

NAVIOS MARITIME MIDSTREAM PARTNERS L.P.

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NAVIOS MARITIME MIDSTREAM PARTNERS L.P.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of U.S. dollars except unit amounts)

	<u>Notes</u>	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
ASSETS			
Current assets			
Cash and cash equivalents*	3	\$ 10,917	\$ 12,607
Restricted cash	3	23,500	—
Accounts receivable, net		4,883	6,813
Prepaid expenses and other current assets		2,537	2,883
Due from related parties, current*	8	29,183	21,106
Total current assets		71,020	43,409
Vessels, net	4	280,857	335,131
Intangible assets	5	—	19,507
Deferred dry dock and special survey costs, net		2,361	10,510
Due from related parties, non-current	8	3,575	2,565
Total non-current assets		286,793	367,713
Total assets		\$ 357,813	\$ 411,122
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities			
Accounts payable		\$ 2,387	\$ 5,419
Accrued expenses		1,391	929
Due to related parties		457	119
Deferred revenue		1,199	1,731
Current portion of long-term debt, net of deferred finance costs and discount	6	689	689
Total current liabilities		6,123	8,887
Long-term debt, net of deferred finance costs and discount	6	194,974	195,150
Total non-current liabilities		194,974	195,150
Total liabilities		\$ 201,097	\$ 204,037
Commitments and contingencies	9	—	—
Total Partners' capital			
Common Unitholders (12,178,304 units issued and outstanding at March 31, 2019 and December 31, 2018, respectively)		153,881	203,094
General Partner (427,499 units issued and outstanding at March 31, 2019 and December 31, 2018, respectively)		2,835	3,991
Partners' capital		156,716	207,085
Total liabilities and Partners' capital		\$ 357,813	\$ 411,122

See unaudited condensed notes to the condensed consolidated financial statements.

*Please note that the amounts as of March 31, 2019, have been revised to correct a typo error. The correction is in the line "Cash and cash equivalents" that is revised to \$10,917 from previous amount of \$3,827 and in the line "Due from related parties, current" that is revised to \$29,183 from previous amount of \$36,273.

NAVIOS MARITIME MIDSTREAM PARTNERS L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Expressed in thousands of U.S. Dollars, except unit and per unit data)

	<u>Notes</u>	<u>Three Month Period ended March 31, 2019 (unaudited)</u>	<u>Three Month Period ended March 31, 2018 (unaudited)</u>
Revenue (includes related party revenue of \$417 and \$4,867 for the three months ended March 31, 2019 and 2018, respectively)		\$ 22,290	\$ 19,779
Time charter expenses		(2,625)	(228)
Direct vessel expenses		(1,108)	(1,197)
Management fees (entirely through related party transactions)	8	(6,015)	(5,064)
General and administrative expenses	8	(1,496)	(806)
Depreciation and amortization	4, 5	(5,388)	(6,168)
Interest expenses and finance cost	6	(3,937)	(3,438)
Loss on sale of asset	4	(14,029)	(32,444)
Impairment loss due to sale of assets	4	(39,103)	—
Interest income		18	14
Other income/ (expense), net		1,024	(16)
Net loss		\$ (50,369)	\$ (29,568)

See unaudited condensed notes to the condensed consolidated financial statements.

NAVIOS MARITIME MIDSTREAM PARTNERS L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of U.S. Dollars)

	Notes	Three Month Period ended March 31, 2019 (unaudited)	Three Month Period ended March 31, 2018 (unaudited)
OPERATING ACTIVITIES			
Net loss		\$ (50,369)	\$ (29,568)
Adjustments to reconcile net loss to net cash (used in)/ provided by operating activities:			
Depreciation and amortization	4,5	5,388	6,168
Amortization of deferred finance fees		337	340
Amortization of dry dock and special survey costs		1,071	1,197
Loss on sale of asset	4	14,029	32,444
Impairment loss due to sale of assets	4	39,103	—
Changes in operating assets and liabilities:			
Decrease/ (increase) in prepaid expenses and other current assets		345	(679)
Decrease/ (increase) in accounts receivable		1,930	(1,401)
(Decrease)/ increase in accounts payable		(3,032)	665
Increase in accrued expenses		462	684
Payments for Drydocking		—	(1,997)
(Increase)/ decrease in due from/ to related parties, short-term*	8	(7,739)	15,239
Decrease in deferred revenue		(532)	(844)
Increase in due from related parties, long-term		(1,010)	—
Net cash (used in)/ provided by operating activities		\$ (17)	\$ 22,248
INVESTING ACTIVITIES			
Acquisition of vessels	4	(293,090)	(44,526)
Vessels additions		(630)	—
Net proceeds from sale of assets	4	316,060	16,206
Net cash provided by/ (used in) investing activities		\$ 22,340	\$ (28,320)
FINANCING ACTIVITIES			
Loan repayment		(513)	(513)
Dividend paid		—	(9,031)
Net cash used in financing activities		\$ (513)	\$ (9,544)
Net increase /(decrease) in cash, cash equivalents and restricted cash		21,810	(15,616)
Cash, cash equivalents and restricted cash, beginning of period		\$ 12,607	\$ 37,086
Cash, cash equivalents and restricted cash, end of period		\$ 34,417	\$ 21,470
Supplemental disclosures of cash flow information			
Cash interest paid		\$ 3,611	\$ 3,064

See unaudited condensed notes to the condensed consolidated financial statements.

