

## Danaos Corporation Reports Results for the Fourth Quarter and Year Ended December 31, 2016

**Athens, Greece, February 21, 2017** – Danaos Corporation (“Danaos”) (NYSE: DAC), one of the world’s largest independent owners of containerships, today reported unaudited results for the fourth quarter and the year ended December 31, 2016.

### Highlights for the Fourth Quarter and Year Ended December 31, 2016:

- Adjusted net income<sup>1</sup> of \$23.2 million, or \$0.21 per share, for the three months ended December 31, 2016 compared to \$47.2 million, or \$0.43 per share, for the three months ended December 31, 2015, a decrease of 50.8%. Adjusted net income<sup>1</sup> of \$140.9 million, or \$1.28 per share, for the year ended December 31, 2016 compared to \$159.5 million, or \$1.45 per share, for the year ended December 31, 2015, a decrease of 11.7%.
- Operating revenues of \$112.1 million for the three months ended December 31, 2016 compared to \$143.3 million for the three months ended December 31, 2015, a decrease of 21.8%. Operating revenues of \$498.3 million for the year ended December 31, 2016 compared to \$567.9 million for the year ended December 31, 2015, a decrease of 12.3%.
- Adjusted EBITDA<sup>1</sup> of \$75.9 million for the three months ended December 31, 2016 compared to \$105.7 million for the three months ended December 31, 2015, a decrease of 28.2%. Adjusted EBITDA<sup>1</sup> of \$350.6 million for the year ended December 31, 2016 compared to \$418.3 million for the year ended December 31, 2015, a decrease of 16.2%.
- On September 1, 2016, Hanjin Shipping (“Hanjin”), formerly the charterer of eight of our vessels, filed for receivership with the Seoul Central District Court, which had a negative impact on our current operating results, contracted operating revenue and our debt.
- We recognized an impairment loss of \$415.1 million for our vessels and \$29.4 million impairment loss on securities.
- Total contracted operating revenues were \$2.1 billion as of December 31, 2016, with charters extending through 2028 and remaining average contracted charter duration of 6.6 years, weighted by aggregate contracted charter hire.
- Charter coverage of 92% for the next 12 months based on current operating revenues and 74% in terms of contracted operating days.

### Three Months and Year Ended December 31, 2016

#### Financial Summary

(Expressed in thousands of United States dollars, except per share amounts)

	Three months ended	Three months ended	Year ended	Year ended
	December 31,	December 31,	December 31,	December 31,
	2016	2015	2016	2015
Operating revenues	\$112,107	\$143,320	\$498,332	\$567,936
Net income/(loss)	\$(446,567)	\$6,534	\$(366,195)	\$117,016
Adjusted net income <sup>1</sup>	\$23,158	\$47,152	\$140,881	\$159,488
Earnings/(loss) per share	\$(4.07)	\$0.06	\$(3.34)	\$1.07
Adjusted earnings per share <sup>1</sup>	\$0.21	\$0.43	\$1.28	\$1.45
Weighted average number of shares (in thousands)	109,805	109,788	109,802	109,785
Adjusted EBITDA <sup>1</sup>	\$75,874	\$105,698	\$350,587	\$418,324

<sup>1</sup>Adjusted net income, adjusted earnings per share and adjusted EBITDA are non-GAAP measures. Refer to the reconciliation of net income/(loss) to adjusted net income and net income/(loss) to adjusted EBITDA.

**Danaos' CEO Dr. John Coustas commented:**

Danaos' results for the fourth quarter of 2016 reflect the impact of the bankruptcy of Hanjin Shipping, which previously chartered eight of our vessels on long term charter party agreements representing approximately 20% of our fixed contracted revenue. These charter party agreements were terminated, and each of the chartered vessels were returned to us, as we have previously announced. The \$24.0 million decrease in our adjusted net income is primarily the result of a \$23.3 million decrease in operating revenues resulting from the Hanjin bankruptcy. During the fourth quarter, our fleet utilization decreased to 90.4% after the Hanjin charter cancellations. We have re-chartered five 3,400 TEU vessels on short term charters at market rates that reflect the prevailing weak chartering environment and managed to secure employment of up to 12 months starting from April 2017 for the remaining three 10,100 TEU vessels. Excluding the effect of these cancellations, our fleet utilization increased to 99.5% compared to 98.3% in the fourth quarter of 2015.

As a result of the decrease in our operating income and charter attached values, primarily caused by the Hanjin bankruptcy, as of December 31, 2016 we were in breach of certain financial covenants for which we have obtained waivers until April 1, 2017 and continue to engage in discussions with our lenders to address the matter. Because the waivers are for a period of less than 12 months after the balance sheet date, all of the debt has been classified as current on the December 31, 2016 financial statements. Otherwise the Company is currently in a position to fully service all of its operational and contractual financial obligations.

During 2016 we continued de-leveraging our balance sheet and reduced indebtedness by \$251 million, although we expect the rate at which we reduce our leverage to decrease as a result of the cancellation of our Hanjin charters. Additionally, in the context of prudently evaluating the assets on our balance sheet we have also recorded an impairment loss of \$415.1 million in relation to the market value of certain of our vessels, primarily in relation to the Hanjin vessels as a result of the loss of their charter and the impairment of the Panamax asset class.

Idle containership capacity currently sits at approximately 7% of the global fleet. The charter rate environment has stabilized, albeit at levels at or below daily operating expenses. Also, very few long term charters have been achieved in the market. The orderbook remains large at approximately 15% of the global fleet, and supply continues to exceed demand. The orderbook is predominantly comprised of larger vessels, which, upon delivery will put further pressure on the market for smaller, less economical vessels. As such, we do not expect rates to meaningfully improve for another 18-24 months absent a significant increase in demand combined with increased scrapping activity. Following the Hanjin bankruptcy, our near term exposure to the weak spot market has increased, with 92% of charter cover in terms of current operating revenues and 74% in terms of contracted operating days for the next 12 months versus 88% for the same period in the prior year.

During this extended period of market weakness which has presented many challenges, we remain focused on taking necessary actions to preserve the value of our company by managing our fleet efficiently and taking prudent measures to manage and ultimately deleverage our balance sheet.

