Navigator Holdings Ltd.
Form 6-K
August 08, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended June 30, 2016

Commission File Number 001-36202

NAVIGATOR HOLDINGS LTD.

(Exact name of Registrant as specified in its Charter)

21 Palmer Street

London, SW1H 0AD

United Kingdom

(Address of principal executive office)

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

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 x

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NAVIGATOR HOLDINGS LTD.

REPORT ON FORM 6-K FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

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Risk Factors

In addition to the risk factor set forth below and the other information set forth in this report, you should carefully consider the risks discussed in our Annual Report on Form 20-F for the year ended December 31, 2015, or our 2015 Annual Report, filed with the United States Securities and Exchange Commission, or the SEC, on March 3, 2016, under the heading Part I Item 3. Key Information D. Risk Factors, which risks could materially affect our business, financial condition or future results. The risks described below and in our 2015 Annual Report are not the only risks we face. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

The vote by the United Kingdom to leave the EU could adversely affect us.

The recent United Kingdom referendum on its membership in the EU resulted in a majority of U.K. voters voting to exit the EU (Brexit). As a result, we face risks associated with the potential uncertainty and consequences that may follow Brexit, including with respect to volatility in exchange rates and interest rates. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in global political institutions, regulatory agencies and financial markets. Any of these effects of Brexit, and others we cannot anticipate, could adversely affect our business, results of operations and financial condition.

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Management s Discussion and Analysis of Financial Condition and Results of Operations

Unless the context otherwise requires, all references in this report to Navigator Holdings, our, we, us and the Company refer to Navigator Holdings PLC, an Isle of Man corporation, with regard to all periods prior to its redomiciliation in the Republic of the Marshall Islands, and to Navigator Holdings Ltd., a Marshall Islands corporation, with regard to all periods after its redomiciliation in the Republic of the Marshall Islands. All references in this report to our wholly-owned subsidiary Navigator Gas L.L.C. refer to Navigator Gas Transport PLC, an Isle of Man corporation, with regard to all periods prior to its redomiciliation in the Republic of the Marshall Islands, and to Navigator Gas L.L.C., a Marshall Islands limited liability company, with regard to all periods after its redomiciliation in the Republic of the Marshall Islands. As used in this report, unless the context indicates or otherwise requires, references to our fleet or our vessels include (i) 31 vessels we owned and operated as of June 30, 2016 and one newbuilding delivered to us from Jiangnan Shipyard (Group) Co. Ltd. in China, or Jiangnan, on August 2, 2016, (ii) one newbuilding expected to be delivered from Jiangnan in September 2016, or the 2016 newbuildings, and (iii) two newbuildings expected to be delivered from Jiangnan and three newbuildings expected to be delivered from Hyundai Mipo Dockyard Co. Ltd, in South Korea, or HMD, between January and July 2017, or the 2017 newbuildings.

This section should be read in conjunction with the interim financial statements and notes thereto presented elsewhere in this report, as well as the historical consolidated financial statements and notes thereto of Navigator Holdings Ltd. included in our 2015 Annual Report, filed with the United States Securities and Exchange Commission, or the SEC, on March 3, 2016. Among other things, those financial statements include more detailed information regarding the basis of presentation for the following information. The financial statements have been prepared in accordance with generally accepted accounting principles in the United States, or U.S. GAAP, and are presented in U.S. Dollars unless otherwise indicated.

In connection with the preparation of our consolidated financial statements for the year ended December 31, 2015, we identified an immaterial error in the treatment of interest costs in relation to vessel newbuildings. Certain amounts recorded as an interest expense should have been capitalized, rather than expensed. The error resulted in a prior overstatement of interest expense and an understatement of net income, book values of vessels under construction and vessels in operation, retained earnings and total stockholders equity for the years ended December 31, 2012, 2013 and 2014 and the interim periods within those years, as well as the first three quarters of 2015, in the related financial statements. We have amended the financial statements to correct such items. Accordingly, the financial data and discussion of our financial condition and results of operations for the three and six months ended June 30, 2015 included in this report reflect revised financial data for the three and six months ended June 30, 2015.

Overview

We are the owner and operator of the world s largest fleet of handysize liquefied gas carriers. We provide international and regional seaborne transportation services of liquefied petroleum gas, or LPG, petrochemical gases and ammonia for energy companies, industrial users and commodity traders. These gases are transported in liquefied form, by applying cooling and/or pressure, to reduce volume by up to 900 times depending on the cargo, making their transportation more efficient and economical. Vessels in our fleet are capable of loading, discharging and carrying cargoes across a range of temperatures from ambient to minus 104° Celsius and pressures from 1 bar to 6.4 bar.

Our fleet consists of 38 vessels, including six newbuilding vessels scheduled for delivery by July 2017. Of the 38 vessels, 33 are semi- or fully-refrigerated handysize liquefied gas carriers, four are midsize 37,300 cbm ethylene-capable semi-refrigerated liquefied gas carrier newbuilding expected to be delivered by March 2017 and one is a 38,000 cbm fully refrigerated gas carrier newbuilding expected to be delivered by July 2017. We define handysize liquefied gas carriers as those liquefied gas carriers with capabilities between 15,000 and 24,999 cbm, which includes two of our newbuildings vessels expected to be delivered by March 2017. Our handysize liquefied gas carriers can accommodate medium- and long-haul routes that may be uneconomical for smaller vessels and can call at ports that are unable to support larger vessels due to limited onshore capacity, absence of fully-refrigerated loading infrastructure and/or vessel size restrictions. The following table sets forth our vessels, along with their current charter status:

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Operating Vessel	Year Built	Vessel Size (CBM)	Employment Status	Charter Expiration Date
Semi-refrigerated ethane/ethylene capable				
Navigator Mars	2000	22,085	Spot market	
Navigator Neptune	2000	22,085	Spot market	
Navigator Pluto	2000	22,085	Time charter	March 2017
Navigator Saturn	2000	22,085	Spot market	
Navigator Venus	2000	22,085	Spot market	
Navigator Atlas	2014	21,000	Spot market	
Navigator Europa	2014	21,000	Contract of affreightment	December 2016
Navigator Oberon	2014	21,000	Contract of affreightment	December 2016
Navigator Triton	2015	21,000	Contract of affreightment	December 2016
Navigator Umbrio	2015	21,000	Contract of affreightment	December 2016
Navigator Aurora*	2016	37,300	Time charter	December 2026
Semi-refrigerated				
Navigator Magellan	1998	20,700	Time charter	September 2016
Navigator Aries	2008	20,750	Time charter	March 2018
Navigator Capricorn	2008	20,750	Time charter	September 2017
Navigator Gemini	2009	20,750	Spot market	
Navigator Pegasus	2009	22,200	Spot market	
Navigator Phoenix	2009	22,200	Spot market	
Navigator Scorpio	2009	20,750	Time charter	September 2016
Navigator Taurus	2009	20,750	Time charter	April 2018
Navigator Virgo	2009	20,750	Time charter	April 2018
Navigator Leo	2011	20,600	Time charter	December 2023
Navigator Libra	2012	20,600	Time charter	December 2023
Navigator Centauri	2015	22,000	Spot market	
Navigator Ceres	2015	22,000	Spot market	
Navigator Ceto	2016	22,000	Spot market	
Navigator Copernico	2016	22,000	Spot market	
Fully-refrigerated				
Navigator Glory	2010	22,500	Time charter	December 2016
Navigator Grace	2010	22,500	Time charter	October 2016
Navigator Galaxy	2011	22,500	Time charter	January 2017
Navigator Genesis	2011	22,500	Time charter	January 2017
Navigator Global	2011	22,500	Time charter	November 2018
Navigator Gusto	2011	22,500	Time charter	January 2017