*Please note that the amount has been revised for the three month period ended March 31, 2019, to correct a typo error. The correction is in the line “(Increase)/ decrease in due from/ to related parties, short-term” that is revised to (\$7,739) from previous amount of (\$14,829).

NAVIOS MARITIME MIDSTREAM PARTNERS L.P.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN
PARTNERS' CAPITAL

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

	General Partner		Common Unitholders		Subordinated Series A Unitholders		Total Partners' Capital
	Units	\$	Units	\$	Units	\$	\$
Consolidated Balance							
December 31, 2017	427,499	4,997	19,354,498	225,742	1,592,920	24,992	255,731
Net Loss	—	(590)	—	(26,775)	—	(2,203)	(29,568)
Cash distribution	—	(181)	—	(8,177)	—	(673)	(9,031)
Consolidated Balance							
March 31, 2018	427,499	4,226	19,354,498	190,790	1,592,920	22,116	217,132
Consolidated Balance							
December 31, 2018	427,499	3,991	12,178,304	203,094	—	—	207,085
Net Loss	—	(1,156)	—	(49,213)	—	—	(50,369)
Cash distribution	—	—	—	—	—	—	—
Consolidated Balance							
March 31, 2019	427,499	2,835	12,178,304	153,881	—	—	156,716

See unaudited condensed notes to the condensed consolidated financial statements.

NAVIOS MARITIME MIDSTREAM PARTNERS L.P.
CONDENSED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS
(UNAUDITED)

(Expressed in thousands of U.S. Dollars except unit and per unit data)

NOTE 1: DESCRIPTION OF BUSINESS

Navios Maritime Midstream Partners L.P. (“Navios Midstream” or the “Company”), was formed in The Republic of the Marshall Islands on October 13, 2014. Navios Maritime Midstream Partners GP LLC (the “General Partner”), a Marshall Islands limited liability company and wholly-owned subsidiary of Navios Maritime Acquisition Corporation (“Navios Acquisition”), was also formed on that date to act as the General Partner of Navios Midstream and received a 2.0% general partner interest.

Navios Midstream’s principal activity is to own, operate and acquire crude oil tankers under long-term employment contracts as well as refined petroleum product tankers, chemical tankers, and LPG tankers under long-term employment contracts. The Company intends to charter the vessels under long-term employment contracts to international oil companies, refiners, and large vessel operators.

On June 18, 2018, in accordance with the terms of the partnership agreement all of the issued and outstanding 1,592,920 subordinated Series A units converted into Navios Midstream’s existing common units on a one-for-one basis. Following the conversion of subordinated Series A units into common units the capital allocated to the holders of the subordinated Series A units was reclassified to the capital of the holders of the common units.

On December 13, 2018, the Company completed the merger (the “Merger”) contemplated by the previously announced Agreement and Plan of Merger, (the “Merger Agreement”), dated as of October 7, 2018, by and among Navios Acquisition, its direct wholly-owned subsidiary NMA Sub LLC (“Merger Sub”), Navios Midstream and the General Partner. Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition.

Under the terms of the transaction, Navios Acquisition acquired all of the outstanding publicly held common units of Navios Midstream in exchange for the issuance of 3,683,284 newly issued shares of Navios Acquisition common stock at an exchange ratio of 0.42 shares of Navios Acquisition for each Navios Midstream common unit.

The 8,769,114 common units of Navios Midstream that were exchanged were immediately cancelled.

Upon completion of the Merger, the Navios Midstream common units previously listed on the NYSE under the stock symbol "NAP", were deregistered under the Exchange Act.

In March 2019, Navios Midstream sold the following very large crude carriers (“VLCC”) to Navios Acquisition: the Shinyo Kieran, the Shinyo Saowalak, the Nave Celeste and the Nave Galactic. In addition, Navios Midstream acquired from Navios Acquisition the following vessels: six Medium Range 2 (“MR2”) product tankers (the Nave Orbit, the Nave Equator, the Nave Pyxis, the Nave Pulsar, the Nave Equinox and the Bougainville), one VLCC (the Nave Buena Suerte) and three Long Range 1 (“LR1”) product tankers (the Nave Ariadne, the Nave Cielo and the Nave Atropos). (Please refer to Note 4)

In addition on March 4, 2019, the company acquired from Navios Acquisition the Nave Andromeda and the Nave Estella and on March 20, 2019, sold them back to Navios Acquisition.