**Three months ended December 31, 2016 compared to the three months ended December 31, 2015**

During the three months ended December 31, 2016, Danaos had an average of 55 containerships compared to 56 containerships for the three months ended December 31, 2015. Our fleet utilization for the fourth quarter of 2016 was 90.4%, while fleet utilization for the vessels under employment, excluding the off charter days of the vessels that were previously chartered to Hanjin, increased to 99.5% in the three months ended December 31, 2016 compared to 98.3% in the three months ended December 31, 2015.

Our adjusted net income amounted to \$23.2 million, or \$0.21 per share, for the three months ended December 31, 2016 compared to \$47.2 million, or \$0.43 per share, for the three months ended December 31, 2015. We have adjusted our net income/(loss) in the three months ended December 31, 2016 for (i) an impairment loss on vessels of \$415.1 million accompanied by accelerated amortization of accumulated other comprehensive loss of \$7.7 million, (ii) an impairment loss on our equity in Zim and debt securities of \$29.4 million, (iii) an impairment loss related to our 49% equity participation in Gemini Shipholdings Corporation of \$14.6 million, (iv) unrealized gains on derivatives of \$0.9 million and (v) a non-cash amortization charge of \$3.8 million for fees related to our comprehensive financing plan (comprised of non-cash, amortizing and accrued finance fees). Please refer to the Adjusted Net Income reconciliation table, which appears later in this earnings release.

The decrease of \$24.0 million in adjusted net income for the three months ended December 31, 2016 compared to the three months ended December 31, 2015 is mainly attributable to a \$23.3 million decrease in operating revenues as a result of the Hanjin bankruptcy. A further decline in revenues of \$7.9 million as a result of weaker charter market conditions was partially offset by a \$5.2 million decrease in net finance costs mainly due to lower debt balances and interest rate swap expirations, a \$1.1 million decrease in total operating expenses and a \$0.9 million improvement in the operating performance of our equity investment in Gemini Shipholdings Corporation.

On a non-adjusted basis, we incurred a loss of \$446.6 million, or \$4.07 loss per share, for the three months ended December 31, 2016 compared to net income of \$6.5 million, or \$0.06 earnings per share, for the three months ended December 31, 2015.

### **Operating Revenues**

Operating revenues decreased by 21.8%, or \$31.2 million, to \$112.1 million in the three months ended December 31, 2016 from \$143.3 million in the three months ended December 31, 2015.

Operating revenues for the three months ended December 31, 2016 reflect:

- \$23.3 million decrease in revenues in the three months ended December 31, 2016 compared to the three months ended December 31, 2015 due to loss of revenue from cancelled charters with Hanjin for eight of our vessels, for which we ceased recognizing revenue effective as of July 1, 2016. See “Hanjin Update” below.
- \$0.5 million decrease in revenues in the three months ended December 31, 2016 compared to the three months ended December 31, 2015 due to the sale of the *Federal* on January 8, 2016.
- \$7.4 million decrease in revenues in the three months ended December 31, 2016 compared to the three months ended December 31, 2015 due to the re-chartering of certain of our vessels at lower rates.

### **Vessel Operating Expenses**

Vessel operating expenses decreased by 6.5%, or \$1.8 million, to \$25.9 million in the three months ended December 31, 2016 from \$27.7 million in the three months ended December 31, 2015. The decrease was attributable to a 4.8% decrease in the average daily operating cost per vessel while the average number of vessels in our fleet during the three months ended December 31, 2016 decreased by 1.8% compared to the three months ended December 31, 2015.

The average daily operating cost per vessel decreased to \$5,303 per day for the three months ended December 31, 2016 from \$5,571 per day for the three months ended December 31, 2015. Management believes that our daily operating cost ranks as one of the most competitive in the industry.

### **Depreciation & Amortization**

Depreciation & Amortization includes Depreciation and Amortization of Deferred Dry-docking and Special Survey Costs.

#### *Depreciation*

Depreciation expense decreased by 2.1%, or \$0.7 million, to \$32.5 million in the three months ended December 31, 2016 from \$33.2 million in the three months ended December 31, 2015, mainly due to decreased depreciation expense for twelve vessels for which we recorded an impairment charge on December 31, 2015 and due to the decreased average number of vessels in our fleet in the three months ended December 31, 2016 following the sale of the *Federal* on January 8, 2016.

#### *Amortization of Deferred Dry-docking and Special Survey Costs*

Amortization of deferred dry-docking and special survey costs increased by \$0.7 million, to \$1.6 million in the three months ended December 31, 2016 from \$0.9 million in the three months ended December 31, 2015. The increase was mainly due to the increased payments for dry-docking and special survey costs related to certain vessels over the last year.

**General and Administrative Expenses**

General and administrative expenses increased by \$0.3 million to \$6.0 million in the three months ended December 31, 2016 from \$5.7 million in the three months ended December 31, 2015.

**Other Operating Expenses**

Other Operating Expenses include Voyage Expenses.

*Voyage Expenses*

Voyage expenses increased by \$0.8 million, to \$3.9 million in the three months ended December 31, 2016 from \$3.1 million in the three months ended December 31, 2015. The increase was mainly due to increased bunkering expenses.

**Impairment Loss**

We have recognized an impairment loss of \$415.1 million in relation to 25 of our vessels as of December 31, 2016 compared to an impairment loss of \$41.1 million in relation to 13 of our vessels as of December 31, 2015. The impairment loss as of December 31, 2016 was (i) due to the impairment loss of \$205.2 million recognized for five 3,400 TEU vessels formerly chartered to Hanjin, and (ii) the impairment loss of \$209.9 million recognized for 18 of our vessels less than 4,300 TEU and for two 6,400 TEU vessels as a result of the continued weakness of containership market and the other than temporary nature of the decline in these vessels' values.

