreciation | (80,092,194) | (91,558,117) |
| Vessels, net | 359,334,424 | 490,727,007 |

The vessels are mortgaged as described in Note 6.

Drydocking costs of \$5,001,428 and \$nil were capitalized during the six month periods ended June 30, 2009 and 2010, respectively. As of December 31, 2009 and June 30, 2010, the undepreciated carrying amount of the drydocking costs was \$5,523,401 and \$4,778,839, respectively.

For the six month periods ended June 30, 2009 and 2010, \$400,061 and \$744,562 of drydocking costs were expensed as depreciation, respectively.

The Company has agreed to a mutual sale provision with the charterer of Shinyo Ocean whereby either party can request the sale of the vessel provided that a price can be obtained that is at least \$3,000,000 greater than the agreed depreciated value of the vessel as set forth in the charter agreement.

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010
(expressed in US\$)

(5) Vessels Under Construction

| | June 30, 2009 | June 30, 2010 |
|--|----------------------|----------------------|
| At beginning of the period | 165,421,969 | 174,901,072 |
| Additions for the period | | 53,679,200 |
| Capitalization of interest and financing costs during the period | 4,729,758 | 3,822,156 |
| Transfer to vessels, net | | (142,858,506) |
| At end of the period | 170,151,727 | 89,543,922 |

On April 7, 2008, the Company entered into two shipbuilding contracts with a constructor to build Shinyo Saowalak and Shinyo Kieran at a contract price of \$134,198,000 and \$134,198,000, respectively. Progress payments are scheduled based on the estimated stage of completion of the construction. The Company does not become obligated, nor does it obtain ownership before scheduled milestones are met. Shinyo Saowalak was delivered on June 17, 2010 and Shinyo Kieran is under construction and scheduled to be delivered on June 30, 2011.

(6) Long-term Bank Loans

| Lender/period | Note | December 31, 2009 | June 30, 2010 |
|---|------|------------------------------|--------------------------|
| HSH Nordbank AG - December 13, 2006 to December 12, 2016 ⁽¹⁾ | a | 60,375,000 | 56,125,000 |
| DVB Group Merchant Bank (Asia) Ltd, BNP Paribas, Credit Suisse and Deutsche Schiffsbank AG - September 7, 2007 to September 6, 2017 | b | 57,400,000 | 55,600,000 |
| DVB Group Merchant Bank (Asia) Ltd, Credit Suisse and Deutsche Schiffsbank AG - January 8, 2007 to January 7, 2017 | c | 63,782,000 | 60,482,000 |
| - January 8, 2007 to November 15, 2016 | d | 63,434,000 | 60,334,000 |
| - May 21, 2007 to May 20, 2014 | e | 44,540,848 | 40,853,855 |
| BNP Paribas, The Bank of Nova Scotia Asia Limited, Deutsche Schiffsbank AG, DVB Group Merchant Bank (Asia) Ltd and Scotiabank (Hong Kong) Limited - August 20, 2008 to September 30, 2020 ⁽¹⁾ | f | 53,679,200 | |
| China Merchant Bank Co., Ltd - March 26, 2010 to June 21, 2020 | g | | 90,000,000 |
| BNP Paribas, The Bank of Nova Scotia Asia Limited, Deutsche Schiffsbank AG, DVB Group Merchant Bank (Asia) Ltd and Scotiabank (Hong Kong) Limited - August 20, 2008 to September 30, 2021 ⁽¹⁾ | h | 53,679,200 | 53,679,200 |

| | | |
|--|-------------|-------------|
| | 396,890,248 | 417,074,055 |
|--|-------------|-------------|

Representing:

| | | |
|---------------------|-------------|-------------|
| Current portion | 51,979,567 | 40,223,988 |
| Non-current portion | 344,910,681 | 376,850,067 |

| | | |
|--|-------------|-------------|
| | 396,890,248 | 417,074,055 |
|--|-------------|-------------|

(1) The Company has entered into interest rate swap arrangements to mitigate the interest rate risk related to these bank loans (see Note 7).

C-9

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)

for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

- (a) On December 13, 2006, a loan of \$82,875,000 was obtained from HSH Nordbank AG. The loan is secured by Shinyo Navigator and is repayable by forty quarterly installments. Interest is charged at LIBOR plus 1.00% per annum. The Company has entered into an interest rate swap arrangement to mitigate the interest rate risk related to this bank loan (see Note 7). The annual interest rate, after taking into account of the interest rate swap, as of December 31, 2009 and June 30, 2010 was 5.95% and 5.95%, respectively.
- (b) On September 7, 2007, a syndicated loan of \$65,000,000 was obtained from DVB Group Merchant Bank (Asia) Ltd, BNP Paribas, Credit Suisse and Deutsche Schiffsbank AG. The loan is secured by C Dream and is repayable by thirty-nine quarterly installments and a balloon payment to be paid together with the thirty-ninth installment. Interest is charged at LIBOR plus 0.95% per annum (effective interest rates of 1.35% and 1.69% as of December 31, 2009 and June 30, 2010, respectively).
- (c) On January 8, 2007, a syndicated loan of \$86,800,000 was obtained from DVB Group Merchant Bank (Asia) Ltd, Credit Suisse and Deutsche Schiffsbank AG. The loan is secured by Shinyo Ocean and is repayable by forty quarterly installments and a balloon payment to be paid together with the fortieth installment. Interest is charged at LIBOR plus 0.98% per annum (effective interest rates of 1.48% and 1.47% as of December 31, 2009 and June 30, 2010, respectively).
- (d) On January 8, 2007, a bank loan obtained in previous years was repaid with a portion of the proceeds of a new bank loan in the amount of \$86,800,000 obtained from DVB Group Merchant Bank (Asia) Ltd, Credit Suisse and Deutsche Schiffsbank AG. The loan is secured by Shinyo Kannika and is repayable by forty quarterly installments and a balloon payment to be paid together with the fortieth installment. The loan carries interest at LIBOR plus 0.98% per annum (effective interest rates of 1.43% and 1.63% as of December 31, 2009 and June 30, 2010, respectively).
- (e) On May 21, 2007, a bank loan obtained in previous years was repaid with a portion of the proceeds of a new bank loan in the amount of \$62,000,000 obtained from DVB Group Merchant Bank (Asia) Ltd, Credit Suisse and Deutsche Schiffsbank AG. In connection with the refinancing of the bank loan, a cash rebate of \$383,333 was received by the Company. The cash rebate is accounted for as a loan premium and is amortized to interest expenses over the period of the bank loan using effective interest method. As of December 31, 2009 and June 30, 2010, unamortized loan premium was \$190,848 and \$153,855, respectively.