On March 25, 2019, Navios Midstream sold the C. Dream, a 2000-built VLCC vessel of 298,570 dwt to an unaffiliated third party.

As of March 31, 2019, the Company owned six MR2, three LR1 and two VLCC.

As of March 31, 2019, there were outstanding: 12,178,304 common units and 427,499 general partnership units. As of March 31, 2019, Navios Acquisition owned 100% of all the outstanding limited partner and general partner interests of Navios Midstream.

As of March 31, 2019, the entities included in these condensed consolidated financial statements were:

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Company name	Vessel name	Country of incorporation	2019	2018
Navios Maritime Midstream Operating LLC	N/A	Marshall Islands	1/1-3/31	1/1-3/31
Navios Maritime Midstream Partners L.P.	N/A	Marshall Islands	1/1-3/31	1/1-3/31
Navios Maritime Midstream Partners Finance (US) Inc.	N/A	Delaware	1/1-3/31	1/1-3/31
Shinyo Ocean Limited	Shinyo Ocean	Hong Kong ⁽⁸⁾	1/1-3/31	1/1-3/31
Shinyo Saowalak Limited	Shinyo Saowalak	British Virgin Is. ⁽¹⁾	1/1-3/12	1/1-3/31
Shinyo Kieran Limited	Shinyo Kieran	British Virgin Is. ⁽²⁾	1/1-3/6	1/1-3/31
Shinyo Dream Limited	C. Dream	Hong Kong ⁽³⁾	1/1-3/31	1/1-3/31
Sikinos Shipping Corporation	Nave Celeste	Marshall Islands ⁽⁴⁾	1/1-3/20	1/1-3/31
Kerkyra Shipping Corporation	Nave Galactic	Marshall Islands ⁽⁴⁾	1/1-3/20	3/30-3/31
Kithira Shipping Corporation	Nave Orbit	Marshall Islands ⁽⁵⁾	3/6-3/31	—
Antikithira Shipping Corporation	Nave Equator	Marshall Islands ⁽⁵⁾	3/6-3/31	—
Lefkada Shipping Corporation	Nave Buena Suerte	Marshall Islands ⁽⁵⁾	3/6-3/31	—
Skopelos Shipping Corporation	Nave Ariadne	Cayman Islands ⁽⁶⁾	3/12-3/31	—
Ios Shipping Corporation	Nave Cielo	Cayman Islands ⁽⁶⁾	3/12-3/31	—
Thera Shipping Corporation	Nave Atropos	Marshall Islands ⁽⁶⁾	3/12-3/31	—
Samothrace Shipping Corporation	Nave Pulsar	Marshall Islands ⁽⁶⁾	3/12-3/31	—
Thasos Shipping Corporation	Nave Equinox	Marshall Islands ⁽⁷⁾	3/20-3/31	—
Limnos Shipping Corporation	Nave Pyxis	Marshall Islands ⁽⁷⁾	3/20-3/31	—
Iraklia Shipping Corporation	Bougainville	Marshall Islands ⁽⁷⁾	3/20-3/31	—
Folegandros Shipping Corporation	Nave Andromeda	Marshall Islands ⁽⁹⁾	3/4-3/20	—
Serifos Shipping Corporation	Nave Estella	Marshall Islands ⁽⁹⁾	3/4-3/20	—

- (1) The vessel Shinyo Saowalak was sold to Navios Acquisition on March 12, 2019.
- (2) The vessel Shinyo Kieran was sold to Navios Acquisition on March 6, 2019.
- (3) The vessel Shinyo Dream was sold to an unaffiliated third party on March 25, 2019.
- (4) The vessels Nave Celeste and Nave Galactic were sold to Navios Acquisition on March 20, 2019.
- (5) The vessels Nave Orbit, Nave Equator and Nave Buena Suerte were acquired from Navios Acquisition on March 6, 2019.
- (6) The vessels Nave Ariadne, Nave Cielo, Nave Atropos and Nave Pulsar were acquired from Navios Acquisition on March 12, 2019.
- (7) The vessels Nave Equinox, Nave Pyxis and Bougainville were acquired from Navios Acquisition on March 20, 2019.
- (8) In March 2019, the Shinyo Ocean, a 2001-built VLCC vessel of 281,395 dwt was involved in a collision incident. The Company maintains insurance coverage for such types of events (subject to applicable deductibles and other customary limitations). In April 2019, Navios Midstream agreed to sell the Shinyo Ocean, a 2001-built VLCC vessel of 281,395 dwt to an unaffiliated third party for a sale price of \$12,525. The vessel was delivered to its buyers on May 10, 2019.
- (9) On March 4, 2019, the company acquired from Navios Acquisition the Nave Andromeda and the Nave Estella and on March 20, 2019, sold them back to Navios Acquisition.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of presentation: The accompanying interim condensed consolidated financial statements are unaudited, but, in the opinion of management, reflect all adjustments for a fair statement of Navios Midstream's condensed consolidated financial position, statements of operations and cash flows for the periods presented. Adjustments consist of normal, recurring entries. The year end condensed balance sheet data was derived from audited financial statements, but does not include all disclosure required by accounting principles generally accepted in the United States of America ("GAAP"). The results of operations for the interim periods are not necessarily indicative of results for the full year. The

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footnotes are condensed as permitted by the requirements for interim financial statements and accordingly, do not include information and disclosures required under GAAP for complete financial statements. These interim financial statements should be read in conjunction with the Company's consolidated financial statements and notes included as exhibit in Navios Acquisition's (NYSE:NNA) Annual Report filed on Form 20-F with the U.S. Securities and Exchange Commission.