**Interest Expense and Interest Income**

Interest expense increased by 4.4%, or \$0.9 million, to \$21.2 million in the three months ended December 31, 2016 from \$20.3 million in the three months ended December 31, 2015 including the amortization of deferred finance costs reclassified from other finance expenses to interest expense of \$3.0 million and \$3.4 million, respectively. The increase in interest expense was mainly due to the increase in average cost of debt due to the increase in US\$ Libor, which was partially offset by a decrease in our average debt by \$248.7 million, to \$2,553.1 million in the three months ended December 31, 2016, from \$2,801.8 million in the three months ended December 31, 2015 and a \$0.4 million decrease in the amortization of deferred finance costs.

The Company is deleveraging its balance sheet. As of December 31, 2016, the debt outstanding gross of deferred finance costs was \$2,527.3 million compared to \$2,775.4 million as of December 31, 2015. As a result principally of the cancellation of eight charters with Hanjin, we expect the rate at which we reduce our leverage to decline.

Interest income increased by \$0.6 million to \$1.5 million in the three months ended December 31, 2016 compared to \$0.9 million in the three months ended December 31, 2015. The increase was mainly attributed to the interest income recognized on Hyundai Merchant Marine ("HMM") notes receivable.

**Other finance expenses**

Other finance expenses increased by \$0.5 million, to \$1.6 million in the three months ended December 31, 2016 from \$1.1 million in the three months ended December 31, 2015, following the reclassification of the amortization of deferred finance costs from other finance expenses to interest expense of \$3.0 million and \$3.4 million, respectively.

**Equity loss on investments**

Equity loss on investments increased by \$13.7 million, to \$14.6 million in the three months ended December 31, 2016 compared to a loss of \$0.9 million in the three months ended December 31, 2015 and relates to the investment in Gemini Shipholdings Corporation ("Gemini"), in which the Company has a 49% shareholding interest. This loss increase was mainly attributed to our share of impairment loss for Gemini vessels amounting to \$14.6 million in the three months ended December 31, 2016.

**Unrealized gain/(loss) on derivatives**

Unrealized loss on interest rate swaps amounted to \$6.8 million in the three months ended December 31, 2016 compared to unrealized gains of \$4.7 million in the three months ended December 31, 2015. The accelerated amortization of accumulated other comprehensive loss of \$7.7 million was partially offset by the unrealized gains of \$0.9 million attributable to mark to market valuation of our swaps in the three months ended December 31, 2016.

#### **Realized loss on derivatives**

Realized loss on interest rate swaps decreased by \$6.4 million, to \$1.9 million in the three months ended December 31, 2016 from \$8.3 million in the three months ended December 31, 2015. This decrease was mainly attributable to lower interest swap rates combined with a \$65.5 million decrease in the average notional amount of swaps during the three months ended December 31, 2016 compared to the three months ended December 31, 2015 as a result of swap expirations.

#### **Other income/(expenses), net**

Other income/(expenses), net increased to \$29.2 million expenses in the three months ended December 31, 2016 from nil in the three months ended December 31, 2015 mainly due to a \$29.4 million impairment loss on Zim equity and debt securities.

#### **Adjusted EBITDA**

Adjusted EBITDA decreased by 28.2%, or \$29.8 million, to \$75.9 million in the three months ended December 31, 2016 from \$105.7 million in the three months ended December 31, 2015. As outlined earlier, this decrease was mainly attributed to a \$31.2 million decrease in operating revenues, which was partially offset by a \$0.5 million decrease in total expenses and a \$0.9 million operating performance improvement on equity investments before impairment loss. Adjusted EBITDA for the three months ended December 31, 2016 is adjusted mainly for impairment loss on vessels of \$415.1 million accompanied by accelerated amortization of accumulated other comprehensive loss of \$7.7 million, impairment loss on Zim equity and debt securities of \$29.4 million and impairment loss component of equity loss on investments of \$14.6 million. Tables reconciling Adjusted EBITDA to Net income/(loss) can be found at the end of this earnings release.

#### **Year ended December 31, 2016 compared to the year ended December 31, 2015**

During the year ended December 31, 2016, Danaos had an average of 55 containerships compared to 56 containerships for the year ended December 31, 2015. Our fleet utilization for 2016 was 94.6%, while the effective fleet utilization for the fleet under employment, excluding the off charter days of the ex-Hanjin vessels, decreased to 97.3% in the year ended December 31, 2016 compared to 99.0% in the year ended December 31, 2015.

Our adjusted net income amounted to \$140.9 million, or \$1.28 per share, for the year ended December 31, 2016 compared to \$159.5 million, or \$1.45 per share, for the year ended December 31, 2015. We have adjusted our net income in the year ended December 31, 2016 for (i) an impairment loss on vessels of \$415.1 million accompanied by accelerated amortization of accumulated other comprehensive loss of \$7.7 million, (ii) an impairment loss on Zim equity and debt securities of \$29.4 million, (iii) an impairment loss related to our 49% equity participation in Gemini Shipholdings Corporation of \$14.6 million, (iv) a bad debt expense of \$15.8 million related to Hanjin, (v) a loss on sale of HMM securities of \$12.9 million, (vi) unrealized gain on derivatives of \$4.6 million and (vii) a non-cash amortization charge of \$16.1 million for fees related to our comprehensive financing plan (comprised of non-cash, amortizing and accrued finance fees). Please refer to the Adjusted Net Income reconciliation table, which appears later in this earnings release.

The decrease of \$18.6 million in adjusted net income for the year ended December 31, 2016 compared to the year ended December 31, 2015 is mainly attributable to a \$48.1 million decrease in operating revenues as a result of the Hanjin bankruptcy. A further decline in revenues of \$21.5 million mainly as a result of weaker charter market conditions and lower fleet utilization was more than offset by a reduction of \$47.6 million in net finance costs mainly due to interest rate swap expirations and lower debt balances, a \$3.1 million decrease in total operating expenses and a \$0.3 million improvement in the operating performance of our equity investment in Gemini Shipholdings Corporation.

On a non-adjusted basis, our net loss amounted to \$366.2 million, or \$3.34 loss per share, for the year ended December 31, 2016 compared to net income of \$117.0 million, or \$1.07 earnings per share, for the year ended December 31, 2015.

### **Operating Revenues**

Operating revenues decreased by 12.3%, or \$69.6 million, to \$498.3 million in the year ended December 31, 2016 from \$567.9 million in the year ended December 31, 2015.