* Vessel delivered on August 2, 2016. *Navigator Aurora* will commence a ten-year time charter in December 2016

The following table presents certain information concerning our newbuildings:

Newbuilding Vessel	Year Built	Vessel Size (CBM)	Ethylene Capable	Anticipated Delivery	Employment Status	Charter Expiration Date

Navigator Eclipse	2016	37,300	ü	September 2016	Time charter	October 2017
Navigator Nova	2017	37,300	ü	January 2017	Spot market	
Navigator Prominence	2017	37,300	ü	March 2017	Spot market	
Navigator Yauza	2017	22,000		January 2017	Time charter	March 2022
Navigator Luga	2017	22,000		March 2017	Time charter	May 2022
Navigator Jorf	2017	38,000		July 2017	Time charter	September 2026

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Recent Developments

Following the delivery of *Navigator Copernico* from Jiangnan on April 14, 2016 and more recently *Navigator Aurora* from Jiangnan on August 2, 2016, we have six vessels in our newbuilding program, one of which is expected to be delivered in 2016 and five in 2017.

During the six months ended June 30, 2016, we have moved three vessels from third party technical managers into in-house technical management, Navigator Galaxy, Navigator Grace and Navigator Gusto. It is expected we will move one further vessel into in-house management over the course of the next six months. Although taking vessels into in-house technical management will initially not have a material financial impact on our earnings, it will assist us in maintaining our vessels to high standards.

Since the end of the first quarter of 2016, the handysize LPG seaborne transportation market has seen a significant weakening, and we have been experiencing a reduction in both our vessel charter rates and our vessel utilization. The marketplace has been experiencing an increase in the supply of hydrocarbons, and LPG is competing for market share against both light and heavy hydrocarbons. In addition, the LPG market has been further weakened due to a challenging pricing environment for propane and butane that has narrowed the global arbitrage spread resulting in a reduction of the seaborne transportation of LPG. Three very large gas carriers (VLGC) cargo stems originating from U.S. were cancelled during June 2016, seven in July 2016 and the same level of cancellations are expected for August 2016. It has been reported that several end users are renegotiating or reneging on their contracts, increasing uncertainty among the LPG participants. Marcus Hook NGL export terminal on the U.S. East Coast has commenced the export of significant amounts of ethane as well as adding fully-refrigerated capability when exporting propane, which has reduced cubic meter mile demand for the handysize semi-refrigerated vessels operating in the Atlantic basin. Our fleet loaded 5 cargos during the first six months of 2016 compared to 11 during first half of 2015. LPG still remains a supply driven product with a fundamental need to price to clear the market, particularly for production areas throughout the world with limited LPG storage capacity. By contrast, the U.S. has natural storage in the vast salt domes of Mont Belvieu, Texas, and producers and marketers face less pressure, in the short term, to reduce prices to export LPG. With U.S. LPG inventories on the rise, arbitrage opportunities may materialize, which we believe would encourage demand.

In January 2016 very large (84,000cbm) and medium size (38,000cbm) fully-refrigerated vessel market charter rates were being quoted at $1.6 million per calendar month (pcm) and $1.1 million pcm respectively. At the end of the second quarter 2016, market charter rates for the same sized vessels were quoted at $640,000 and $650,000 pcm respectively. The handysize (22,000cbm) semi-refrigerated vessel market charter rates, by comparison were quoted at $920,000 pcm in January 2016 and are currently quoted at $625,000 pcm, resulting in all three segments converging at similar charter rate levels, despite the vast differences in size capacity. The market experienced a similar scenario during 2009/2010 when VLGC charter rates were quoted at levels less than handysize rates. The parallels are evident in 2016; trading patterns for handysized vessels are shifting towards long haul transportation of petrochemical gases, predominantly ethylene and butadiene cargoes. Our capability to participate in petrochemical, LPG and ammonia trades creates more opportunities for us than if our vessels were only capable of trading in one of these three markets. We believe this is also a factor that may help explain why our relatively smaller vessels can earn similar or higher rates than the larger fully-refrigerated vessels. Given the forward curve of hydrocarbon market pricing and the additional vessels coming to the global fleet, we expect market softness to continue for the remainder of 2016.

We do not anticipate declaring or paying any cash dividends to holders of common stock in the near term. The Board continues to believe that retaining existing cash resources and future earnings is the correct strategy, particularly in the current business environment, to maintain a relatively strong balance sheet and flexibility to finance opportunistic acquisitions or selectively expand our business.

Factors Affecting Comparability

You should consider the following factors when evaluating our historical financial performance and assessing our future prospects:

We have been and are increasing our fleet size. Our historical financial performance and future prospects have been and will be significantly impacted by the increasing size of our fleet.

Historical Fleet Size. During 2015 we took delivery of *Navigator Triton* in January 2015, *Navigator Umbrio* in April 2015, *Navigator Centauri* in August 2015 and *Navigator Ceres* in October 2015, and we sold *Navigator Mariner* in August 2015, bringing our total fleet size to 29 vessels as of December 31, 2015, and resulting in a weighted average fleet size of 27.8 vessels during the 2015 year. Following the delivery on January 15, 2016 of *Navigator Ceto* and the delivery of *Navigator Copernico* on April 14, 2016 our fleet size increased to 31 vessels as of June 30, 2016, with a weighted average of 30.8 vessels for the six months ended June 30, 2016.

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Future Fleet Size. After the end of the second quarter 2016, we took delivery of the newbuilding *Navigator Aurora* on August 2, 2016. In addition, we have a newbuilding orderbook of six newbuilding gas carriers, of which one midsize vessel is expected to be delivered in 2016, and three midsize and two handysize vessels are expected to be delivered in 2017.

Given the increase in the number of operating vessels in our fleet, our historical financial statements reflect, and in the future will reflect, significantly different levels of ownership and operating days as well as different levels of voyage expenses, vessel operating expenses, interest expense and other related costs.

We will have different financing arrangements. We have entered into secured term loan facilities and a revolving credit facility and issued senior unsecured notes to finance the acquisitions of vessels and the construction of all but one of our remaining newbuildings. Please read Secured Term Loan Facilities and Revolving Credit Facility and Senior Unsecured Bonds. We expect to enter into alternative lending arrangements for the existing bank loans that expire and for the remaining single newbuilding not currently subject to a loan facility.