(b) Principles of consolidation: The accompanying interim condensed consolidated financial statements include the accounts of Navios Midstream, a Marshall Islands corporation, and its subsidiaries that are all 100% owned. All significant intercompany balances and transactions have been eliminated in the condensed consolidated statements.

(c) Revenue recognition: On January 1, 2018, the Company adopted the provisions of *ASC 606, Revenue from Contracts with Customers* (ASC 606). The guidance provides a unified model to determine how revenue is recognized. In doing so, the Company makes judgments including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers control of the promised goods or services to its customers. Revenues are recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under its agreements, the Company performs the following steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations based on estimated selling prices; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. The Company's contract revenues consist of revenues from time chartering, voyage chartering and pooling arrangements. Upon adoption of ASC 606, the timing and recognition of earnings from the pool arrangements and time charter contracts to which the Company is party did not change significantly from previous practice. Balances as of March 31, 2019 that related to voyage contracts were: (a) Accounts receivable, net: \$1,128 (December 31, 2018: \$3,590); and (b) Prepaid expenses and other current assets: \$0 (December 31, 2018: \$273).

Revenue from time chartering

Revenues from time chartering of vessels are accounted for as operating leases and are therefore recognized on a straight-line basis as the average revenue over the rental periods of such charter agreements, as service is performed. A time charter involves placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under time charters, operating costs such as for crews, maintenance and insurance are typically paid by the owner of the vessel. Revenues from time chartering of vessels were \$15,648 and \$11,479 for the three month periods ended March 31, 2019 and 2018, respectively. The majority of revenue from time chartering is usually collected in advance.

Pooling arrangements

For vessels operating in pooling arrangements, the Company earns a portion of total revenues generated by the pool, net of expenses incurred by the pool. The amount allocated to each pool participant vessel, including the Company's vessels, is determined in accordance with an agreed-upon formula, which is determined by margins awarded to each vessel in the pool based on the vessel's age, design and other performance characteristics. Accordingly, the Company accounts for its agreements with commercial pools as variable rate operating leases. For the pools in which the Company participates, management monitors, among other things, the relative proportion of the Company's vessels operating in each of the pools to the total number of vessels in each of the respective pools, and assesses whether or not the Company's participation interest in each of the pools is sufficiently

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significant so as to determine that the Company has effective control of the pool. Revenue for vessels operating in pooling arrangements amounted to \$1,403 and \$3,433 for the three month periods ended March 31, 2019 and 2018, respectively. The majority of revenue from pooling arrangements is usually collected through the month they are incurred.

Revenue from profit sharing

Profit-sharing revenues are calculated at an agreed percentage of the excess of the charterer's average daily income (calculated on a quarterly, half-yearly or annually basis) over an agreed amount and accounted for on an accrual basis based on provisional amounts and for those contracts that provisional accruals cannot be made due to the nature of the profit share elements, these are accounted for or when such revenue becomes determinable.

Profit sharing for the three month periods ended March 31, 2019 and 2018 amounted to \$667 and \$0, respectively.

Revenue from voyage contracts

During 2018, two of the Company's vessels entered into specific voyage charter contracts. Under a voyage charter, a vessel is provided for the transportation of specific goods between specific ports in return for payment of an agreed upon freight per ton of cargo. For vessels operating under voyage contracts (revenues for the transportation of cargo) and in accordance to the provisions of ASC 606 the Company adopted as a method of recognizing revenue the loading-to-discharge method and therefore the Company recognized revenue from loading to discharging as well as defer costs that meet the definition of "costs to fulfill a contract or an anticipated contract" and relate directly to the contract. Contract's fulfillment costs should be capitalized and amortized over the voyage period, if each of the following criteria is met: (i) they relate directly to the contract, (ii) they generate or enhance the entity's resources that shall be used in the performance obligation satisfaction and (iii) are expected to be recovered. Revenues earned under voyage contracts were \$4,155 and \$0 for the three month periods ended March 31, 2019 and 2018, respectively. The majority of revenue from voyage contracts is usually collected after the discharging take place.

Revenue from backstop agreements: For more information on revenue from backstop agreements, please refer to Note 8. Revenue from backstop agreements was \$417 and \$4,867 for the three month periods ended March 31, 2019 and 2018, respectively.