Operating revenues for the year ended December 31, 2016 reflect:

- \$48.1 million decrease in revenues in the year ended December 31, 2016 compared to the year ended December 31, 2015 due to loss of revenue from cancelled charters with Hanjin for eight of our vessels, for which we ceased recognizing revenue effective as of July 1, 2016. See “Hanjin Update” below.
- \$2.8 million decrease in revenues in the year ended December 31, 2016 compared to the year ended December 31, 2015 due to the sale of the *Federal* on January 8, 2016.
- \$14.5 million decrease in revenues in the year ended December 31, 2016 compared to the year ended December 31, 2015 due to the re-chartering of certain of our vessels at lower rates.
- \$4.2 million decrease in revenues due to lower fleet utilization in the year ended December 31, 2016 compared to the year ended December 31, 2015.

### **Vessel Operating Expenses**

Vessel operating expenses decreased by 2.9%, or \$3.3 million, to \$109.4 million in the year ended December 31, 2016, from \$112.7 million in the year ended December 31, 2015. The decrease was due to a decrease in average number of vessels in our fleet by 1.8% and due to a 1.5% decrease in the average daily operating cost per vessel during the year ended December 31, 2016 compared to the year ended December 31, 2015.

The average daily operating cost per vessel decreased to \$5,637 per day for the year ended December 31, 2016 from \$5,720 per day for the year ended December 31, 2015. Management believes that our daily operating cost ranks as one of the most competitive in the industry.

### **Depreciation & Amortization**

Depreciation & Amortization includes Depreciation and Amortization of Deferred Dry-docking and Special Survey Costs.

#### *Depreciation*

Depreciation expense decreased by 2.1%, or \$2.8 million, to \$129.0 million in the year ended December 31, 2016 from \$131.8 million in the year ended December 31, 2015, mainly due to decreased depreciation expense for twelve vessels for which we recorded an impairment charge on December 31, 2015 and due to the decreased average number of vessels in our fleet in the year ended December 31, 2016 following the sale of the *Federal* on January 8, 2016.

#### *Amortization of Deferred Dry-docking and Special Survey Costs*

Amortization of deferred dry-docking and special survey costs increased by \$1.7 million, to \$5.5 million in the year ended December 31, 2016 from \$3.8 million in the year ended December 31, 2015. The increase was mainly due to the increased payments for dry-docking and special survey costs related to certain vessels over the last year.

### **General and Administrative Expenses**

General and administrative expenses increased by \$0.3 million to \$22.1 million in the year ended December 31, 2016 from \$21.8 million in the year ended December 31, 2015.

### **Other Operating Expenses**

Other Operating Expenses include Voyage Expenses and Bad Debt Expense.

#### *Voyage Expenses*

Voyage expenses increased by \$1.6 million, to \$13.9 million in the year ended December 31, 2016 from \$12.3 million in the year ended December 31, 2015. The increase was mainly due to increased bunkering expenses.

#### *Bad Debt Expense*

Bad debt expense of \$15.8 million in the year ended December 31, 2016 compared to nil in the year ended December 31, 2015 relates to receivables from Hanjin, which were written-off.



**Impairment Loss**

We have recognized an impairment loss of \$415.1 million in relation to 25 of our vessels as of December 31, 2016 compared to an impairment loss of \$41.1 million in relation to 13 of our vessels as of December 31, 2015. The impairment loss as of December 31, 2016 was (i) due to the impairment loss of \$205.2 million recognized for five 3,400 TEU vessels formerly chartered to Hanjin, and (ii) the impairment loss of \$209.9 million recognized for 18 of our vessels less than 4,300 TEU and for two 6,400 TEU vessels as a result of the continued weakness of containership market and the other than temporary nature of the decline in these vessels' values.

**Interest Expense and Interest Income**

Interest expense decreased by 1.7%, or \$1.4 million, to \$83.0 million in the year ended December 31, 2016 from \$84.4 million in the year ended December 31, 2015. This included the amortization of deferred finance costs reclassified from other finance expenses to interest expense of \$12.7 million and \$14.0 million, respectively. The change in interest expense was mainly due to a \$1.3 million decrease in the amortization of deferred finance costs and due to a decrease in our average debt by \$242.5 million, to \$2,652.2 million in the year ended December 31, 2016, from \$2,894.7 million in the year ended December 31, 2015, which were partially offset by an increase in average cost of debt due to the increase in US\$ Libor.

The Company is deleveraging its balance sheet. As of December 31, 2016, the debt outstanding gross of deferred finance costs was \$2,527.3 million compared to \$2,775.4 million as of December 31, 2015. We expect the rate at which we reduce our leverage to decline, primarily as a result of the cancellation of eight charters with Hanjin.

Interest income increased by \$1.3 million to \$4.7 million in the year ended December 31, 2016 compared to \$3.4 million in the year ended December 31, 2015. The increase was mainly attributed to the interest income recognized on HMM notes receivable.

**Other finance expenses**

Other finance expenses increased by \$0.2 million, to \$4.9 million in the year ended December 31, 2016 from \$4.7 million in the year ended December 31, 2015, following the reclassification of the amortization of deferred finance costs from other finance expenses to interest expense of \$12.7 million and \$14.0 million, respectively.

**Equity loss on investments**

Equity loss on investments increased by \$14.3 million, to \$16.2 million in the year ended December 31, 2016 compared to a loss of \$1.9 million in the year ended December 31, 2015 and relates to the investment in Gemini Shipholdings Corporation ("Gemini"), in which the Company has a 49% shareholding interest. This loss increase was mainly attributed to our share of impairment loss for Gemini vessels amounting to \$14.6 million in the year ended December 31, 2016.

**Unrealized gain/(loss) on derivatives**

Unrealized loss on interest rate swaps amounted to \$3.1 million in the year ended December 31, 2016 compared to unrealized gains of \$16.3 million in the year ended December 31, 2015. The accelerated amortization of accumulated other comprehensive loss of \$7.7 million was partially offset by the unrealized gains of \$4.6 million attributable to mark to market valuation of our swaps in the year ended December 31, 2016.