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Results of Operations for the Three Months Ended June 30, 2016 Compared to Three Months Ended June 30, 2015

The following table compares our operating results for the three months ended June 30, 2015 and 2016:

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016	Percentage Change
	(in thousands, except percentages)		
Operating revenue	$ 84,140	$ 72,541	(13.8%)
Operating expenses:			
Brokerage Commissions	1,906	1,508	(20.9%)
Voyage expenses	11,304	9,326	(17.5%)
Vessel operating expenses	19,342	23,712	22.6%
Depreciation and amortization	13,110	15,275	16.5%
General administration costs	2,700	3,103	14.9%
Other corporate expenses	1,170	683	(41.6%)
Total operating expenses	$ 49,532	$ 53,607	8.2%
Operating income	$ 34,608	$ 18,934	(45.3%)
Interest expense	(7,000)	(7,702)	10.0%
Interest income	27	91	237.0%
Income before income taxes	$ 27,635	$ 11,323	(59.0%)
Income taxes	215	202	(6.0%)
Net income	$ 27,420	$ 11,121	(59.4%)

Operating Revenue. Operating revenue, net of address commission, decreased by $11.6 million or 13.8 % to $72.5 million for the three months ended June 30, 2016, from $84.1 million for the three months ended June 30, 2015. This decrease was principally due to:

an increase in operating revenue of approximately $7.8 million attributable to an increase in the weighted average number of vessels from 27.7 for the three months ended June 30, 2015 to 30.8 for the three months ended June 30, 2016, and a corresponding increase in vessel ownership days by 286 days, or 11.3 %, for the three months ended June 30, 2016, as compared to the three months ended June 30, 2015;

a decrease in operating revenue of approximately $8.9 million attributable to a decrease in average charter rates, which were reduced to an average of approximately $828,328 per vessel per calendar month ($27,233 per day) for the three months ended June 30, 2016, compared to an average of approximately $930,642 per vessel per calendar month ($30,596 per day) for the three months ended June 30, 2015, as a result of a softening of the LPG seaborne transportation market during the second quarter of 2016;

a decrease in operating revenue of approximately $8.5 million attributable to a decrease in fleet utilization from 97.7% during the three months ended June 30, 2015 to 86.0% during the three months ended June 30, 2016, primarily as a result of an increase in the number of idle days primarily due to a weakening in the demand for our vessels as a result of the softening of the LPG seaborne transportation market during the second quarter of 2016; and

a decrease in operating revenue of approximately $2.0 million, primarily attributable to decrease in the cost and duration of voyage charters during the three months ended June 30, 2016, as compared to the three months ended June 30, 2015.

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The following table presents selected operating data for the three months ended June 30, 2015 and 2016, which we believe are useful in understanding our operating revenue.

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Fleet Data:		
Weighted average number of vessels	27.7	30.8
Ownership days	2,522	2,808
Available days	2,437	2,699
Operating days	2,381	2,321
Fleet utilization	97.7%	86.0%
Average daily time charter equivalent rate (*)	$ 30,596	$ 27,233

* **NON-GAAP Financial Measure -Time charter equivalent:** Time charter equivalent, or TCE , rate is a measure of the average daily revenue performance of a vessel. TCE is not calculated in accordance with U.S. GAAP. For all charters, we calculate TCE by dividing total operating revenues, less any voyage expenses, by the number of operating days for the relevant period. Under a time charter, the charterer pays substantially all of the vessel voyage related expenses, whereas for voyage charters we pay all voyage expenses. TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a company s performance despite changes in the mix of charter types (i.e., spot charters, time charters and contracts of affreightment) under which the vessels may be employed between the periods. We include average daily TCE rate, as we believe it provides additional meaningful information in conjunction with net operating revenues, because it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. Our calculation of TCE rate may not be comparable to that reported by other companies.

The following table represents a reconciliation of TCE to operating revenue, the most directly comparable financial measure calculated in accordance with U.S. GAAP for the periods presented.

	Three Months Ended June 30, 2015	Three Months Ended June 30, 2016
Fleet Data:		
Operating revenue	84,140	72,541
Voyage expenses	11,304	9,326
Operating revenue less Voyage expenses	72,836	63,215
Operating days	2,381	2,321
Average daily time charter equivalent rate	$ 30,596	$ 27,233

Brokerage Commissions. Brokerage commissions decreased by 20.9% to $1.5 million for the three months ended June 30, 2016, from $1.9 million for the three months ended June 30, 2015, as operating revenue on which it is based, has reduced.

Voyage Expenses. Voyage expenses decreased by 17.5% to $9.3 million for the three months ended June 30, 2016, from $11.3 million for the three months ended June 30, 2015. This was primarily due to a decrease in the number of voyage charters and a decrease in bunker (fuel oil) prices during the three months ended June 30, 2016, compared to the three months ended June 30, 2015.

Vessel Operating Expenses. Vessel operating expenses increased by 22.6 % to $23.7 million for the three months ended June 30, 2016, from $19.3 million for the three months ended June 30, 2015, as the number of vessels in our fleet increased. Daily vessel operating expenses increased by $775 per day, or 10.1% to $8,445 per vessel per day for the three months ended June 30, 2016, compared to $7,670 per vessel per day for the three months ended June 30, 2015. The overall increase in vessel operating expenses was primarily due to the increase in our fleet size and the increased maintenance expenditure incurred as a result of an increase in the number of dry dockings undertaken during the three months ended June 30, 2016 compared to the three months ended June 30, 2015.

Depreciation and Amortization. Depreciation and amortization expense increased by 16.5% to $15.3 million for the three months ended June 30, 2016, from $13.1 million for the three months ended June 30, 2015. This increase was primarily due to an increase in our fleet size. Depreciation and amortization expense includes amortization of capitalized drydocking costs of $2.1 million for the three months ended June 30, 2016, and $1.1 million for the three months ended June 30, 2015.

Other Operating Results

General Administration Costs. General administration costs increased by $0.4 million or 14.9% to $3.1 million for the three months ended June 30, 2016, from $2.7 million for the three months ended June 30, 2015. The increase in general administration costs was primarily due to an increase in our number of employees during the three months ended June 30, 2016, as we began to take the technical management of certain of our vessels in-house.

Other Corporate Expenses. Other corporate expenses decreased by $0.5 million, or 41.6%, to $0.7 million for the three months ended June 30, 2016, from $1.2 million for the three months ended June 30, 2015, primarily due to the strengthening in the U.S. dollar against other currencies.

***Interest Expense*.** Interest expense increased by $0.7 million, or 10.0%, to $7.7 million for the three months ended June 30, 2016, from $7.0 million for the three months ended June 30, 2015. This was primarily due to additional amounts drawn down on the loan facility since June 30, 2015 associated with delivery of newbuild vessels. Interest capitalized on newbuild installments for the three months ended June 30, 2016 was $1.4 million, an increase of $0.3 million from the $1.1 million of interest capitalized for the three months ended June 30, 2015.