Revenues are recorded net of address commissions. Address commissions represent a discount provided directly to the charterers based on a fixed percentage of the agreed upon charter. Since address commissions represent a discount (sales incentive) on services rendered by the Company and no identifiable benefit is received in exchange for the consideration provided to the charterer, these commissions are presented as a reduction of revenue.

For the three month period ended March 31, 2019, the Company's customers representing 10% or more of the Company's total revenue were Dalian Ocean Shipping Co. Ltd. ("Cosco Dalian"), VL8 Pool Inc. ("VL8"), Shell Tankers Singapore Private LTD ("Shell") and SK Shipping Company Limited ("SK Shipping") that accounted for 29.3%, 18.0%, 12.9% and 10.5%, respectively, of the Company's revenue. For the year ended December 31, 2018, the Company's customers representing 10% or more of the Company's total revenue were Cosco Dalian, VL8 and SK Shipping that accounted for 39.3%, 12.5% and 12.3%, respectively, of the Company's revenue.

Recent Accounting Pronouncements

In June 2016, FASB issued ASU 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 matter. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The standard is effective for interim and annual

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reporting periods beginning after December 15, 2019, although early adoption is permitted for interim and annual periods beginning after December 15, 2018. In November 2018, FASB issued ASU2018-19 “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 addition, in April 2019, the FASB issued ASU 2019-04, “Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825 Financial Instruments”, the amendments of which clarify the modification of accounting for available for sale debt securities excluding applicable accrued interest, which must be individually assessed for credit losses when fair value is less than the amortized cost basis. The effective date and transition requirements for the amendments in this Update are the same as the effective dates and transition requirements in Update 2016-13. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements.

NOTE 3: CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents and restricted cash consisted of the following:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Cash at banks	\$ 10,917	\$ 9,514
Short-term deposits	—	3,093
Restricted cash	23,500	—
Total cash and cash equivalents and restricted cash	\$ 34,417	\$ 12,607

The bank accounts are legally owned by the entities referenced in Note 2.

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

Restricted cash of \$23,500 as of March 31, 2019 (\$0 for December 31, 2018) was held as collateral as required by certain provisions of Navios Midstream’s credit facility.

NOTE 4: VESSELS, NET

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Balance at December 31, 2018	\$ 456,784	\$ (121,653)	\$ 335,131
Additions	239,970	(4,850)	235,120
Disposals	(380,833)	91,439	(289,394)
Balance at March 31, 2019	\$ 315,921	\$ (35,064)	\$ 280,857

On March 29, 2018, Navios Midstream acquired from Navios Acquisition the Nave Galactic for a total acquisition cost of \$45,526 out of which \$44,950 was paid in cash. The working capital acquired was \$(576).

The Nave Galactic’s acquisition was effected through the acquisition of all of the capital stock of the vessel-owning company, which held the ownership and other contractual rights and obligations related to the acquired vessel. Management accounted for the transaction as an asset acquisition under ASC 805.

On March 22, 2018, Navios Midstream sold the Shinyo Kannika to an unaffiliated third party for net cash proceeds of \$16,206. The loss on sale of the vessel, upon write-off of the unamortized dry-docking, was \$32,444 and is separately presented under Loss on sale of assets in the condensed consolidated statements of operations.

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In March 2019, Navios Midstream sold the following VLCCs to Navios Acquisition: Shinyo Kieran for a price of \$87,500, Shinyo Saowalak for a price of \$79,500, Nave Celeste for a price of \$28,000 and the Nave Galactic for a price of \$43,750. The working capital sold was \$2,180. The sales of these vessels were effected through the sale of all of the capital stock of each of the vessel-owning companies, which held the ownership and other contractual rights and obligations related to the acquired vessels. Management accounted for the transactions as asset disposals under ASC 805.

In addition, the company acquired from Navios Acquisition the following vessels: Nave Orbit for a price of \$18,000, Nave Equator for a price of \$18,000, Nave Buena Suerte for a price of \$51,250, Nave Ariadne for a price of \$16,000, Nave Cielo for a price of \$16,000, Nave Atropos for a price of \$30,750, Nave Pulsar for a price of \$15,750, Nave Equinox for a price of \$15,750, Nave Pyxis for a price of \$28,500 and Bougainville for a price of \$27,000. The working capital acquired was \$2,340. The acquisition of these vessels was effected through the acquisition of all of the capital stock of each of the vessel-owning companies, which held the ownership and other contractual rights and obligations related to the acquired vessels. Management accounted for the transactions as asset acquisitions under ASC 805.

The vessels that were sold were released as collaterals from Term Loan B and were substituted by the ones acquired.

In addition on March 4, 2019, the company acquired from Navios Acquisition the Nave Andromeda for a price of \$25,500 and the Nave Estella for a price of \$28,250 and on March 20, 2019, sold them back to Navios Acquisition for the same price.

The impairment loss due to sale of the assets discussed above amounted to \$39,103.