**Realized loss on derivatives**

Realized loss on interest rate swaps decreased by \$46.7 million, to \$9.4 million in the year ended December 31, 2016 from \$56.1 million in the year ended December 31, 2015. This decrease was attributable to lower interest swap rates combined with a \$522.0 million decrease in the average notional amount of swaps during the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of swap expirations.

**Other income/(expenses), net**

Other income/(expenses), net increased to \$41.6 million expenses in the year ended December 31, 2016 from \$0.1 million income in the year ended December 31, 2015 mainly due to a \$29.4 million impairment loss in Zim equity and debt securities and a \$12.9 million recognized loss on sale of HMM equity securities, which were acquired by Danaos in July 2016 as part of the charter restructuring agreement with HMM, for cash proceeds of \$38.1 million.

**Adjusted EBITDA**

Adjusted EBITDA decreased by 16.2%, or \$67.7 million, to \$350.6 million in the year ended December 31, 2016 from \$418.3 million in the year ended December 31, 2015. As outlined earlier, this decrease was mainly attributed to a \$69.6 million decrease in operating revenues, which was partially offset by a \$2.1 million decrease in total expenses and a \$0.3 million operating performance improvement on equity investments before impairment loss. Adjusted EBITDA for the year ended December 31, 2016 is adjusted mainly for impairment loss on vessels of \$415.1 million accompanied by accelerated amortization of accumulated other comprehensive loss of \$7.7 million, impairment loss on our equity in Zim and debt securities of \$29.4 million, impairment loss component of equity loss on investments of \$14.6 million, bad debt expenses of \$15.8 million, loss on sale of HMM securities of \$12.9 million, unrealized gain on derivatives of \$4.6 million and realized loss on derivatives of \$5.4 million. Tables reconciling Adjusted EBITDA to Net income/(loss) can be found at the end of this earnings release.

**Hanjin Update**

On September 1, 2016, Hanjin, a charterer of eight of our vessels under long term, fixed rate charter party agreements, referred to the Bankruptcy Court of Seoul in South Korea, which issued an order to commence the rehabilitation proceedings of Hanjin. Hanjin has cancelled all eight of its charter party agreements with us, which represented approximately \$560 million of our \$2.8 billion of contracted revenue as of June 30, 2016, and returned each of the vessels to us. We have rechartered all eight vessels on short-term charters at market rates. As a result of these events, we ceased recognizing revenue from Hanjin effective from July 1, 2016 onwards and recognized a bad debt expense of \$15.8 million relating to unpaid charter hire recorded as accounts receivable as of June 30, 2016 in our condensed consolidated statements of operations in the year ended December 31, 2016. We have an unsecured claim for unpaid charter hire, charges, expenses and loss of profit against Hanjin totaling \$597.9 million submitted to the Bankruptcy Court of Seoul.

As a result of a decrease in our operating income and charter-attached market value of certain of our vessels caused mainly by the cancellation of our eight charters with Hanjin, we were in breach of the minimum security cover, consolidated net leverage and consolidated net worth financial covenants contained in our Bank Agreement and our other credit facilities as of December 31, 2016. We have obtained waivers of the breaches of these financial covenants until April 1, 2017, and we are in discussions with our lenders regarding this matter. As these waivers were obtained for a period of less than the next 12 months after the balance sheet date, and in accordance with the guidance related to the classification of obligations that are callable by the lenders, we have classified our long-term debt, net of deferred finance costs as current. Otherwise, the Company is currently in a position to fully service all of its operational and contractual financial obligations.

**Conference Call and Webcast**

On Wednesday, February 22, 2017 at 9:00 A.M. ET, the Company's management will host a conference call to discuss the results.

Participants should dial into the call 10 minutes before the scheduled time using the following numbers: 1 844 802 2437 (US Toll Free Dial In), 0800 279 9489 (UK Toll Free Dial In) or +44 (0) 2075 441 375 (Standard International Dial In). Please indicate to the operator that you wish to join the Danaos Corporation earnings call.

A telephonic replay of the conference call will be available until March 1, 2017 by dialing 1 877 344 7529 (US Toll Free Dial In) or +44 (0) 2036 088 021 (Standard International Dial In) and using 10101758# as the access code.

**Audio Webcast**

There will also be a live and then archived webcast of the conference call through the Danaos website ([www.danaos.com](http://www.danaos.com)). Participants of the live webcast should register on the website approximately 10 minutes prior to the start of the webcast.



**About Danaos Corporation**

Danaos Corporation is one of the largest independent owners of modern, large-size containerships. Our current fleet of 59 containerships aggregating 353,586 TEUs, including four vessels owned by Gemini Shipholdings Corporation, a joint venture, ranks Danaos among the largest containership charter owners in the world based on total TEU capacity. Our fleet is chartered to many of the world's largest liner companies on fixed-rate charters. Our long track record of success is predicated on our efficient and rigorous operational standards and environmental controls. Danaos Corporation's shares trade on the New York Stock Exchange under the symbol "DAC".

**Forward-Looking Statements**

Matters discussed in this release may constitute forward-looking statements within the meaning of the safeharbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although Danaos Corporation believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, Danaos Corporation cannot assure you that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies, general market conditions, including changes in charter hire rates and vessel values, charter counterparty performance, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled drydocking, changes in Danaos Corporation's operating expenses, including bunker prices, dry-docking and insurance costs, ability to obtain financing and comply with covenants in our financing arrangements, actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

Risks and uncertainties are further described in reports filed by Danaos Corporation with the U.S. Securities and Exchange Commission.

Visit our website at [www.danaos.com](http://www.danaos.com)

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## Appendix

### Fleet Utilization

Danaos had 484 unscheduled off-hire days in the three months ended December 31, 2016. The following table summarizes vessel utilization and the impact of the off-hire days on the Company's revenue.