The loan is secured by Shinyo Splendor and is repayable by twenty-eight quarterly installments. Of the total bank loan amount of \$62,000,000, \$50,000,000 and \$12,000,000 carries interest at LIBOR plus 0.8% per annum and LIBOR plus 1.62% per annum, respectively (weighted average interest rate as of December 31, 2009 and June 30, 2010 was 1.37% and 1.63%, respectively).

- (f) On August 20, 2008, a loan facility of \$107,400,000 was obtained from BNP Paribas, The Bank of Nova Scotia Asia Limited, Deutsche Schiffsbank AG, DVB Group Merchant Bank (Asia) Ltd and Scotiabank (Hong Kong) Limited to finance the construction of Shinyo Saowalak. The draw-down balance of the loan facility as of December 31, 2009 was \$53,679,200. The loan was early repaid in full on March 31, 2010. The carrying amount of unamortized deferred loan cost of \$1,206,915 was written-off during the period ended June 30, 2010.

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The loan was secured by Shinyo Saowalak and is repayable by forty quarterly installments together with a balloon payment in the fortieth installment and the first repayment installment shall be made on the date falling three months after the actual delivery date of the vessel under construction. Interest was charged at LIBOR plus 1.80% per annum (3.91% as of December 31, 2009).

C-10

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010
(expressed in US\$)

(6) Long-term Bank Loans (continued)

(f) (continued)

The Company has entered into interest rate swap arrangements to mitigate the interest rate risk related to this bank loan (see Note 7). The annual interest rate, after taking into account of the interest rate swaps as of December 31, 2009 was 5.96%. The interest rate swap agreements were terminated on March 29, 2010 and March 31, 2010.

(g) On March 26, 2010, a loan facility of \$90,000,000 was obtained from China Merchant Bank Co., Ltd to finance the construction of Shinyo Saowalak. The Company repaid the loan from BNP Paribas, The Bank of Nova Scotia Asia Limited, Deutsche Schiffsbank AG, DVB Group Merchant Bank (Asia) Ltd and Scotiabank (Hong Kong) Limited (Note 6(f)) with a portion of the proceeds of this bank loan. The draw-down balance of the loan facility as of June 30, 2010 was \$90,000,000.

The loan is secured by Shinyo Saowalak and is repayable by forty quarterly installments and the first repayment installment shall be made on September 21, 2010. Interest is charged at LIBOR plus 2.00% per annum (effective interest rate of 2.54% as of June 30, 2010).

(h) On August 20, 2008, a loan facility of \$107,400,000 was obtained from BNP Paribas, The Bank of Nova Scotia Asia Limited, Deutsche Schiffsbank AG, DVB Group Merchant Bank (Asia) Ltd and Scotiabank (Hong Kong) Limited to finance the construction of Shinyo Kieran. The balance of the loan facility as of December 31, 2009 and June 30, 2010 was \$53,679,200 and \$53,679,200, respectively.

The loan is secured by Shinyo Kieran, a vessel under construction and is repayable by forty quarterly installments together with a balloon payment in the fortieth installment and the first repayment installment shall be made on the date falling 3 months after the actual delivery date of Shinyo Kieran. Interest is charged at LIBOR plus 1.80% per annum (3.94% and 3.66% as of December 31, 2009 and June 30, 2010, respectively).

The Company entered into interest rate swap arrangements to mitigate the interest rate risk related to this bank loan (see Note 7). The annual interest rate, after taking into account for the interest rate swaps, as of December 31, 2009 and June 30, 2010 was 5.99% and 5.99%, respectively.

As of December 31, 2009 and June 30, 2010, bank loans were secured as follows:

| | December 31, 2009 | June 30, 2010 |
|----------------------------|------------------------------|--------------------------|
| Secured by: | | |
| Restricted cash | 9,139,807 | 16,997,163 |
| Vessels | 359,334,424 | 490,727,007 |
| Vessels under construction | 174,901,072 | 89,543,922 |
| | 543,375,303 | 597,268,092 |

All of the bank loans are also guaranteed by the Parent as of December 31, 2009 and June 30, 2010.

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)

for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(6) Long-term Bank Loans (continued)

The Company's bank facilities are subject to the fulfillment of covenants which require the fair value of the Company's vessels to exceed a certain percentage of the outstanding loan balance. Should there be any shortfall, the banks have the right to require the Company to either prepay to the banks a portion of the outstanding loan balance which amounts to such shortfall or to provide additional security in the form of restricted cash deposits which amount to the shortfall.

