



Danaos Corporation Reports First Quarter Results for the Period Ended March 31, 2020

Athens, Greece, May 18, 2020 – Danaos Corporation (“Danaos”) (NYSE: DAC), one of the world’s largest independent owners of containerships, today reported unaudited results for the quarter ended March 31, 2020.

Highlights for the First Quarter Ended March 31, 2020:

- Adjusted net income¹ of \$33.3 million, or \$1.34 per share, for the three months ended March 31, 2020 compared to \$38.6 million, or \$2.53 per share, for the three months ended March 31, 2019, a decrease of 13.7%.
- Operating revenues of \$106.2 million for the three months ended March 31, 2020 compared to \$112.9 million for the three months ended March 31, 2019, a decrease of 5.9%.
- Adjusted EBITDA¹ of \$71.9 million for the three months ended March 31, 2020 compared to \$77.5 million for the three months ended March 31, 2019, a decrease of 7.2%.
- Total contracted operating revenues were \$1.3 billion as of March 31, 2020, with charters extending through 2028 and remaining average contracted charter duration of 3.8 years, weighted by aggregate contracted charter hire.
- Charter coverage of 85% for the next 12 months based on current operating revenues and 66% in terms of contracted operating days.

Three Months Ended March 31, 2020 Financial Summary - Unaudited

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

	Three months ended	Three months ended
	March 31,	March 31,
	2020	2019
Operating revenues	\$106,196	\$112,891
Net income	\$29,089	\$33,443
Adjusted net income ¹	\$33,281	\$38,569
Earnings per share, diluted	\$1.17	\$2.19
Adjusted earnings per share, diluted ¹	\$1.34	\$2.53
Diluted weighted average number of shares (in thousands)	24,789	15,237
Adjusted EBITDA ¹	\$71,918	\$77,538

¹ Adjusted net income, adjusted earnings per share and adjusted EBITDA are non-GAAP measures. Refer to the reconciliation of net income to adjusted net income and net income to adjusted EBITDA.

Danaos' CEO Dr. John Coustas commented:

"Our results for the first quarter of 2020 were not impacted by the Covid-19 pandemic, except for the increase in off-hire days related to delays in scrubber installations in Chinese shipyards. The Company's adjusted net income of \$33.3 million for the first quarter of 2020 decreased by \$5.3 million when compared to the first quarter of 2019. Adjusted EBITDA for the first quarter of 2020 was \$71.9 million, \$5.6 million lower when compared to the first quarter of 2019.

The Covid-19 pandemic has swiftly and dramatically disrupted the container market and caused a significant drop in container volumes. There is no doubt that the pandemic will have a very negative effect on GDP, unemployment and countless other macroeconomic indicators in the near term. Although countries are gradually starting to lift restrictions and allow economic activity to resume, the speed of any potential recovery and the long-term impact of the pandemic on consumer demand and global manufacturing supply chains is unclear. There is certainly optimism about the positive impacts of sweeping fiscal and monetary initiatives being undertaken globally, but it is too early to assess any such impacts.

Liner companies have addressed the drop in volumes brought on by the pandemic by cancelling sailings and idling capacity. As a result, short-term charter rates have dropped by between 25% and 40%, depending on vessel size. Despite lower transportation demand, prudent capacity management, reduced bunker prices and falling interest rates have significantly alleviated pressure on the cash flows of our liner company customers. Additionally, we have recently seen several initiatives by governments in Europe and Asia to support the liner industry during this difficult period, which is a very encouraging sign.

What is most important is that we look forward and continue to execute our strategy and maintain a solid base to withstand the current market turbulence. To that end, we are successfully managing charter renewals, albeit at lower charter rates but still at rates well above operational breakeven levels. Notwithstanding the pressure in the charter market, we are well insulated from near-term volatility due to our high charter coverage of 86% in terms of operating revenues and 66% in terms of operating days over the next 12 months. This provides significant visibility into our cash flows during this period. Also, we will not have any additional financial impact on our operating revenues related to scrubber installations. Finally, we have ample liquidity and a \$1.3 billion charter backlog, which provides us with flexibility to both manage our business and react to growth opportunities that may present themselves. During the first quarter, we took delivery of *Niledutch Lion*, an 8,626 TEU containership built in 2008, and in early April, we took delivery of *Phoebe*, an 8,463 TEU containership built in 2005. Consistent with our long-standing strategy, both vessels have been contracted on two-year time charters that will contribute an incremental \$12 million of EBITDA on an annualized basis.