Vessel Utilization (No. of Days)	First Quarter 2016	Second Quarter 2016	Third Quarter 2016	Fourth Quarter 2016	Total
Ownership Days	5,013	5,005	5,060	5,060	20,138
Less Off-hire Days:					
Scheduled Off-hire Days	(31)	(45)	-	-	(76)
Other Off-hire Days	(242)	(110)	(169)	(484)	(1,005)
<b>Operating Days</b>	<b>4,740</b>	<b>4,850</b>	<b>4,891</b>	<b>4,576</b>	<b>19,057</b>
<b>Vessel Utilization</b>	<b>94.6%</b>	<b>96.9%</b>	<b>96.7%</b>	<b>90.4%</b>	<b>94.6%</b>
<b>Operating Revenues (in '000s of US Dollars)</b>	<b>\$137,474</b>	<b>\$136,999</b>	<b>\$111,752</b>	<b>\$112,107</b>	<b>\$498,332</b>
<b>Average Gross Daily Charter Rate</b>	<b>\$29,003</b>	<b>\$28,248</b>	<b>\$22,848</b>	<b>\$24,499</b>	<b>\$26,150</b>

Vessel Utilization (No. of Days)	First Quarter 2015	Second Quarter 2015	Third Quarter 2015	Fourth Quarter 2015	Total
Ownership Days	5,040	5,096	5,152	5,152	20,440
Less Off-hire Days:					
Scheduled Off-hire Days	(16)	(16)	-	(16)	(48)
Other Off-hire Days	(64)	(17)	(2)	(70)	(153)
<b>Operating Days</b>	<b>4,960</b>	<b>5,063</b>	<b>5,150</b>	<b>5,066</b>	<b>20,239</b>
<b>Vessel Utilization</b>	<b>98.4%</b>	<b>99.4%</b>	<b>100.0%</b>	<b>98.3%</b>	<b>99.0%</b>
<b>Operating Revenues (in '000s of US Dollars)</b>	<b>\$138,605</b>	<b>\$141,469</b>	<b>\$144,542</b>	<b>\$143,320</b>	<b>\$567,936</b>
<b>Average Gross Daily Charter Rate</b>	<b>\$27,945</b>	<b>\$27,942</b>	<b>\$28,066</b>	<b>\$28,291</b>	<b>\$28,062</b>

### Fleet List

The following table describes in detail our fleet deployment profile as of February 20, 2017:

Vessel Name	Vessel Size (TEU)	Year Built	Expiration of Charter <sup>(1)</sup>
<b>Containerships</b>			
<i>Hyundai Ambition</i>	13,100	2012	June 2024
<i>Hyundai Speed</i>	13,100	2012	June 2024
<i>Hyundai Smart</i>	13,100	2012	May 2024
<i>Hyundai Tenacity</i>	13,100	2012	March 2024
<i>Hyundai Together</i>	13,100	2012	February 2024
<i>Express Rome (ex Hanjin Italy)</i>	10,100	2011	August 2017
<i>Express Berlin (ex Hanjin Germany)</i>	10,100	2011	June 2017
<i>Express Athens (ex Hanjin Greece)</i>	10,100	2011	August 2017
<i>CSCL Le Havre</i>	9,580	2006	September 2018
<i>CSCL Pusan</i>	9,580	2006	July 2018
<i>CMA CGM Melisande</i>	8,530	2012	November 2023

<i>CMA CGM Attila</i>	8,530	2011	April 2023
<i>CMA CGM Tancredi</i>	8,530	2011	May 2023
<i>CMA CGM Bianca</i>	8,530	2011	July 2023
<i>CMA CGM Samson</i>	8,530	2011	September 2023
<i>CSCL America</i>	8,468	2004	July 2017
<i>Europe (ex CSCL Europe)</i>	8,468	2004	June 2017
<i>CMA CGM Moliere</i> <sup>(2)</sup>	6,500	2009	August 2021
<i>CMA CGM Musset</i> <sup>(2)</sup>	6,500	2010	February 2022
<i>CMA CGM Nerval</i> <sup>(2)</sup>	6,500	2010	April 2022
<i>CMA CGM Rabelais</i> <sup>(2)</sup>	6,500	2010	June 2022
<i>CMA CGM Racine</i> <sup>(2)</sup>	6,500	2010	July 2022
<i>YM Mandate</i>	6,500	2010	January 2028
<i>YM Maturity</i>	6,500	2010	April 2028
<i>Performance</i>	6,402	2002	March 2017
<i>Priority</i>	6,402	2002	March 2017
<i>Colombo (ex SNL Colombo)</i>	4,300	2004	March 2019
<i>YM Singapore</i>	4,300	2004	October 2019
<i>YM Seattle</i>	4,253	2007	July 2019
<i>YM Vancouver</i>	4,253	2007	September 2019
<i>Derby D</i> <sup>(3)</sup>	4,253	2004	September 2017
<i>Deva</i>	4,253	2004	March 2017
<i>ZIM Rio Grande</i>	4,253	2008	May 2020
<i>ZIM Sao Paolo</i>	4,253	2008	August 2020
<i>OOCL Istanbul</i>	4,253	2008	September 2020
<i>ZIM Monaco</i>	4,253	2009	November 2020
<i>OOCL Novorossiysk</i>	4,253	2009	February 2021
<i>ZIM Luanda</i>	4,253	2009	May 2021
<i>Dimitris C</i>	3,430	2001	March 2017
<i>Express Black Sea (ex Hanjin Constantza)</i>	3,400	2011	March 2017
<i>Express Spain (ex Hanjin Algeciras)</i>	3,400	2011	March 2017
<i>Express Argentina (ex Hanjin Buenos Aires)</i>	3,400	2010	June 2017
<i>Express Brazil (ex Hanjin Santos)</i>	3,400	2010	June 2017
<i>Express France (ex Hanjin Versailles)</i>	3,400	2010	June 2017
<i>MSC Zebra</i>	2,602	2001	October 2017
<i>Amalia C</i>	2,452	1998	May 2017
<i>Danae C</i>	2,524	2001	May 2017
<i>Hyundai Advance</i>	2,200	1997	June 2017
<i>Hyundai Future</i>	2,200	1997	August 2017
<i>Hyundai Sprinter</i>	2,200	1997	August 2017
<i>Hyundai Stride</i>	2,200	1997	July 2017
<i>Hyundai Progress</i>	2,200	1998	December 2017
<i>Hyundai Bridge</i>	2,200	1998	January 2018
<i>Hyundai Highway</i>	2,200	1998	January 2018
<i>Hyundai Vladivostok</i>	2,200	1997	May 2017
<i>NYK Lodestar</i> <sup>(4)</sup>	6,422	2001	September 2017
<i>NYK Leo</i> <sup>(4)</sup>	6,422	2002	February 2019
<i>Suez Canal</i> <sup>(4)</sup>	5,610	2002	July 2017
<i>Genoa</i> <sup>(4)</sup>	5,544	2002	March 2017

(1) Earliest date charters could expire. Some charters include options to extend their terms.