As of December 31, 2009, the Company had breached the covenant of a bank loan amounting to \$60,375,000, which required the fair value of Shinyo Navigator to be higher than 110% of the outstanding loan balance. The shortfall of \$18,662,550 as of December 31, 2009 has to be prepaid by the Company or secured by additional restricted cash upon the request from the bank. The shortfall of \$18,662,550 as of December 31, 2009 was classified as current liabilities in the combined balance sheet as the Company did not have an unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of that covenant. In March 2010, the Company deposited \$8,000,000 with the bank as additional security for the loan to obtain a waiver from compliance with the covenant through March 31, 2010. In July 2010, the Company obtained a waiver from compliance with the covenant up to the next scheduled covenant measurement date on December 31, 2010. As the Company has obtained a waiver for complying with the covenant prior to the issue of the unaudited condensed combined financial statements for the six months ended June 30, 2010, the breach of the covenant as of the balance sheet date has not resulted in the classification as current liabilities of amount payable in over 12 months from the balance sheet date under the terms of the bank facilities.

(7) Interest Rate Swap Arrangements

Outstanding swap agreements involve both the risk of a counterparty not performing under the terms of the contract and the risk associated with changes in market value. The Company monitors its positions, the credit ratings of counterparties and the level of contracts it enters into with any one party. The Company has a policy of entering into contracts with counterparties that meet stringent qualifications.

C-12

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010
(expressed in US\$)

(7) Interest Rate Swap Arrangements (continued)

As of December 31, 2009 and June 30, 2010, the Company had outstanding interest rate swap arrangements with financial institutions as follows:

| Counterparty | Start date | Maturity date | Notional Amount | Pay fixed rate per annum | Receive floating rate per annum | Fair value of swap (assets/(liabilities)) | | |
|----------------------------|-----------------------|---|--------------------|--------------------------------------|------------------------------------|--|------------------|--------------|
| | | | | | | December 31, 2009 | June 30, 2010 | |
| HSH Nordbank AG | January 10, 2007 | December 13, 2016 | 82,875,000 | 4.95% | 3-month LIBOR | (4,952,189) | (5,805,075) | |
| BNP Paribas | September 18, 2008 | December 30, 2018 (Terminated on March 29, 2010) | 20,129,700 | 4.16% | 3-month LIBOR | (872,367) | | |
| The Bank of Nova Scotia | September 18, 2008 | September 28, 2018 (Terminated on March 31, 2010) | 20,129,700 | 4.16% | 3-month LIBOR | (876,254) | | |
| DVB Bank S.E. | September 22, 2008 | September 28, 2018 (Terminated on March 29, 2010) | 13,419,800 | 4.16% | 3-month LIBOR | (599,909) | | |
| BNP Paribas | September 18, 2008 | December 30, 2018 | 20,129,700 | 4.19% | 3-month LIBOR | (900,670) | (2,090,080) | |
| The Bank of Nova Scotia | September 18, 2008 | September 28, 2018 | 20,129,700 | 4.19% | 3-month LIBOR | (905,109) | (2,081,929) | |
| DVB Bank S.E. | September 18, 2008 | September 28, 2018 | 13,419,800 | 4.19% | 3-month LIBOR | (622,905) | (1,377,003) | |
| | | | | | | Total | (9,729,403) | (11,354,087) |

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)

for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(7) Interest Rate Swap Arrangements (continued)

The interest rate swaps are used to manage the interest rate risks arising from the Company's long-term bank loans detailed in Note 6. The fair value changes of \$10,777,913 (gain) and \$4,899,212 (loss) from the interest rate swap arrangements during the periods ended June 30, 2009 and 2010, respectively, are recognized in the statements of income and the related liabilities are shown under derivative financial instruments in the balance sheets. The fair values of the interest rate swaps are determined using pricing models developed based on the LIBOR swap rate and other observable market data.

The interest rate swap agreements with BNP Paribas, The Bank of Nova Scotia and DVB Bank S.E. in respect of the loan facility for the financing of Shinyo Saowalak as further described in note 6(f) were terminated on March 29, 2010, March 31, 2010 and March 29, 2010, respectively, in connection with the early repayments of the loan. In connection with the termination of the interest rate swap agreements, the Company paid \$3,274,528 to the counterparties which represented the fair value of the interest rate swap agreements upon termination.

(8) Revenue

The Company generates its revenue from time charter agreements. The Company's revenue during the periods ended June 30, 2009 and 2010 can be analyzed as follows:

| | 2009 | 2010 |
|--|-------------------|-------------------|
| Time charter | 31,825,564 | 34,064,003 |
| Profit-sharing arising from time charter | | 1,109,740 |
| | 31,825,564 | 35,173,743 |

(9) Related Party Transactions**Name of party**

Vanship Holdings Limited (Vanship)

Belindtha Marine Limited (Belindtha)

China Sea Maritime Ltd. (China Sea)

Shinyo Maritime Corporation (Shinyo Maritime)

Univan Ship Management Limited (Univan)

Relationship

The Parent of the Vessel Owning Subsidiaries

A company controlled by a shareholder of Vanship

A company controlled by a director of the Vessel Owning Subsidiaries

A company controlled by a director of the Vessel Owning Subsidiaries

A company controlled by a director of the Vessel Owning Subsidiaries

C-14

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)

for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(9) Related Party Transactions (continued)