On March 25, 2019, Navios Midstream sold the C. Dream, a 2000-built VLCC vessel of 298,570 dwt to an unaffiliated third party for a sale price of \$21,750 paid in cash. The loss on sale of the vessel amounted to \$14,029.

NOTE 5: INTANGIBLE ASSETS

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

Favorable lease terms	Cost	Accumulated Amortization	Net Book Value
Balance at December 31, 2018	\$ 41,851	\$ (22,344)	\$ 19,507
Additions	—	(538)	(538)
Write-off	(41,851)	22,882	(18,969)
Balance at March 31, 2019	\$ —	\$ —	\$ —

Amortization expense of favorable lease terms for the three month periods ended March 31, 2019 and 2018 are presented in the following table:

	March 31, 2019	March 31, 2018
Favorable lease terms charter-out	(538)	(703)
Total	\$ (538)	\$ (703)

NOTE 6: LONG-TERM DEBT

Long-term debt consisted of the following:

	March 31, 2019	December 31, 2018
Term Loan B	197,313	197,825
Less deferred finance costs, net	(1,160)	(1,398)

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Total long term debt	196,153	196,427
Less unamortized discount	(490)	(588)
Less current portion, net of deferred finance cost	(689)	(689)
Total Long Term Debt, net of current portion and net of deferred finance costs	\$ 194,974	\$ 195,150

Term Loan B: On June 18, 2015, Navios Midstream and Navios Maritime Midstream Partners Finance (US) Inc., as co-borrowers, completed the issuance of the \$205,000 Term Loan B (the “Term Loan B”). The Term Loan B is set to mature on June 18, 2020 and is repayable in equal quarterly installments of 0.25% of the initial principal amount of the Term Loan B, beginning on September 18, 2015, with a final payment of the aggregate principal amount of the Term Loan B, plus accrued and unpaid interest, due on the maturity. The Term Loan B bears interest at LIBOR plus 4.50% per annum.

The Term Loan B requires maintenance of a loan to value ratio of no greater than 0.85 to 1.0 and a minimum interest coverage ratio of at least 3.75 to 1.0, and other restrictive covenants including restrictions on indebtedness, liens, acquisitions and investments, restricted payments and dispositions. The Term Loan B also provides for excess cash flow prepayments and customary events of default.

Amounts drawn under the facilities are secured by first preferred mortgages on Navios Midstream’s vessels and other collateral and are guaranteed by each vessel-owning subsidiary.

Following the acquisition of the Nave Galactic and the sale of the Shinyo Kannika, the Nave Galactic substituted for the Shinyo Kannika under the Term Loan B.

As of March 31, 2019, Navios Midstream was in compliance with the covenants set forth in the Term Loan B.

As of March 31, 2019, a balance of \$197,313 was outstanding under the Term Loan B.

The table below reflects the principal payments of credit facilities outstanding as of March 31, 2019 for the following periods based on the repayment schedule of the respective loan facilities (as described above).

Payment due by 12 month period ending:	
March 31, 2020	2,050
March 31, 2021	195,263
Total	\$ 197,313

The weighted average interest rate as of March 31, 2019 and 2018 was 7.28% and 6.20%, respectively.

NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

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

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

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

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

Due from related parties, current: The carrying amount of due from related parties, current reported in the balance sheet approximates its fair value due to the short-term nature of these receivables.

Due from related parties, non-current: The carrying amount of due from related parties, non-current reported in the balance sheet approximates its fair value.

Term Loan B facility: The fair value of the Company's debt is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities, as well as taking into account our creditworthiness.

The fair value hierarchy is explained as follows:

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

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

Level III: Inputs that are unobservable. The Company did not use any Level 3 inputs as of March 31, 2019 or December 31, 2018.

	March 31, 2019		December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
Cash and cash equivalents	\$ 10,917	\$ 10,917	\$ 12,607	\$ 12,607
Restricted cash	\$ 23,500	\$ 23,500	—	\$ —
Accounts receivable	\$ 4,883	\$ 4,883	\$ 6,813	\$ 6,813
Due from related parties, current	\$ 29,183	\$ 29,183	\$ 21,106	\$ 21,106
Due from related parties, non-current	\$ 3,575	\$ 3,575	\$ 2,565	\$ 2,565
Accounts payable	\$ 2,387	\$ 2,387	\$ 5,419	\$ 5,419
Long-term debt	\$ 196,153	\$ 184,119	\$ 196,427	\$ 186,944

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:

Fair Value Measurements at March 31, 2019 Using

	Total	Level I	Level II	Level III
Cash and cash equivalents	\$ 10,917	\$ 10,917	\$ —	\$ —
Long-term debt	\$ 184,119	\$ —	\$ 184,119	\$ —
Due from related parties, current	\$ 29,183	\$ 29,183	\$ —	\$ —
Due from related parties, non-current	\$ 3,575	\$ —	\$ 3,575	\$ —