(2) The charters with respect to the *CMA CGM Moliere*, the *CMA CGM Musset*, the *CMA CGM Nerval*, the *CMA CGM Rabelais* and the *CMA CGM Racine* include an option for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of the respective charters, which will fall in September 2017, March 2018, May 2018, July 2018 and August 2018, respectively, each for \$78.0 million.

(3) Currently on subjects with the charterer.

(4) Vessels acquired by Gemini Shipholdings Corporation, in which Danaos holds a 49% equity interest.

**DANAOS CORPORATION**  
**Condensed Statements of Operations - Unaudited**  
**(Expressed in thousands of United States dollars, except per share amounts)**

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
<b>OPERATING REVENUES</b>	<b>\$112,107</b>	<b>\$143,320</b>	<b>\$498,332</b>	<b>\$567,936</b>
<b>OPERATING EXPENSES</b>				
Vessel operating expenses	(25,856)	(27,678)	(109,384)	(112,736)
Depreciation & amortization	(34,016)	(34,146)	(134,573)	(135,628)
Impairment loss	(415,118)	(41,080)	(415,118)	(41,080)
General & administrative	(5,968)	(5,694)	(22,105)	(21,831)
Loss on sale of vessels	-	-	(36)	-
Other operating expenses	(3,923)	(3,114)	(29,759)	(12,284)
<b>Income From Operations</b>	<b>(372,774)</b>	<b>31,608</b>	<b>(212,643)</b>	<b>244,377</b>
<b>OTHER INCOME/(EXPENSES)</b>				
Interest income	1,486	870	4,682	3,419
Interest expense	(21,170)	(20,254)	(82,966)	(84,435)
Other finance expenses	(1,585)	(1,138)	(4,932)	(4,658)
Equity loss on investments	(14,655)	(949)	(16,252)	(1,941)
Other income/(expenses), net	(29,178)	(32)	(41,602)	111
Realized loss on derivatives	(1,915)	(8,305)	(9,425)	(56,142)
Unrealized gain/(loss) on derivatives	(6,776)	4,734	(3,057)	16,285
<b>Total Other Expenses, net</b>	<b>(73,793)</b>	<b>(25,074)</b>	<b>(153,552)</b>	<b>(127,361)</b>
<b>Net Income/(loss)</b>	<b>\$(446,567)</b>	<b>\$6,534</b>	<b>\$(366,195)</b>	<b>\$117,016</b>
<b>EARNINGS/(LOSS) PER SHARE</b>				
Basic & diluted earnings/(loss) per share	\$(4.07)	\$0.06	\$(3.34)	\$1.07
Basic & diluted weighted average number of common shares (in thousands of shares)	109,805	109,788	109,802	109,785

**Non-GAAP Measures\***  
**Reconciliation of Net Income/(Loss) to Adjusted Net Income – Unaudited**

	Three months ended December 31, 2016	Three months ended December 31, 2015	Year ended December 31, 2016	Year ended December 31, 2015
Net income/(loss)	<b>\$(446,567)</b>	<b>\$6,534</b>	<b>\$(366,195)</b>	<b>\$117,016</b>
Bad debt expense	-	-	15,834	-
Loss on sale of HMM securities	-	-	12,906	-
Impairment loss	415,118	41,080	415,118	41,080
Impairment loss on securities	29,384	-	29,384	-
Impairment loss component of equity loss on investments	14,642	-	14,642	-
Accelerated amortization of accumulated other comprehensive loss	7,706	-	7,706	-
Unrealized gain on derivatives	(930)	(4,734)	(4,649)	(16,285)
Amortization of financing fees & finance fees accrued	3,805	4,272	16,099	17,677
Loss on sale of vessels	-	-	36	-
<b>Adjusted Net Income</b>	<b>\$23,158</b>	<b>\$47,152</b>	<b>\$140,881</b>	<b>\$159,488</b>
<b>Adjusted Earnings Per Share</b>	<b>\$0.21</b>	<b>\$0.43</b>	<b>\$1.28</b>	<b>\$1.45</b>
Weighted average number of shares (in thousands)	109,805	109,788	109,802	109,785

\* The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures used in managing the business may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain items that impact the overall comparability. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. See the Table above for supplemental financial data and corresponding reconciliations to GAAP financial measures for the three months and year ended December 31, 2016 and 2015. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

**DANAOS CORPORATION**  
**Condensed Balance Sheets - Unaudited**  
**(Expressed in thousands of United States dollars)**

	As of December 31, 2016	As of December 31, 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$73,717	\$72,253
Restricted cash	2,812	2,818
Accounts receivable, net	8,028	10,652
Fair value of financial instruments	-	138
Other current assets	51,397	41,709
	<u>135,954</u>	<u>127,570</u>
<b>NON-CURRENT ASSETS</b>		
Fixed assets, net	2,906,721	3,446,323
Deferred charges, net	8,199	4,751
Investments in affiliates	5,033	11,289
Other non-current assets	71,157	72,188
	<u>2,991,110</u>	<u>3,534,551</u>
<b>TOTAL ASSETS</b>	<u><b>\$3,127,064</b></u>	<u><b>\$3,662,121</b></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Long-term debt, current portion	\$2,504,932	\$269,979
Accounts payable, accrued liabilities & other current liabilities	61,349	37,628
Fair value of financial instruments	-	4,538
	<u>2,566,281</u>	<u>312,145</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt, net	-	2,470,417
Other long-term liabilities	73,070	37,645
	<u>73,070</u>	<u>2,508,062</u>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock	1,098	1,098
Additional paid-in capital	546,898	546,822
Accumulated other comprehensive loss	(91,163)	(103,081)
Retained earnings	30,880	397,075
	<u>487,713</u>	<u>841,914</u>
<b>Total liabilities and stockholders' equity</b>	<u><b>\$3,127,064</b></u>	<u><b>\$3,662,121</b></u>