***Income Taxes*.** Income tax relates to taxes on our subsidiaries incorporated in the United Kingdom, Poland and Singapore. Our United Kingdom subsidiary earns management and other fees from affiliates, and our Singaporean subsidiary earns interest from loans to our variable interest entity in Indonesia. The main corporate tax rates are 20%, 19% and 17% in the United Kingdom, Poland and Singapore, respectively. For the three months ended June 30, 2016, we incurred taxes of $201,946, as compared to taxes of $215,417 for the three months ended June 30, 2015.

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Results of Operations for the Six Months Ended June 30, 2016 Compared to Six Months Ended June 30, 2015

The following table compares our operating results for the six months ended June 30, 2015 and 2016:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2016	Percentage Change
	(in thousands, except percentages)		
Operating revenue	$ 158,338	$ 148,916	(6.0%)
Operating expenses:			
Brokerage Commissions	3,536	3,009	(14.9%)
Voyage expenses	18,175	16,419	(9.7%)
Vessel operating expenses	37,312	46,117	23.6%
Depreciation and amortization	25,911	29,851	15.2%
General administration costs	5,354	6,060	13.2%
Other corporate expenses	1,533	1,233	(19.6%)
Total operating expenses	$ 91,821	$ 102,689	11.8%
Operating income	$ 66,517	$ 46,227	(30.5%)
Interest expense	(13,796)	(15,485)	12.2%
Write off of deferred financing costs	(1,797)		
Interest income	30	169	436.3%
Income before income taxes	$ 50,954	$ 30,911	(39.3%)
Income taxes	450	396	(12.0%)
Net income	$ 50,504	$ 30,515	(39.6%)

Operating Revenue. Operating revenue net of address commission, decreased by $9.4 million or 6.0% to $ 148.9 million for the six months ended June 30, 2016, from $158.3 million for the six months ended June 30, 2015. This decrease was primarily due to:

an increase in operating revenue of approximately $16.3 million attributable to an increase in the weighted average number of vessels from 27.3 for the three months ended June 30, 2015, to 30.3, for the six months ended June 30, 2016, and a corresponding increase in vessel ownership days by 580 days, or 11.7%, for the six months ended June 30, 2016, as compared to the six months ended June 30, 2015;

a decrease in operating revenue of approximately $7.8 million attributable to a reduction in average monthly charter rates, which decreased to an average of approximately $863,908 per vessel per calendar month ($28,402 per day) for the six months ended June 30, 2016, compared to an average of approximately $909,438 per vessel per calendar month ($29,899 per day) for the six months ended June 30, 2015, as a result of a softening of the LPG seaborne transportation market during the second quarter of 2016;

a decrease in operating revenue of approximately $16.1 million attributable to a decrease in fleet utilization from 97.4% for the six months ended June 30, 2015 to 86.8% for the six months ended June 30, 2016, primarily as a result of an increase in the number of idle days primarily due to a weakening in the demand for our vessels as a result of the softening of the LPG seaborne transportation market during the second quarter of 2016; and

a decrease in operating revenue of approximately $1.8 million primarily attributable to a reduction in the cost and duration of voyage charters during the six months ended June 30, 2016, compared to the six months ended June 30, 2015.

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The following table presents selected operating data for the six months ended June 30, 2015 and 2016, which we believe is useful in understanding our operating revenue:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2016
Fleet Data:		
Weighted average number of vessels	27.3	30.3
Ownership days	4,943	5,523
Available days	4,816	5,374
Operating days	4,688	4,665
Fleet utilization	97.4%	86.8%
Average daily time charter equivalent rate (*)	$ 29,899	$ 28,402

***NON-GAAP Financial Measure -Time charter equivalent:** Time charter equivalent, or TCE , rate is a measure of the average daily revenue performance of a vessel. TCE is not calculated in accordance with US GAAP. For all charters, we calculate TCE by dividing total operating revenues, less any voyage expenses, by the number of operating days for the relevant period. Under a time charter, the charterer pays substantially all of the vessel voyage related expenses, whereas for voyage charters we pay all voyage expenses. TCE rate is a standard shipping industry performance measure used primarily to compare period-to-period changes in a company s performance despite changes in the mix of charter types (i.e., spot charters, time charters and contracts of affreightment) under which the vessels may be employed between the periods. We include average daily TCE rate, as we believe it provides additional meaningful information in conjunction with net operating revenues, because it assists our management in making decisions regarding the deployment and use of our vessels and in evaluating their financial performance. Our calculation of TCE rate may not be comparable to that reported by other companies.

The following table represents a reconciliation of TCE to operating revenue, the most directly comparable financial measure calculated in accordance with U.S. GAAP for the periods presented.

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2016
Fleet Data:		
Operating revenue	158,338	148,916
Voyage expenses	18,175	16,419
Operating revenue less Voyage expenses	140,163	132,497
Operating days	4,688	4,665
Average daily time charter equivalent rate	$ 29,899	$ 28,402

***Brokerage Commissions*.** Brokerage commissions decreased by 14.9% to $3.0 million for the six months ended June 30, 2016, from $3.5 million for the six months ended June 30, 2015, as operating revenue on which it is based, has decreased.

Voyage Expenses. Voyage expenses decreased by 9.7% to $16.4 million for the six months ended June 30, 2016, from $18.2 million for the six months ended June 30, 2015. This was primarily due to a decrease in the number of voyage charters undertaken and a decrease in bunker prices resulting in lower voyage bunker costs during the six months ended June 30 2016, compared to the six months ended June 30, 2015.

Vessel Operating Expenses. Vessel operating expenses increased by 23.6% to $46.1 million for the six months ended June 30, 2016, from $37.3 million for the six months ended June 30, 2015, as the number of vessels in our fleet increased. Daily vessel operating expenses increased by $801 per vessel per day, or 10.6 %, to $8,349 per vessel per day for the six months ended June 30, 2016, compared to $7,548 per vessel per day for the six months ended June 30, 2015. The overall increase in vessel operating expenses was primarily due to the increase in our fleet size and increased maintenance expenditure incurred as a result of an increase in the number of dry dockings undertaken during the six months ended June 30, 2016 compared to the six months ended June 30, 2015.

Depreciation and Amortization. Depreciation and amortization expense increased by 15.2% to $29.9 million for the six months ended June 30, 2016, from $25.9 million for the six months ended June 30, 2015. This increase was primarily due to an increase in our fleet size. Depreciation and amortization expense included amortization of capitalized drydocking costs of $4.0 million for the six months ended June 30, 2016, and $2.2 million for the six months ended June 30, 2015.

Other Operating Results

General Administration Costs. General administration costs increased by $0.7 million or 13.2% to $6.1 million for the six months ended June 30, 2016, from $5.4 million for the six months ended June 30, 2015. The increase in general administration costs was primarily due to an increase in our number of employees during the six months ended June 30, 2016, as we begin to take the technical management of certain vessels in-house.

Other Corporate Expenses. Other corporate expenses decreased by $0.3 million or 19.6% to $1.2 million for the six months ended June 30, 2016, from $1.5 million for the six months ended June 30, 2015, primarily due to the strengthening in the U.S. dollar against other currencies.