(a) The principal related party transactions during the periods ended June 30, 2009 and 2010 were as follows:

| | <i>Note</i> | 2009 | 2010 |
|--------------------------------------|-------------|-------------|-------------|
| Management fee to Belindtha | (i) | 300,000 | 330,050 |
| Agency fee to China Sea | (ii) | 300,000 | 300,000 |
| Agency fee to Shinyo Maritime | (ii) | 300,000 | 300,000 |
| Loan interest income from the Parent | (iii) | 184,912 | 126,046 |
| Loan interest expense to the Parent | (iv) | 2,820,396 | 2,647,689 |

Notes:

- (i) The Company has outsourced substantially all its day-to-day operations to Belindtha. The service fee is payable to Belindtha at a pre-determined amount in accordance with the terms mutually agreed by Belindtha and the Company.
- (ii) China Sea and Shinyo Maritime have provided agency services to the Company. The agency fee is payable to China Sea and Shinyo Maritime based on contractual agreements with the Company.
- (iii) The balance represents interest income on a loan to the Parent by the Company. Terms of the loans are set out in Note 9(b)(v) below.
- (iv) The balance represents interest expense on loans from the Parent. Terms of the loans are set out in Note 9(b)(vi) below.

(b) Amounts due from and due to related parties as of December 31, 2009 and June 30, 2010 were as follows:

| | <i>Note</i> | December 31, 2009 | June 30, 2010 |
|--|-------------|----------------------|------------------|
| <i>Amounts due from related parties:</i> | | | |
| Amount due from Univan | (i) | 248,049 | 986,377 |
| Amount due from the Parent | (ii) | 635,605 | 126,045 |
| | | 883,654 | 1,112,422 |
| <i>Amounts due to related parties:</i> | | | |
| Amount due to Univan | (iii) | 4,997,850 | 5,781,087 |
| Amount due to the Parent | (iv) | 8,791,125 | 10,803,209 |
| | | 13,788,975 | 16,584,296 |
| <i>Loan to a related party:</i> | | | |
| The Parent | (v) | 8,882,533 | 8,882,533 |
| <i>Loans from a related party:</i> | | | |
| The Parent | (vi) | 131,459,170 | 156,385,888 |

Vessel Owing Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010
(expressed in US\$)

(9) Related Party Transactions (continued)

- (b) Amounts due from and due to related parties as of December 31, 2009 and June 30, 2010 were as follows (continued):

Notes:

- (i) The balance represents advance payments for expenses to be paid by Univan on behalf of the Company. The balance is unsecured, non-interest bearing and with no fixed terms of repayment.
- (ii) The balance represents interest receivable from the Parent on a loan set out in (v) below.
- (iii) The balance represents payable to Univan for expenses paid on behalf of the Company. The balance is unsecured, non-interest bearing and with no fixed terms of repayment.
- (iv) The balance represents interest payable on loans from the Parent. Terms of the loans are set out in (vi) below.
- (v) The balance represents a loan to the Parent, which carries interest at LIBOR plus 1.35% per annum with final maturity on October 1, 2019.
- (vi) The balance represents various loans from the Parent. The loans carry interest at rates ranging from six-month LIBOR plus 2.39% to 3.98% per annum (weighted average effective interest rate of 4.36% and 3.45% as of December 31, 2009 and June 30, 2010, respectively) or at fixed rates ranging from 5% to 6.5% per annum with maturities between January 13, 2012 and June 30, 2022.

The interest expense for the periods ended June 30, 2009 and 2010, including amounts capitalized, was \$2,820,396 and \$2,647,689, respectively. During the periods ended June 30, 2009 and 2010, interest expenses of \$1,282,996 and \$1,068,137 were capitalized as part of the costs of vessels under construction, respectively. Interest expense of \$nil and \$635,605 was paid during the periods ended June 30, 2009 and 2010, respectively.

- (c) The Parent provided a letter of support to each of the combined entities of the Company to confirm its intention to provide continuing and unlimited financial support to the Vessel Owing Subsidiaries so as to enable each of the Vessel Owing Subsidiaries to meet its liabilities when they become due, so long as these entities were owned by and under the control of the Parent. Upon the consummation of the acquisition of the Vessel Owing Subsidiaries by NMAC on September 10, 2010, NMAC provided a letter of support for each of the combined entities of the Company to confirm its intention to provide such financial support.
- (d) As of December 31, 2009 and June 30, 2010, all of the long-term bank loans as set out in Note 6 were guaranteed by the Parent.

(10) Commitments and Contingencies

- (a) Capital commitments

Capital commitments for the vessels under construction as of December 31, 2009 and June 30, 2010 were \$107,358,400 and \$53,679,200, respectively.

- (b) Contingencies

Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims or contingent liabilities, which should be disclosed, or for which a provision should be established in the accompanying financial statements.

(11) Fair Value Measurement

- (a) Fair value of financial instruments

The carrying amount of cash and amounts due from/to related parties approximates their fair values because of the short maturity of these instruments.

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

The carrying value of long-term bank loans and loans from a related party approximates their fair values based on the borrowing rates currently available to the Company for bank loans with similar terms and average maturities.