Fair Value Measurements at December 31, 2018 Using

	Total	Level I	Level II	Level III
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Cash and cash equivalents	\$ 12,607	\$ 12,607	\$ —	\$ —
Long-term debt	\$ 186,944	\$ —	\$ 186,944	\$ —
Due from related parties, current	\$ 21,106	\$ 21,106	\$ —	\$ —
Due from related parties, non-current	\$ 2,565	\$ —	\$ 2,565	\$ —

NOTE 8: TRANSACTIONS WITH RELATED PARTIES

Management fees: On November 18, 2014, the Company entered into a Management Agreement with Navios Tankers Management Inc. (the “Manager”), a wholly-owned subsidiary of Navios Maritime Holdings Inc. (“Navios Holdings”), pursuant to which the Manager provides commercial and technical management services to Navios Midstream’s vessels for a daily fee of \$9.5 per VLCC tanker vessel that was originally fixed for the first two years.

In October 2016, Navios Midstream amended its existing Management Agreement with the Manager to extend the fixed fee period for commercial and technical management services of its fleet, until December 31, 2018 at the current rate of \$9.5 per day per VLCC. Dry docking expenses are reimbursed at cost for all vessels.

Following the Merger of Navios Midstream with Navios Acquisition, the parties have agreed that as of December 13, 2018, the agreements were terminated, in view that the services rendered under the agreements would now be carried under the management agreement between the Manager and Navios Acquisition.

The management fees are fixed until May 2020, at a daily rate of: (a) \$6.5 per MR2 product tanker and chemical tanker vessel; (b) \$7.15 per LR1 product tanker vessel; and (c) the current daily rate of \$9.5 per VLCC.

Total management fees for each of the three month periods ended March 31, 2019 and 2018 amounted to \$6,015 and \$5,064, respectively.

General and administrative expenses: On November 18, 2014, Navios Midstream entered into the Administrative Services Agreement with the Manager, expiring on November 18, 2019, pursuant to which the Manager provides certain administrative management services to Navios Midstream which include: bookkeeping, audit and accounting services, legal and insurance services, administrative and clerical services, banking and financial services, advisory services, client and investor relations and other services. The Manager is reimbursed for reasonable costs and expenses.

Following the Merger of Navios Midstream with Navios Acquisition, the parties have agreed that as of December 13, 2018, the agreements were terminated, in view that the services rendered under the agreements would now be carried under the administrative services agreement between the Manager and Navios Acquisition.

Total general and administrative expenses for the three month periods ended March 31, 2019 and March 31, 2018 amounted to \$1,496 and \$806, respectively. For each of the three month periods ended March 31, 2019 and 2018, the expense arising from the administrative services rendered by the Manager to the Company’s vessels amounted to \$537 and \$369, respectively.

Balances due from related parties: Balance due from related parties as of March 31, 2019 and December 31, 2018, were \$32,758 and \$23,671, respectively, and included the current and non-current amounts mainly due from Navios Holdings and Navios Acquisition and its subsidiaries. Amounts due from related parties mainly consisted of the backstop commitment from Navios Acquisition (see “Backstop agreements” paragraph below), as well as special survey and dry docking expenses for certain vessels of the fleet, and management fees in accordance with the Management Agreement.

Omnibus agreement: On November 18, 2014, Navios Midstream entered into an omnibus agreement, with Navios Acquisition, Navios Holdings and Navios Maritime Partners L.P. (“Navios Partners”) in

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connection with the Navios Midstream's initial public offering, pursuant to which Navios Acquisition, Navios Holdings, Navios Partners and their controlled affiliates (the "Acquisition Omnibus Agreement") generally have agreed not to acquire or own any VLCCs, crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers under time charters of five or more years. The omnibus agreement contains significant exceptions that will allow Navios Acquisition, Navios Holdings, Navios Partners or any of their controlled affiliates to compete with Navios Midstream under specified circumstances.

Under the omnibus agreement, Navios Midstream and its subsidiaries granted to Navios Acquisition a right of first offer on any proposed sale, transfer or other disposition of any of its VLCCs or any crude oil tankers, refined petroleum product tankers, LPG tankers or chemical tankers and related charters owned or acquired by Navios Midstream. Likewise, Navios Acquisition granted a similar right of first offer to Navios Midstream for any of the VLCCs, crude oil tanker, refined petroleum product tanker, LPG tanker or chemical tanker under charter for five or more years it might own. These rights of first offer will not apply to a (a) sale, transfer or other disposition of vessels between any affiliated subsidiaries, or pursuant to the terms of any charter or other agreement with a charter party or (b) merger with or into, or sale of substantially all of the assets to, an unaffiliated third-party. Navios Midstream entered into an omnibus agreement with Navios Maritime Containers Inc. ("Navios Containers"), Navios Acquisition, Navios Holdings and Navios Partners, pursuant to which Navios Acquisition, Navios Holdings, Navios Partners and Navios Midstream have granted to Navios Containers a right of first refusal over any container vessels to be sold or acquired in the future. The omnibus agreement contains significant exceptions that will allow Navios Acquisition, Navios Holdings, Navios Partners and Navios Midstream to compete with Navios Containers under specified circumstances.