Interest Expense. Interest expense increased by $1.7 million, or 12.2%, to $15.5 million for the six months ended June 30, 2016, from $13.8 million for the six months ended June 30, 2015. This increase was primarily due to additional amounts drawn down on the loan facility since June 30, 2015 associated with delivery of newbuild vessels. Interest capitalized on newbuild installments for the six months ended June 30, 2016 was $2.6 million, an increase of $0.5 million from the $2.1 million of interest capitalized for the six months ended June 30, 2015.

Write off of Deferred Finance Costs. The write off of deferred financing costs of $1.8 million for the six months ended June 30, 2015 related to costs associated with one of our previous secured term loan facilities that was refinanced during the six months ended June 30, 2015. No loan refinancing occurred in the six months ended June 30, 2016.

Income Taxes. Income tax relates to taxes on our subsidiaries incorporated in the United Kingdom, Poland and Singapore. Our United Kingdom subsidiary earns management and other fees from affiliates, and our Singaporean subsidiary earns interest from loans to our variable interest entity in Indonesia, the main corporate tax rates are 20%, 19% and 17% in the United Kingdom, Poland and Singapore, respectively. For the six months ended June 30, 2016, we incurred taxes of $395,507, as compared to taxes for the six months ended June 30, 2015 of $449,715.

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Liquidity and Capital Resources

Liquidity and Cash Needs

Our primary uses of funds have been capital expenditures for the acquisition and construction of vessels, voyage expenses, vessel operating expenses, general and administrative costs, expenditures incurred in connection with ensuring that our vessels comply with international and regulatory standards, financing expenses and repayments of bank loans. Our primary sources of funds have been cash from operations, bank borrowings, proceeds from our initial public offering, equity investments from existing shareholders, and proceeds from a bond issuance. We are required to maintain certain minimum liquidity amounts in order to comply with our various debt instruments. Please see Secured Term Loan Facilities and Revolving Credit Facility.

As of June 30, 2016, our total current liabilities exceeded our total current assets by $101.2 million, primarily as a result of two bank loans that mature in April 2017 (the $180.0 million secured term loan facility that we entered into in April 2012 and the $80.0 million secured term loan facility that we entered into in April 2011). The total outstanding principal amount on these two loans at June 30, 2016 was $149.3 million. We are currently in the process of evaluating offers from a number of banks with respect to refinancing these loans. We expect we will be able to refinance these two bank loans before these liabilities become due.

In addition to operating expenses, our medium-term and long-term liquidity needs primarily relate to the construction of newbuildings and potential future acquisitions. At June 30, 2016, we had contracted seven newbuildings for delivery by July 2017 for an aggregate contracted price of $465.1 million, the details of which are as follows:

Vessels	CBM	Shipyard	Contract price	Instalments paid as at June 30, 2016	Funds available from existing credit facilities
				(in millions)	
Navigator Aurora*	37,300	Jiangnan	77.4	23.2	54.7
Navigator Eclipse	37,300	Jiangnan	78.4	23.5	54.7
Navigator Nova	37,300	Jiangnan	78.4	23.5	54.7
Navigator Prominence	37,300	Jiangnan	78.4	23.5	54.7
Navigator Yauza	22,000	HMD	51.0	20.4	35.6
Navigator Luga	22,000	HMD	51.0	20.4	35.6
Navigator Jorf	38,000	HMD	50.5	15.0	
Total			$ 465.1	$ 149.5	$ 290.0

* We drew down $54.7 million available under the December 2015 secured term loan facility on July 25, 2016 to partially finance the delivery of *Navigator Aurora.*

As set forth in the table above, we have financed the purchase prices of all of the remaining newbuildings, except for Navigator Jorf, through existing senior term loan facilities and our revolving credit facility. We expect to finance the purchase price of Navigator Jorf through internally generated funds and debt financings. We anticipate that our primary sources of funds for our medium-term and long-term liquidity needs will be cash from operations and debt and/or equity financings. We believe that these sources of funds will be sufficient to meet our liquidity needs for the foreseeable future.

Ongoing Capital Expenditures

Liquefied gas transportation is a capital-intensive business, requiring significant investment to maintain an efficient fleet and to stay in regulatory compliance.

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We are required to drydock each vessel once every five years until it reaches 15 years of age, after which we are required to drydock the applicable vessel every two and one-half to three years. Drydocking each vessel takes approximately 20-30 days. Drydocking days generally include approximately 5-10 days of travel time to and from the drydocking shipyard and approximately 15-20 days of actual drydocking time. Seven of our vessels are expected to undergo scheduled drydocking during 2016, five of which have completed their drydocking as of June 30, 2016.

We spend significant amounts of funds for scheduled drydocking (including the cost of classification society surveys) of each of our vessels. As our vessels age and our fleet expands, our drydocking expenses will increase. We estimate the current cost of the five-year drydocking of one of our vessels is approximately $0.8 million, the ten-year drydocking cost is approximately $1.2 million, and the 15 and 17 year drydocking costs are approximately $1.5 million each. Ongoing costs for compliance with environmental regulations are primarily included as part of our drydocking, such as the recent requirement to install ballast water treatment plants, and classification society survey costs, with a balance included as a component of our operating expenses. We are not aware of any regulatory changes or environmental liabilities that we expect to have a material impact on our current or future results of operations.

Cash Flows

The following table summarizes our cash and cash equivalents provided by (used in) operating, financing and investing activities for the six months ended June 30, 2015 and 2016:

	Six Months Ended June 30, 2015	Six Months Ended June 30, 2016
	(in thousands)	
Net cash provided by operating activities	$ 67,630	$ 39,043
Net cash used in investing activities	(125,874)	(89,446)
Net cash provided by financing activities	61,943	29,487
Net increase/(decrease) in cash and cash equivalents	3,699	(20,916)

Operating Cash Flows. Net cash provided by operating activities for the six months ended June 30, 2016, decreased to $39.0 million, from $67.6 million for the six months ended June 30, 2015, a decrease of 42.3%. This $28.6 million decrease in net cash provided by operating activities for the six months ended June 30, 2016 compared to the six months ended June 30, 2015 was primarily due to lower net income, increased payment of dry docking costs and movements in working capital.

Net cash flow from operating activities depends upon the size of our fleet, charter rates attainable, fleet utilization fluctuations in working capital balances, repairs and maintenance activity, changes in interest rates and foreign currency rates.

Investing Cash Flows. Net cash used in investing activities of $89.4 million for the six months ended June 30, 2016, primarily represents $76.9 million for payments made to Jiangnan shipyard, representing final installments on the deliveries of *Navigator Ceto* and *Navigator Copernico,* along with $8.5 million of other costs including capitalized interest of $2.6 million associated with newbuildings and $8.7 million for payments of collision repair costs for *Navigator Aries,* offset by $4.7 million received from the insurances in relation to the collision.

Net cash used in investing activities of $125.9 million for the six months ended June 30, 2015, primarily represents a total of $116.7 million for payments made to Jiangnan shipyard, consisting of final installments on the delivery of *Navigator Triton* and *Navigator Umbrio*, amounting to $79.8 million, installments paid for the newbuildings delivered or expected to be delivered in 2016 of $16.5 million and, installments for the 2017 newbuildings totaling $20.4 million, along with $10.2 million of other costs associated with newbuildings including capitalized interest of 2.1 million offset by $0.6 million relating to receipts from the shipyard for delayed delivery penalties and $0.4 million of receipts from a 2013 insurance claim.