(b) Fair value hierarchy

The following table presents assets and liabilities that were measured at fair value on a recurring basis (including items that are required to be measured at fair value) as of December 31, 2009 and June 30, 2010:

| | Carrying amount | Fair value measurements at reporting date using | | |
|----------------------|--------------------|---|---|--|
| | | Quoted price in active market for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| At December 31, 2009 | | | | |
| Interest rate swaps | 9,729,403 | | 9,729,403 | |
| At June 30, 2010 | | | | |
| Interest rate swaps | 11,354,087 | | 11,354,087 | |

(12) Business and Credit Concentrations

The Company operates in the shipping industry which historically has been cyclical with corresponding volatility in profitability. The Company seeks to mitigate volatilities in its business by obtaining long-term charter contracts. The Company has obtained long-term time charter contracts which will expire in four to sixteen years from June 30, 2010.

The Company outsourced the technical management services to Belindtha which is controlled by a person related to a director of the Vessel-Owning Subsidiaries. Belindtha then sub-contracted its obligations under the outsourcing arrangement to Univan which assists Belindtha in providing technical management services to the Company. Univan is controlled by a director of the Vessel-Owning Subsidiaries. All expenses incurred by Univan on behalf of the Company are charged to the Company based on the actual expenditures incurred on its behalf. During the periods ended June 30, 2009 and 2010, the Company paid service fee of \$300,000 and \$330,050, respectively, to Belindtha. Any failure in providing the services by Univan to the Company may adversely affect the Company's results and operations.

The Company is engaged in the business of ocean transportation of crude oil industry which is extremely competitive and dependent on the world's demand for crude oil. Competition depends on price, location, size, age, condition and the acceptability of the vessels to the charterers. Any increase in competition and changes in demand for crude oil could result in lower revenue achieved for the vessels.

The following sets out revenues from each individual customer that comprised 10% or more of gross combined revenue (before deferred revenue adjustment) during the periods ended June 30, 2009 and 2010:

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| | 2009 | % | 2010 | % |
|-----------------------------------|------------|----|------------|----|
| Formosa Petrochemical Corporation | 6,968,500 | 23 | 7,947,614 | 23 |
| Dalian Ocean Shipping Company | 13,960,190 | 46 | 15,297,167 | 43 |
| Blue Light Chartering Inc. | 4,353,560 | 14 | 7,149,500 | 20 |
| SK Shipping Company Limited | | | 4,779,462 | 14 |
| Sanko Steamship Co., Ltd | 5,310,366 | 17 | | |

C-17

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)

for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(12) Business and Credit Concentrations (continued)

The gross accounts receivable due from each individual customer that represents more than 10% of the outstanding combined accounts receivable was as follows:

| | December 31, 2009 | June 30, 2010 |
|-----------------------------------|-------------------|-----------------|
| | % | % |
| Formosa Petrochemical Corporation | | 234,175 27 |
| Dalian Ocean Shipping Company | | 494,006 58 |
| SK Shipping Company Limited | | 130,626 15 |

(13) Combining Entities

As of June 30, 2010, the Company had six vessels with substantive operating activities which represented each of the seven Vessel Owning Subsidiaries except for one entity with a vessel that was under construction. The operating vessels are chartered to different charterers and are managed separately. The Company's senior management reviews internal management reports for each of the Vessel Owning Subsidiaries on a monthly basis.

(a) Results and assets of operating vessels

The Company's senior management monitors the results and assets attributable to each operating vessel on the following bases:

Vessel assets include all assets of the entity including tangible assets and current assets.

Vessel revenues represent revenue generated from time charter agreements by each operating vessel.

Vessel results represent income or loss before income taxes.

Vessel Owning SubsidiariesNotes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(13) Combining Entities (continued)**(a) Results and assets of operating vessels (continued)**

| | Shinyo Loyalty Limited | Shinyo Kannika Limited | Shinyo Navigator Limited | Shinyo Ocean Limited | Shinyo Dream Limited | Shinyo Saowalak Limited | Total |
|---------------------------------------|---------------------------------------|---------------------------------------|---|-------------------------------------|-------------------------------------|--|--------------|
| Period ended June 30, 2009 | | | | | | | |
| Revenue from external customers | 4,353,560 | 6,032,390 | 7,927,800 | 6,968,500 | 6,543,314 | | 31,825,564 |
| Vessel (loss)/income | (251,215) | 761,519 | 3,068,690 | 1,044,996 | 1,431,214 | | 6,055,204 |
| Interest income | 13,426 | 475,163 | 286 | | | | 488,875 |
| Interest expense | 605,577 | 1,274,970 | 2,665,741 | 1,832,918 | 1,745,362 | | 8,124,568 |
| Depreciation | 1,839,868 | 1,974,619 | 2,875,743 | 2,508,679 | 1,739,843 | | 10,938,752 |

**Period ended
June 30, 2010**

| | | | | | | | |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|------------|
| Revenue from external customers | 7,149,500 | 7,022,438 | 7,774,470 | 7,947,614 | 4,779,462 | 500,259 | 35,173,743 |
| Vessel income/(loss) | 2,673,263 | 2,755,971 | (598,694) | 3,298,788 | 173,105 | (2,457,658) | 5,844,775 |
| Interest income | 1,523 | 311,486 | 22,877 | 757 | 866 | 214 | 337,723 |
| Interest expense | 367,260 | 725,027 | 2,673,141 | 644,343 | 734,419 | 140,894 | 5,285,084 |
| Depreciation | 2,184,928 | 1,974,619 | 2,875,743 | 2,508,679 | 1,739,284 | 182,670 | 11,465,923 |