**DANAOS CORPORATION**  
**Condensed Statements of Cash Flows - Unaudited**  
**(Expressed in thousands of United States dollars)**

	Three months ended December 31, <u>2016</u>	Three months ended December 31, <u>2015</u>	Year ended December 31, <u>2016</u>	Year ended December 31, <u>2015</u>
<b>Operating Activities:</b>				
Net income/(loss)	\$(446,567)	\$6,534	\$(366,195)	\$117,016
<i>Adjustments to reconcile net income/(loss) to net cash provided by operating activities:</i>				
Depreciation	32,459	33,225	129,045	131,783
Impairment losses	444,502	41,080	444,502	41,080
Amortization of deferred drydocking & special survey costs, finance cost and other finance fees accrued	5,362	5,193	21,627	21,522
Payments for drydocking/special survey	(189)	(1,034)	(8,976)	(2,341)
Amortization of deferred realized losses on cash flow interest rate swaps	8,718	1,013	11,734	4,017
Bad debt expense	-	-	15,834	-
Loss on sale of securities	-	-	12,906	-
Equity loss on investments	14,655	949	16,252	1,941
Unrealized gain on derivatives	(930)	(4,734)	(4,649)	(16,285)
Loss on sale of vessels	-	-	36	-
Stock based compensation	76	88	76	88
Accounts receivable	(3,976)	(2,800)	(13,210)	(2,748)
Other assets, current and non-current	(989)	945	18,041	(4,794)
Accounts payable and accrued liabilities	(5,342)	(4,761)	1,067	(11,662)
Other liabilities, current and long-term	(10,183)	(6,189)	(16,123)	(7,941)
<b>Net Cash provided by Operating Activities</b>	<b>37,596</b>	<b>69,509</b>	<b>261,967</b>	<b>271,676</b>
<b>Investing Activities:</b>				
Vessel additions and vessel acquisitions	(1,053)	(378)	(4,561)	(1,112)
Investments in affiliates	-	(5,880)	(9,996)	(13,230)
Net proceeds from sale of vessels	-	1,050	5,178	1,050
<b>Net Cash used in Investing Activities</b>	<b>(1,053)</b>	<b>(5,208)</b>	<b>(9,379)</b>	<b>(13,292)</b>
<b>Financing Activities:</b>				
Debt repayment	(88,953)	(85,427)	(251,130)	(243,175)
Deferred finance costs	-	-	-	(692)
Increase in restricted cash	(2,117)	(2,818)	6	6
<b>Net Cash used in Financing Activities</b>	<b>(91,070)</b>	<b>(88,245)</b>	<b>(251,124)</b>	<b>(243,861)</b>
Net (Decrease)/Increase in cash and cash equivalents	(54,527)	(23,944)	1,464	14,523
Cash and cash equivalents, beginning of period	128,244	96,197	72,253	57,730
<b>Cash and cash equivalents, end of period</b>	<b>\$73,717</b>	<b>\$72,253</b>	<b>\$73,717</b>	<b>\$72,253</b>

**DANAOS CORPORATION**  
**Reconciliation of Net Income/(Loss) to Adjusted EBITDA**  
**(Expressed in thousands of United States dollars)**

	Three months ended	Three months ended	Year ended	Year ended
	December 31,	December 31,	December 31,	December 31,
	2016	2015	2016	2015
Net income/(loss)	\$(446,567)	\$6,534	\$(366,195)	\$117,016
Depreciation	32,459	33,225	129,045	131,783
Amortization of deferred drydocking & special survey costs	1,557	921	5,528	3,845
Amortization of deferred finance costs and write-offs and other finance fees accrued	3,805	4,272	16,099	17,677
Amortization of deferred realized losses on interest rate swaps	1,012	1,013	4,028	4,017
Interest income	(1,486)	(870)	(4,682)	(3,419)
Interest expense	18,195	16,877	70,314	70,397
Impairment loss	415,118	41,080	415,118	41,080
Impairment loss on securities	29,384	-	29,384	-
Impairment loss component of equity loss on investments	14,642	-	14,642	-
Accelerated amortization of accumulated other comprehensive loss	7,706	-	7,706	-
Bad debt expense	-	-	15,834	-
Loss on sale of securities	-	-	12,906	-
Loss on sale of vessels	-	-	36	-
Stock based compensation	76	88	76	88
Realized loss on derivatives	903	7,292	5,397	52,125
Unrealized gain on derivatives	(930)	(4,734)	(4,649)	(16,285)
<b>Adjusted EBITDA<sup>(1)</sup></b>	<b>\$75,874</b>	<b>\$105,698</b>	<b>\$350,587</b>	<b>\$418,324</b>

- 1) Adjusted EBITDA represents net income/(loss) before interest income and expense, depreciation, amortization of deferred drydocking & special survey costs and deferred finance costs, amortization of deferred realized losses on interest rate swaps, accelerated amortization of accumulated other comprehensive loss, unrealized gain on derivatives, realized loss on derivatives, gain/(loss) on sale of vessels, impairment losses, bad debt expense and loss on sale of securities. However, Adjusted EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or "GAAP." We believe that the presentation of Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We also believe that Adjusted EBITDA is useful in evaluating our operating performance compared to that of other companies in our industry because the calculation of Adjusted EBITDA generally eliminates the effects of financings, income taxes and the accounting effects of capital expenditures and acquisitions, items which may vary for different companies for reasons unrelated to overall operating performance. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Note: Items to consider for comparability include gains and charges. Gains positively impacting net income are reflected as deductions to net income. Charges negatively impacting net income are reflected as increases to net income.

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures used in managing the business may provide users of these financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain items that impact the overall comparability. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. See the Tables above for supplemental financial data and corresponding reconciliations to GAAP financial measures for the three months and year ended December 31, 2016 and 2015. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.