Financing Cash Flows. Net cash provided by financing activities was $29.5 million for the six months ended June 30, 2016, primarily consisting of $62.3 million drawn from a secured term loan facility to finance the delivery installments of *Navigator Ceto* and *Navigator Copernico*, offset by $32.7 million in quarterly loan repayments and a payment of $0.1 million in financing costs associated with the December 2015 revolving loan facility.

Net cash provided by financing activities was $61.9 million for the six months ended June 30, 2015, primarily consisting of $65.4 million drawn from a secured term loan facility to finance the delivery installment of two newbuildings, along with $30.0 million drawn down on our revolving term loan facility to finance instalment payments made on the 2017 newbuildings, offset by $31.1 million in regular loan repayments and $2.4 million in financing costs associated with entering into the January 2015 secured term loan facility.

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Secured Term Loan Facilities and Revolving Credit Facility

General. Navigator Gas L.L.C., our wholly-owned subsidiary, and certain of our vessel-owning subsidiaries have entered into a series of secured term loan facilities as summarized in the table below. For additional information regarding our secured term loan facilities and revolving credit facility, please read Item 5 Operating and Financial Review and Prospects B. Liquidity and Capital Resources Secured Term Loan Facilities and Revolving Credit Facility in our 2015 Annual Report.

Facility agreement date	Credit Facility amount	Principal Amount outstanding	Available amounts undrawn at June 30, 2016	Interest rate	Loan Maturity date
		(in millions)			
April 2011	$ 80.0	$ 54.1	$	US Libor + 300 BPS	Apr-17
April 2012	180.0	95.2		US Libor + 337 BPS	Apr-17
February 2013	270.0	131.2	30.0	US Libor + 350 BPS	Feb-18
January 2015	278.1	254.4		US Libor + 270 BPS	Apr-23
December 2015	290.0		290.0*	US Libor + 210 BPS	Dec-22
Total	$ 1,098.1	$ 534.9	$ 320.0		

* On July 25, 2016, we borrowed $54.6 million under the December 2015 term loan facility to fund the delivery installment of *Navigator Aurora*.

The borrowers are required to deliver semi-annual compliance certificates, which include valuations of the vessels securing the applicable facility from an independent ship broker. Upon delivery of the valuation, if the market value of the collateral vessels is less than 130% of the outstanding indebtedness under the April 2011 facility, 125% of the outstanding indebtedness under December 2015 facility or 135% of the outstanding indebtedness under the other facilities, the borrowers must either provide additional collateral or repay any amount in excess of 130% or 135% of the market value of the collateral vessels, as applicable.

Financial Covenants. The secured term loan facilities contain financial covenants requiring the borrowers, among other things, to ensure that:

- the ratio of Net Debt to Total Capitalization (each as defined in the applicable secured term loan facility) is no greater than 0.60 to 1.00;

- the borrowers have liquidity (including undrawn available lines of credit with a maturity exceeding 12 months) of no less than (i) between $10.0 million and $25.0 million, as applicable, or (ii) 5% of Net Debt or total debt, as applicable, whichever is greater;

- the ratio of EBITDA to Interest Expense (each as defined in the applicable secured term loan facility), on a trailing four quarter basis, is no less than 3.00 to 1.00;

the borrower maintains a minimum ratio of shareholder equity to total assets of 30%; and

the current assets of the borrower exceed the current liabilities (excluding current liabilities attributable to the senior unsecured bonds and the current portion of the senior term loans maturing in more than six months) at all times.

***Restrictive Covenants*.** The secured term loan facilities provide that the borrowers may not pay dividends to us out of operating revenues generated by the vessels securing the indebtedness if an event of default has occurred or is continuing. The secured term loan facilities and revolving credit facility also limit the borrowers from, among other things, incurring indebtedness or entering into mergers and divestitures. The secured term loan facilities also contain general covenants that will require the borrowers to maintain adequate insurance coverage and to maintain their vessels. In addition, the secured term loan facilities include customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, representation and warranty, a cross-default to other indebtedness and non-compliance with security documents.

As of June 30, 2016, we were in compliance with all covenants under the secured term loan facilities.

Senior Unsecured Bonds

General. On December 18, 2012, we issued senior unsecured bonds in an aggregate principal amount of $125.0 million with Norsk Tillitsmann ASA as the bond trustee. The proceeds of the senior unsecured bonds were used to partially finance the acquisition of the A.P. Møller vessels. The senior unsecured bonds are governed by Norwegian law and listed on the Nordic ABM which is operated and organized by Oslo Børs ASA.

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Interest. Interest on the senior unsecured bonds is payable at a fixed rate of 9.0% per annum, semi-annually on each June 18 and December 18.

Maturity. The senior unsecured bonds mature in full on December 18, 2017.

Optional Redemption. We have an option to redeem the senior unsecured bonds, in whole or in part, since December 18, 2015. Senior unsecured bonds redeemed from December 18, 2015 to December 17, 2016, shall be redeemed at 104% of par, senior unsecured bonds redeemed from December 18, 2016 to June 17, 2017, shall be redeemed at 102% of par and senior unsecured bonds redeemed from June 18, 2017, to the day prior to the maturity date, shall be redeemed at 101% of par.

Additionally, upon the occurrence of a Change of Control Event (as defined in the senior unsecured bond agreement), the holders of senior unsecured bonds have an option to force the issuer to repay such holder s outstanding bonds at 101% of par.

Financial Covenants. The senior unsecured bond agreement contains financial covenants requiring us, among other things, to ensure that:

- we and our subsidiaries maintain a minimum liquidity of no less than the greater of (i) $12.5 million and (ii) 5% of Total Interest-Bearing Debt (as defined in the senior unsecured bond agreement);

- we and our subsidiaries maintain a positive working capital amount (excluding the current portion of long term debt);

- we and our subsidiaries maintain an Interest Coverage Ratio (as defined in the senior unsecured bond agreement) of not less than 3.0;

- we and our subsidiaries maintain an Equity Ratio (as defined in the senior unsecured bond agreement) of at least 30%; and

- we and our subsidiaries ensure that the sum of the market value of (i) our vessels plus (ii) any amounts in any escrow account in favor of the bond trustee are at least 120% of the Total Interest-Bearing Debt.

Our compliance with the covenants listed above is measured as of the end of each fiscal quarter, except for the final ratio, which is measured semi-annually on June 30 and December 31 of each year.

Restrictive Covenants. The senior unsecured bond agreement provides that we may declare dividends so long as such dividends do not exceed 50% of our consolidated net profits after taxes and we have an Equity Ratio of 35% after giving pro forma effect to such distribution. The senior unsecured bond agreement also limits us and our subsidiaries from, among other things, incurring additional indebtedness, entering into mergers and divestitures, engaging in transactions with affiliates or incurring any additional liens. In addition, the senior unsecured bond agreement includes customary events of default, including those relating to a failure to pay principal or interest, a breach of covenant, false representation and warranty, a cross-default to other indebtedness, the occurrence of a material adverse effect, or our insolvency or dissolution.