(b) Reconciliation of total income attributable to operating vessels to combined income before income taxes

| | 2009 | 2010 |
|---|-------------|-------------|
| Total income attributable to operating vessels | 6,055,204 | 5,844,775 |
| Expenses for entities which have not yet commenced operations | | |
| - changes in fair value of derivative financial instruments | 8,287,433 | (3,120,328) |
| - other expenses | (3,290) | (1,550) |
| Combined income before income taxes | 14,339,347 | 2,722,897 |

(c) Reconciliation of total interest income to combined total interest income

| | 2009 | 2010 |
|--|-------------|-------------|
|--|-------------|-------------|

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| | | |
|--|-----------|-----------|
| Total interest income | 488,875 | 337,723 |
| Interest income for entities which have not yet commenced operations | 34 | 20 |
| Elimination of inter-company interest income | (281,285) | (184,185) |
| Combined total interest income | 207,624 | 153,558 |

C-19

Vessel Owning Subsidiaries

Notes to the Unaudited Condensed Combined Financial Statements (Continued)
for the six month periods ended June 30, 2009 and 2010

(expressed in US\$)

(d) Reconciliation of total interest expense to combined total interest expense

| | <i>2009</i> | <i>2010</i> |
|---|-------------|-------------|
| Total interest expense | 8,124,568 | 5,285,084 |
| Elimination of inter-company interest expense | (281,285) | (184,185) |
| Combined total interest expense | 7,843,283 | 5,100,899 |

(14) Subsequent event

Pursuant to a definitive agreement dated July 19, 2010 entered into between Vanship and NMAC, a company listed on the New York Stock Exchange, Vanship agreed to sell all its of equity interests in the Vessel Owning Subsidiaries to NMAC for an aggregate consideration of \$587,000,000, consisting of \$576,000,000 in cash (subject to closing adjustments) and \$11,000,000 in shares of common stock of NMAC (based on the closing trading price averaged over the 15 trading days immediately prior to closing, that resulted in the issuance at closing of 1,894,918 shares of common stock). The acquisition was consummated on September 10, 2010. At closing on September 10, 2010, the following transactions took place: (i) all intercompany balances of the Company, including loans from and to related parties, were waived; (ii) prepayment in full of the loan facility dated August 20, 2008 on the Shinyo Kieran; (iii) the Company's interest rate swap arrangements were terminated; and (iv) all of the Company's bank loan agreements were amended to include, among other things, changes in margin, financial and other covenants.

C-20

Unaudited Pro Forma Combined Financial Statements of Navios Acquisition

The following unaudited pro forma financial information of Navios Maritime Acquisition Corporation (the Company or Navios Acquisition) has been prepared to show the acquisition of the seven vessel-owning subsidiaries (Vessel Owning Subsidiaries) from Vanship Holdings Limited (the Seller) and the effect of the exercise of 13,865,950 of the Company s warrants for cash and 19,321,056 of the Company s warrants exercised on a cashless basis (for the aggregate issuance of 18,412,053 shares of common stock) on September 1, 2010.

The unaudited pro forma financial statements for the year ended December 31, 2009 have been previously filed on a Form 6-K dated July 18, 2010, and filed on July 26, 2010. The unaudited pro forma condensed combined statement of income for the six month period ended June 30, 2010 assumes the acquisition was consummated on January 1, 2009 and includes pro forma adjustments that are directly attributable to the acquisition and are expected to have a continuing impact on our results of operations.

The historical balance sheet as at June 30, 2010 and the historical statement of operations for the six month period ended June 30, 2010 of the Company have been derived from the unaudited condensed consolidated financial statements as of June 30, 2010 and for the six month period then ended.

The historical balance sheet as of June 30, 2010 and the historical statement of operations for the six month period ended June 30, 2010 presented are based on the combined financial statements of the Vessel Owning Subsidiaries of the Seller as of June 30, 2010 and for the six month period then ended. The unaudited pro forma consolidated financial information included herein is based on the above-referenced historical financial statements of the Company and the Vessel Owning Subsidiaries and on certain assumptions which the Company believes to be reasonable, which are described in the notes to the statements below.

The Company has not performed a complete and thorough valuation analysis necessary to determine the fair values of all of the Seller s assets to be acquired and liabilities to be assumed and accordingly as described in Note 2 below the unaudited pro forma consolidated financial statements include a preliminary allocation of the purchase price to reflect the fair value of those assets and liabilities. Once the valuation analysis is completed, this unaudited pro forma consolidated information will be adjusted. These adjustments may be material.

INDEX TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

Unaudited Pro Forma Financial Statements of Navios Maritime Acquisition Corporation:

| | |
|--|-----------|
| <u>Unaudited Pro Forma Condensed Combined Balance Sheet as of June 30, 2010</u> | P-2 - P-4 |
| <u>Unaudited Pro Forma Condensed Combined Statement of Operations for the six month period ended June 30, 2010</u> | P-5 - P-6 |
| <u>Pro Forma Adjustments</u> | P-6 - P-7 |