Backstop agreements: On November 18, 2014, Navios Acquisition entered into backstop agreements with Navios Midstream. In accordance with the terms of the backstop agreements, Navios Acquisition has provided a backstop commitment at a net rate of \$35.0 per day for the Nave Celeste, \$38.4 per day for the Shinyo Ocean and \$38.0 per day for the Shinyo Kannika. The backstop rates apply for a two-year period as of the redelivery of each of the vessels from its original charterer, if the actual rates achieved are below the agreed backstop rates for each of the vessels. The backstop commitment for the Shinyo Kannika terminated following the sale of this vessel in March 2018. Navios Acquisition agreed to extend the backstop commitment of the Shinyo Kannika to the Nave Galactic, following the acquisition of the latter by Navios Acquisition in March 2018. For the three month period ended March 31, 2019, backstop revenue amounted to \$417 (\$4,867 for the respective period in 2018) and was included in the balance due from related parties (see paragraph above in current note). The backstop commitment expired in February 2019 and the outstanding balance as of March 31, 2019 of \$20,705 was settled in May 2019.

General Partner option agreement: Navios Holdings has a ten-year option to purchase a minimum of 25% of the general partner interest held by the general partner, the incentive distribution rights held by the general partner and/or the membership interests in the general partner from Navios Acquisition, each at fair market value. The option expires on November 18, 2024.

Cash Distribution: On December 27, 2018, Navios Midstream paid \$15,000 of cash distribution to its sole unitholder, Navios Acquisition.

NOTE 9: COMMITMENTS AND CONTINGENCIES

The Company is involved in various disputes and arbitration proceedings arising in the ordinary course of business. Provisions are recognized in the financial statements for all such proceedings where the Company believes that a liability may be probable, and for which the amounts are reasonably estimable, based upon facts known at the date of the financial statements were prepared. In the opinion of the management, the ultimate disposition of these matters individually and in aggregate will not materially affect the Company's financial position, results of operations or liquidity.

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NOTE 10: ISSUANCE OF UNITS

On June 18, 2018, in accordance with the terms of our partnership agreement all of the issued and outstanding 1,592,920 subordinated Series A units converted into Navios Midstream's existing common units on a one-for-one basis. Following the conversion of subordinated Series A units into common units the capital allocated to the holder of subordinated Series A units was reclassified to the capital of the holders of the common units.

On December 13, 2018, the Company completed the Merger contemplated by the previously announced Merger Agreement, dated as of October 7, 2018, by and among Navios Acquisition, Merger Sub, Navios Midstream and the General Partner. Pursuant to the Merger Agreement, Merger Sub merged with and into Navios Midstream, with Navios Midstream surviving as a wholly-owned subsidiary of Navios Acquisition.

Under the terms of the transaction, Navios Acquisition acquired all of the outstanding publicly held common units of Navios Midstream in exchange for the issuance of 3,683,284 newly issued shares of Navios Acquisition common stock at an exchange ratio of 0.42 shares of Navios Acquisition for each Navios Midstream common unit.

The 8,769,114 common units of Navios Midstream that were exchanged were immediately cancelled.

As of March 31, 2019 there were outstanding: 12,178,304 common units and 427,499 general partnership units. As of March 31, 2019, Navios Acquisition owned 100% of all the outstanding limited partner and general partner interests of Navios Midstream.

NOTE 11: INCOME TAXES

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

In accordance with the currently applicable Greek law, foreign flagged vessels that are managed by Greek or foreign ship management companies having established an office in Greece are subject to duties towards the Greek state, which are calculated on the basis of the relevant vessels' tonnage. The payment of said duties exhausts the tax liability of the foreign ship owning company and the relevant manager against any tax, duty, charge or contribution payable on income from the exploitation of the foreign flagged vessel.

Pursuant to Section 883 of the Internal Revenue Code of the United States, U.S. source income from the international operation of ships is generally exempt from U.S. income tax if the company operating the ships meets certain incorporation and ownership requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country, which grants an equivalent exemption from income taxes to U.S. corporations. All of the Company's vessel-owning subsidiaries satisfy these initial criteria. In addition, these companies must meet an ownership test. Subject to proposed regulations becoming finalized in their current form, the management of Navios Midstream believes by virtue of a special rule applicable to situations where the ship operating companies are beneficially owned by a publicly traded company like Navios Midstream, the second criterion can also be satisfied based on the trading volume and ownership of the Company's units, but no assurance can be given that this will remain so in the future.

NOTE 12: SUBSEQUENT EVENTS

The Company has evaluated subsequent events up to May 30, 2019.

In April 2019, Navios Midstream agreed to sell the Shinyo Ocean, a 2001-built VLCC vessel of 281,395 dwt to an unaffiliated third party for a sale price of \$12,525. The vessel was delivered to its

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buyers on May 10, 2019.