As of June 30, 2016, we were in compliance with all covenants under our senior unsecured bond agreement.

Tabular Disclosure of Contractual Obligations

The contractual obligations schedule set forth below summarizes our contractual obligations excluding interest payable as of June 30, 2016.

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	Remainder of 2016	2017	2018	2019	2020	Thereafter	Total
				(in thousands)			
Vessels under construction	$ 154,870	$ 160,620	$	$	$	$	$ 315,490
Secured term loan facilities and revolving credit facility	33,214	175,452	125,439	21,428	79,554	99,849	534,936
9% senior unsecured bond issue		125,000					125,000
Office leases	413	593	477	477	477	597	3,034
Total contractual obligations	$ 188,497	$ 461,665	$ 125,916	$ 21,905	$ 80,031	$ 100,446	$ 978,460

As part of our growth strategy, we will continue to consider strategic opportunities, including the acquisition of additional vessels. We may choose to pursue such opportunities through internal growth or joint ventures or business acquisitions. We intend to finance any future acquisitions through various sources of capital, which may include, among other things, borrowings under credit facilities or other debt, and the issuance of additional shares of common stock.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our consolidated financial statements are presented fairly and in accordance with U.S. GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. For a description of our material accounting policies, please read Note 2 (Summary of Significant Accounting Policies) to our audited historical consolidated financial statements included in our 2015 Annual Report.

Vessel impairment

We review our vessels for impairment when events or circumstances indicate the carrying amount of the vessel may not be recoverable. When such indicators are present, a vessel is tested for recoverability and we recognize an impairment loss if the sum of the future cash flows (undiscounted and excluding interest charges that will be recognized as an expense when incurred) expected to be generated by the vessel over its estimated remaining useful life is less than its carrying value. If we determine that a vessel s undiscounted cash flows are less than its carrying value, we record an impairment loss equal to the amount by which its carrying amount exceeds its fair value. The new lower cost basis would result in a lower annual depreciation than before the impairment.

Considerations in making such an impairment evaluation include comparison of current carrying values to anticipated future operating cash flows, expectations with respect to future operations and other relevant factors. The estimates and assumptions regarding expected cash flows require considerable judgment and are based upon historical experience, financial forecasts and industry trends and conditions.

As of June 30, 2016, the aggregate carrying value of our vessels in operation was $1,345 million. We determined the aggregate undiscounted cash flows of our vessels as of June 30, 2016, to be $4,454 million. The undiscounted future cash flows used to support vessel values were determined by applying various assumptions regarding future revenues, vessel utilization rates, operating expenses and residual values. These assumptions are based on historical trends as well as future expectations. Specifically, in estimating future charter rates, management took into consideration estimated daily TCE rates for each vessel class over the estimated remaining lives of each of the vessels. Management takes into consideration rates currently in effect for existing time charters and the estimated daily TCE rates used for unfixed vessels were based on the trailing 10-year historical average one-year time charter rates an overall average of approximately $805,900 per calendar month as at June 30, 2016. Recognizing that rates tend to be cyclical, and subject to some volatility based on factors beyond our control, management believes the use of estimates based on the 10-year historical average rates calculated as of the reporting date to be reasonable. Estimated vessel utilization rates used are also based on the average utilization rates achieved by the Company on the trailing 10-year historical average. Estimated outflows for operating expenses are based on historical costs and are adjusted for assumed inflation. Estimates of a residual value are consistent with scrap rates used in management s evaluation of scrap value.

Although management believes that the assumptions used to evaluate potential impairment are reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. A 10% reduction in the estimated vessel TCE rate used in connection with our calculations would result in a $656.3 million decrease in the aggregate undiscounted cash flows of our vessels in operation as of June 30, 2016. A 10% increase in estimated vessel operating expenses used in connection with our calculations would result in a $270.6 million decrease in the aggregate undiscounted cash flows of our vessels in operation as of June 30, 2016.

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We obtain shipbroker appraisals of our vessels principally for the purposes of covenant compliance (e.g., loan to value ratio). These appraisals are generally performed without examination of the vessel and without an attempt to market a vessel, and no consideration is given to whether a group of vessels could be sold for higher valuation than on an individual basis. In addition, with respect to the class of vessels we own, we believe that relative to the worldwide oceangoing vessel fleet, the market for the sale of our vessels is particularly illiquid due to the relatively limited number of vessels in the global handysize fleet and the specialized nature of these vessels, difficult to observe and, therefore, speculative, given the extremely limited secondary sales data. Given this lack of secondary sales data available for our specific vessels, these appraisals have been used by us as an approximation of our vessels market values. However, because these appraisals are primarily prepared for the purposes of valuing collateral and given the lack of comparable market transactions, they are prepared on a charter-free basis (i.e. vessel only, without the benefit of a revenue stream) predominantly based on depreciated replacement cost, which, we believe significantly discounts the value of our vessels. As a result, we believe that the ultimate value that could be obtained from the sale of any one of our vessels to a willing third party would likely, and in many cases meaningfully, exceed the vessel s appraised value on this basis, especially if we were given adequate time to market the vessel.

The table below indicates the carrying value of each of our owned vessels as of June 30, 2016 and December 31, 2015. Instalments paid, or costs incurred, in relation to the construction of newbuild vessels are not presented in the table below.

Operating Vessel	December 30, 2015 Carrying value	June 30, 2016 Carrying value
	(in millions)	(in millions)
Navigator Aries	$ 39.6	$ 47.6
Navigator Atlas	51.3	50.4
Navigator Capricorn	42.0	41.1
Navigator Centauri	47.0	46.2
Navigator Ceres	47.1	46.2
Navigator Ceto		46.2
Navigator Copernico		46.4
Navigator Europa	50.2	49.4
Navigator Gemini	48.7	47.6
Navigator Grace	40.1	39.2
Navigator Genesis	41.2	41.7
Navigator Global	41.4	41.3
Navigator Galaxy	41.2	40.4
Navigator Gusto	41.2	42.4
Navigator Glory	40.7	39.8
Navigator Leo	47.7	46.8
Navigator Libra	48.0	48.0
Navigator Magellan	26.2	24.9
Navigator Mars	37.9	36.6
Navigator Neptune	36.7	36.9
Navigator Oberon	50.7	49.8
Navigator Pegasus	44.3	43.3
Navigator Phoenix	44.5	43.6

Navigator Pluto	37.0	36.7
Navigator Saturn	38.9	37.5
Navigator Scorpio	44.0	43.1
Navigator Taurus	49.9	48.8
Navigator Triton	51.7	50.9
Navigator Umbrio	52.2	51.3
Navigator Venus	38.7	37.4
Navigator Virgo	44.4	43.5

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We believe that the future undiscounted cash flows expected to be earned by our vessels over their operating lives exceeded the vessels carrying amounts at June 30, 2016 and December 31, 2015. Accordingly, no impairment charge has been recorded at June 30, 2016 or December 31, 2015 following the requirements of our U.S. GAAP impairment accounting policy. The carrying value of each of our vessels exceeded its shipbroker appraised value as at June 30, 2016 and as at December 31, 2015. We estimate that the aggregate carrying value of these vessels exceeded their aggregate shipbroker appraisal values by approximately $210.0 million as at June 30, 2016 and approximately $90.0 million as at December 31, 2015.