NAVIOS MARITIME ACQUISITION CORPORATION
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
AS OF JUNE 30, 2010

(Expressed in thousands of U.S. dollars)

| | Navios Acquisition As of June 30, 2010 | Pro forma Adjustments Proceeds from Warrant Program | Combined (After proceeds of Warrant Program) | Vessel Owning Subsidiaries as of June 30, 2010 | Additional Pro Forma Adjustments (acquisition of Vessel Owning Subsidiaries) | Combined after acquisition of Vessel Owning Subsidiaries |
|---|--|--|---|---|---|--|
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash | \$ 51,948 | \$ 76,776(1) | \$ 128,724 | \$ 13,620 | \$ | \$ 142,344 |
| | | | | | 40,000(2) | 40,000 |
| | | | | | (4,699)(4) | (4,699) |
| | | | | | (133,995)(3) | (133,995) |
| Cash | 51,948 | 76,776 | 128,724 | 13,620 | (98,694) | \$ 43,650 |
| Restricted cash, current portion | 6,104 | | 6,104 | 2,497 | | 8,601 |
| Trade accounts receivable, prepayments and other receivables | 64 | | 64 | 2,720 | | 2,784 |
| Amounts due from related parties | | | | 1,112 | (1,112)(8) | |
| Supplies | | | | 1,414 | | 1,414 |
| Total current assets | \$ 58,116 | \$ 76,776 | \$ 134,892 | \$ 21,363 | \$ (99,806) | \$ 56,449 |
| Other assets | | | | | | |
| Vessels | 43,727 | | 43,727 | 490,727 | (71,227)(5) | 463,227 |
| Deposits for vessel acquisitions | 172,071 | | 172,071 | 89,544 | (26,944)(6) | 234,671 |
| Restricted cash, long term portion | 29,492 | | 29,492 | 14,500 | | 43,992 |
| Intangible -purchase options | 3,158 | | 3,158 | | | 3,158 |
| Back log asset | | | | | 66,473(7) | 66,473 |
| Loan to a related party | | | | 8,883 | (8,883)(8) | |

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| | | | | | | |
|---------------------------|-------------------|------------------|-------------------|-------------------|------------------------|-------------------|
| Deferred finance costs | 2,233 | | 2,233 | 2,217 | (2,217)(8) 4,699(4) | 6,932 |
| Total other assets | 250,681 | | 250,681 | 605,871 | (38,099) | 818,453 |
| Total assets | \$ 308,797 | \$ 76,776 | \$ 385,573 | \$ 627,234 | \$ (137,905) | \$ 874,902 |

P-2

NAVIOS MARITIME ACQUISITION CORPORATION
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
AS OF JUNE 30, 2010

(Expressed in thousands of U.S. dollars)

| | Navios Acquisition As at June 30, 2010 | Pro forma Adjustments Proceeds from Warrant Program | Combined (After proceeds of Warrant Program) | Vessel Owning Subsidiaries as of June 30, 2010 | Additional Pro Forma Adjustments (acquisition of Vessel Owning Subsidiaries) | Combined after acquisition of Vessel Owning Subsidiaries |
|--|--|--|---|---|---|--|
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable | \$ 400 | \$ | \$ 400 | \$ | \$ | \$ 400 |
| Accrued expenses and other payables | 3,153 | | 3,153 | 8,258 | | 11,411 |
| Amount due to related parties | 599 | | 599 | 16,584 | (16,584)(8) | 599 |
| Long term debt, current portion | 1,793 | | 1,793 | 40,224 | | 42,017 |
| Total current liabilities | \$ 5,945 | \$ | \$ 5,945 | \$ 65,066 | \$ (16,584) | \$ 54,427 |
| Long term liabilities | | | | | | |
| Long term debt, net of current portion | 157,193 | | 157,193 | 376,850 | | 534,043 |
| Loans from a related party | | | | 156,386 | (156,386)(8) 40,000(2) | 40,000 |
| Other liabilities | 3,158 | | 3,158 | | | 3,158 |
| Backlog liability | | | | | 12,997(7) | 12,997 |
| Derivative financial instruments | | | | 11,354 | (11,354)(8) | |
| Total liabilities | \$ 166,296 | \$ | \$ 166,296 | \$ 609,656 | \$ (131,327) | \$ 644,625 |
| Stockholders equity | | | | | | |
| Preferred Stock | | | | | | |

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| | | | | | | |
|--|-------------------|------------------|-------------------|-------------------|---------------------|-------------------|
| Common stock | 2 | 2 | 4 | | | 4 |
| Retained Earnings | (2,207) | | (2,207) | 17,578 | (17,578) | (2,207) |
| Additional paid-in capital | 144,706 | 76,774(1) | 221,480 | | 11,000(3) | 232,480 |
| Total stockholders equity | \$ 142,501 | \$ 76,776 | \$ 219,277 | \$ 17,578 | \$ (6,578) | \$ 230,277 |
| Total liabilities and stockholders equity | \$ 308,797 | \$ 76,776 | \$ 385,573 | \$ 627,234 | \$ (137,905) | \$ 874,902 |

P-3

Navios Maritime Acquisition Corporation
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2010

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

| | Navios Acquisition | Vessel Owning Subsidiaries | Pro Forma | Navios Acquisition |
|--|-------------------------------|---------------------------------------|----------------------|-------------------------------|
| | Historical | Historical | Adjustments | Pro Forma |
| Operating revenue | | | | |
| Revenue | \$ 26 | \$ 35,174 | \$ | \$ 35,200 |
| Operating expense | | | | |
| Vessel operating expenses | | 8,514 | 2,346(9) | 10,860 |
| Depreciation and amortization | 4 | 11,466 | (654)(10) | 10,816 |
| Management fees | 14 | 330 | (330)(9) | 14 |
| Commission | | 728 | (728)(9) | |
| General and administrative expenses | 546 | 179 | 120(9) | 845 |
| Share based compensation | 2,140 | | | 2,140 |
| Total operating expense | 2,704 | 21,217 | 754 | 24,675 |
| Operating (loss)/income | \$ (2,678) | \$ 13,957 | \$ (754) | \$ 10,525 |
| Other income/(expense) | | | | |
| Interest income | 269 | 154 | | 423 |
| Interest expense and finance cost | (250) | (5,101) | (2,487)(11) | (7,838) |
| Write-off of deferred loan costs | | (1,207) | 1,207(12) | |
| Changes in fair value of derivative financial instruments | | (4,899) | 4,899(13) | |
| Others, net | 53 | (180) | | (127) |
| Total | 72 | (11,233) | 3,619 | (7,542) |
| (Loss)/income before income taxes | (2,606) | 2,724 | 2,865 | 2,983 |
| Income taxes | | | | |
| Net (loss)/income | \$ (2,606) | \$ 2,724 | \$ 2,865 | \$ 2,983 |
| Earnings per share | | | | |
| Basic and diluted: | | | | |
| Net (loss)/income | \$ (2,606) | | | \$ 2,983 |
| Incremental fair value of warrants exercised ⁽¹⁴⁾ | | | | (647) |
| Net (loss)/income attributable to common shareholders | (2,606) | | | 2,336 |

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| | | |
|--|------------|------------|
| Weighted average number of common shares outstanding - basic ⁽¹⁵⁾ | 29,742,527 | 50,049,498 |
| Weighted average number of common shares outstanding - diluted ⁽¹⁵⁾ | 29,742,527 | 51,447,323 |
| Basic net (loss)/income per share attributable to common shareholders | \$ (0.09) | \$ 0.05 |
| Diluted net (loss)/income per share attributable to common shareholders | \$ (0.09) | \$ 0.05 |

P-4

Pro Forma Adjustments

- (1) To record the net proceeds of \$76,776, that was raised from the completion of a warrant tender program. The proceeds from this warrant tender program were used as part of the consideration paid for this business acquisition. The following pro forma adjustments give effect to the business acquisition as if it was consummated as of January 1, 2009: (i) the acquisition of 100% ownership interests in seven vessel owning entities (collectively, Vessel Owning Subsidiaries), which was closed on September 10, 2010, for total consideration of \$587,000, consisting of \$113,800 in cash (net of cash assumed) as well as the issuance of 1,894,918 common shares for \$11,000.
- (2) Represents the amount of financing from Navios Maritime Holdings Inc. (Navios Holdings) of \$40,000.
- (3) Represents the cash paid of \$133,995 (including additional cash for the acquisition of working capital items for a total of \$20,195) as part of the consideration. In addition, the Company issued 1,894,918 common shares with a fair value of \$11,000.
- (4) Represents the estimated deferred finance fees of \$4,699 related to (i) \$411,000 facility, which consists of six credit facilities with a consortium of banks, and (ii) \$40,000 from a short term financing from Navios Holdings.
- (5) Represents the preliminary fair value adjustment to the carrying value of the vessels of \$(71,227).
- (6) Represents the preliminary fair value adjustment to deposits for vessel acquisitions of \$(26,944).
- (7) Represents the preliminary fair value adjustment for backlog assets of \$66,473 and backlog liability \$(12,997).
- (8) Represents the elimination of assets and liabilities that are not being acquired pursuant to the Purchase Agreement. Those items include: Amounts due to/due from related parties, loans from related party, deferred finance costs and derivative financial instruments.
- (9) (a) To adjust vessel operating expenses assuming a daily fixed fee of \$10 per vessel pursuant to the new management agreement; and (b) to eliminate existing management fee and commission following the termination of the existing agreements.
- (10) To adjust depreciation related to the vessels and amortization expense related to the intangible assets based on the preliminary fair market value adjustments. Vessels are amortized over 25 years from their original construction. Favorable/ unfavorable leases on charter-out contracts are amortized over the remaining life of the related contract, which ranges from 4.3 to 15 years.
- (11) To record additional interest expense assuming an average rate on the assumed bank loans of 3.55% per annum. If the interest rate increased by 1%, the Company's interest expense would increase by approximately \$4,100. Adjusted also for the amortization of the new deferred financing fees.
- (12) To eliminate the historical deferred finance amortization of existing loan facilities.
- (13) To eliminate the income statement impact of derivative financial instruments, since these instruments were not acquired.
- (14) Represents the estimate of the fair value of the inducement provided to certain warrant holders who participated in a warrant tender program.
- (15) The weighted average number of shares has been adjusted to reflect the 1,894,918 common shares issued as part of the consideration paid and the issuance of 18,412,053 new common shares from the warrant tender program. These common shares are considered outstanding for the six months ended June 30, 2010.

1. Accounting Treatment

Basis of Accounting The unaudited pro forma combined financial information has been prepared in accordance with U.S. GAAP.

The unaudited pro forma statement of operations for the six-months ended June 30, 2010 has been derived from: (i) the unaudited condensed consolidated statement of operations of Navios Acquisition and its subsidiaries for the six month period ended June 30, 2010; and (ii) the unaudited combined statement of operations of Vessel Owning Subsidiaries for the six month period ended June 30, 2010.

The pro forma adjustments primarily relate to the allocation of the purchase price, including adjusting assets and liabilities to fair value with related changes in depreciation, amortization, backlog asset and other related income and expenses.

The unaudited pro forma summary financial information is for illustrative purposes only and does not purport to be indicative of the results of operations that would have been achieved had the transactions been consummated as of January 1, 2009. In addition, they do not purport to represent what results of operations will be for any future period.

SIGNATURES

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

NAVIOS MARITIME ACQUISITION
CORPORATION

By: /s/ Angeliki Frangou

Angeliki Frangou
Chief Executive Officer
Date: September 15, 2010