Recently Adopted Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-03 Interest Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs , which intends to simplify the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding liability, consistent with debt discounts. Historically, we presented deferred debt issuance costs, or fees directly related to directly issuing debt, as long-term assets on our consolidated balance sheets. During the first quarter of 2016, we adopted the guidance codified in ASU 2015-03, as described in Note 1 (Basis of Presentation) to our unaudited consolidated financial statements included this report. Upon adoption, the Company applied the new guidance retrospectively to all prior periods presented in the financial statements. The reclassification upon adoption of the new guidance did not impact net income as previously reported or any prior amounts reported on our statements of operations or consolidated statements of cash flows. The effect of the retrospective application of this change in accounting principle on our balance sheet as of the year ended December 31, 2015 resulted in a reduction of total non-current assets and total assets in the amount of $10.1 million, with a corresponding decrease of $7.2 million in long-term debt, net and total non-current liabilities and a decrease of $2.9 million in current portion of long-term debt net and total current liabilities. Please see Note 4 (Secured Term Loan Facilities and Revolving Credit Agreement) to our unaudited consolidated financial statements included this report.

In February 2015, FASB issued ASU 2015-02 Amendments to the Consolidation Analysis , which changes the way reporting enterprises evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity (VIE), and (c) variable interests in a VIE held by related parties of the reporting enterprise require the reporting enterprise to consolidate the VIE. It also eliminates the VIE consolidation model based on majority exposure to variability that applied to certain investment companies and similar entities. The new guidance excludes money market funds that are required to comply with Rule 2a-7 of the Investment Company Act of 1940 and similar entities from the U.S. GAAP consolidation requirements. Historically, we have consolidated 100% of our VIE, PT Navigator Khatulistiwa, for which we are deemed to be the primary beneficiary, *i.e.* we have a controlling financial interest in this entity. We own 49% of our VIE s common stock, all of its secured debt and have voting control. All economic interests in the residual net assets reside with us. During the first quarter of 2016, we adopted the guidance codified in ASU 2015-02, as described in Note 1 (Basis of Presentation) to our unaudited consolidated financial statements included in this report. Upon adoption, there was no need for retrospective amendments to our financial statements, as we consolidated 100% of the VIE in our financial statements for all applicable prior periods.

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Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates and foreign currency fluctuations, as well as inflation. We may in the future use interest rate swaps to manage interest rate risks, but will not use these financial instruments for trading or speculative purposes.

Interest Rate Risk

Historically, we have been subject to limited market risks relating to changes in interest rates because we did not have significant amounts of floating rate debt outstanding. Navigator Gas L.L.C., our wholly-owned subsidiary, and certain of our vessel-owning subsidiaries are parties to secured term loan facilities that bear interest at an interest rate of US LIBOR plus 210 to 350 basis points. A variation in LIBOR of 100 basis points would result in a variation of $5.3 million in annual interest paid on our indebtedness outstanding as at June 30, 2016, under the secured term loan facilities.

We invest our surplus funds with reputable financial institutions, with original maturities of no more than six months, in order to provide the Company with flexibility to meet all requirements for working capital and for capital investments.

We do not currently use interest rate swaps to manage the impact of interest rate changes on earnings and cash flows, but we may elect to do so in the future.

Foreign Currency Exchange Rate Risk

Our primary economic environment is the international shipping market. This market utilizes the U.S. Dollar as its functional currency. Consequently, virtually all of our revenues are in U.S. Dollars. Our expenses, however, are in the currency invoiced by each supplier, and we remit funds in the various currencies invoiced. We incur some vessel operating expenses, including some crewing costs, and general and administrative costs in foreign currencies and there is a risk that currency fluctuations could have an adverse effect on the value of our cash flows. We believe that any adverse effect would be immaterial and we have not entered into any derivative contracts to mitigate our exposure to foreign currency exchange rate risk.

Inflation

Certain of our operating expenses, including crewing, insurance and drydocking costs, are subject to fluctuations as a result of market forces. Increases in bunker costs could have a material effect on our future operations if the number of vessel employment contracts for voyage charters or Contracts of Affreightment (COA) increases. In the case of the 31 vessels owned as of June 30, 2016, 15 were on time charter and as such it is the charterers who pay for the fuel on those vessels. If our vessels are employed under voyage charters or COAs, freight rates are generally sensitive to the price of fuel. However, a sharp rise in bunker prices may have a temporary negative effect on our results since freight rates generally adjust only after prices settle at a higher level.

Credit Risk

We may be exposed to credit risks in relation to vessel employment and at times may have multiple vessels employed by one charterer. We consider and evaluate concentration of credit risk continuously and perform ongoing evaluations of these charterers for credit risk. At June 30, 2016, no more than three of our vessels were employed by the same charterer.

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IMPORTANT INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Report on Form 6-K for the three months ended June 30, 2016 contains certain forward-looking statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto, including our financial forecast, contain forward-looking statements. In addition, we and our representatives may from time to time make other oral or written statements that are also forward-looking statements. Such statements include, in particular, statements about our plans, strategies, business prospects, changes and trends in our business and the markets in which we operate as described in this report. In some cases, you can identify the forward-looking statements by the use of words such as may, could, should, would, expect, plan, anticipate, forecast, believe, estimate, predict, propose, potential, continue, or the negative of these terms or other cor terminology. Forward-looking statements appear in a number of places in this report. These risks and uncertainties include, but are not limited to:

- future operating or financial results;
- pending acquisitions, business strategy and expected capital spending;
- operating expenses, availability of crew, number of off-hire days, drydocking requirements and insurance costs;
- fluctuations in currencies and interest rates;
- general market conditions and shipping market trends, including charter rates and factors affecting supply and demand;
- our financial condition and liquidity, including our ability to refinance our indebtedness that matures in 2017 or obtain additional financing in the future to fund capital expenditures, acquisitions and other corporate activities;
- estimated future capital expenditures needed to preserve our capital base;
- our expectations about the receipt of our six newbuildings and the timing of the receipt thereof;
- our expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, or the useful lives of our vessels;
- our continued ability to enter into long-term, fixed-rate time charters with our customers;

- changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from future litigation;
- our expectations relating to the payment of dividends;
- our expectation that we will continue to provide in-house technical management for some vessels in our fleet and our success in providing such in-house technical management; and
- other factors detailed from time to time in other periodic reports we file with the Securities and Exchange Commission.

All forward-looking statements included in this Report on Form 6-K are made only as of the date of this Report on Form 6-K. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement. We do not intend to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with respect thereto or any change in events, conditions or circumstances on which any such statement is based.

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NAVIGATOR HOLDINGS LTD.