The strength of our company and our strong relationships in the finance community is demonstrated by the financing arrangements executed in the midst of the pandemic. On May 12, 2020 we concluded a \$139.1 million re-financing of the existing sale & leaseback transaction for two of our 13,100 TEU vessels at a significantly lower cost compared to the previous financing arrangement. This will result in approximately \$7.5 million of interest cost savings on an annualized basis. Additionally, lower US\$ Libor interest rates, which are currently lower by 2% when compared to 2019, will further contribute to reducing cash finance costs. For illustrative purposes, we will save approximately \$28 million on an annualized basis based on \$1.4 billion of bank debt outstanding at the end of the first quarter and current Libor rates. We have further arranged debt financing for the new vessels through a \$24 million credit facility that we entered into at the beginning of April 2020.

We remain committed to operational excellence and technological innovation, which allows us to continually deliver a high quality service to our customers. Our commitment has enabled us to maintain our leadership position in the container shipping industry throughout multiple market cycles. These are the attributes that will enhance shareholder value far and above the steel value of our fleet."

Three months ended March 31, 2020 compared to the three months ended March 31, 2019

During the three months ended March 31, 2020, Danaos had an average of 55.7 containerships compared to 55 containerships during the three months ended March 31, 2019. Our fleet utilization for the three months ended March 31, 2020 was 91.3% compared to 98.2% for the three months ended March 31, 2019. Adjusted fleet utilization, excluding the effect of 188 days of incremental off-hire due to shipyard delays related to the COVID-19 pandemic, was 95% in the three months ended March 31, 2020.

Our adjusted net income amounted to \$33.3 million, or \$1.34 per share, for the three months ended March 31, 2020 compared to \$38.6 million, or \$2.53 per share, for the three months ended March 31, 2019. We have adjusted our net income in the three months ended March 31, 2020 for a non-cash fees amortization and accrued finance fees charge of \$4.2 million. Please refer to the Adjusted Net Income reconciliation table, which appears later in this earnings release.

The decrease of \$5.3 million in adjusted net income for the three months ended March 31, 2020 compared to the three months ended March 31, 2019 is attributable mainly to a \$6.7 million decrease in operating revenues, of which \$3.2 million relates to incremental off-hire due to shipyard delays related to the COVID-19 pandemic, and a \$0.6 million increase in operating expenses, which were partially offset by a \$1.6 million increase in the operating performance of our equity investment in Gemini Shipholdings Corporation (“Gemini”) and a \$0.4 million decrease in net finance expenses.

On a non-adjusted basis, our net income amounted to \$29.1 million, or \$1.17 earnings per diluted share, for the three months ended March 31, 2020 compared to net income of \$33.4 million, or \$2.19 earnings per diluted share, for the three months ended March 31, 2019.

Operating Revenues

Operating revenues decreased by 5.9%, or \$6.7 million, to \$106.2 million in the three months ended March 31, 2020 from \$112.9 million in the three months ended March 31, 2019.

Operating revenues for the three months ended March 31, 2020 reflect:

- a \$6.1 million decrease in revenues due to lower fleet utilization of our vessels in the three months ended March 31, 2020 compared to the three months ended March 31, 2019 mainly due to the scheduled installation of scrubbers and dry-dockings of our vessels, of which \$3.2 million relates to incremental delays in the Chinese shipyards where these activities were being performed due to the COVID-19 pandemic.
- a \$1.7 million decrease in revenues in the three months ended March 31, 2020 compared to the three months ended March 31, 2019 as a result of lower re-chartering rates for certain of our vessels. This decrease is due to a \$4.5 million decrease in revenues due to the re-chartering of four vessels in our fleet that concluded long-term charters over the last twelve months and were re-deployed at the prevailing lower spot rates in the three months ended March 31, 2020, partially offset by a \$2.8 million improvement from the re-chartering of other vessels in the fleet.
- a \$5.1 million increase in revenues in the three months ended March 31, 2020 compared to the three months ended March 31, 2019 as a result of contractual increases in charter rates of vessels under long-term charters.
- a \$4.9 million decrease in revenues in the three months ended March 31, 2020 compared to the three months ended March 31, 2019 due to lower non-cash revenue recognition in accordance with US GAAP.
- a \$0.9 million increase in revenues in the three months ended March 31, 2020 compared to the three months ended March 31, 2019 due to the acquisition of a new vessel.

Vessel Operating Expenses

Vessel operating expenses increased by \$0.1 million to \$26.0 million in the three months ended March 31, 2020 from \$25.9 million in the three months ended March 31, 2019, primarily as a result of the increase in the average number of vessels in our fleet, partially offset by an overall decrease in the average daily operating cost of \$5,522 per vessel per day for vessels on time charter for the three months ended March 31, 2020 compared to \$5,636 per day for the three months ended March 31, 2019. Management believes that our daily operating cost are among 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 increased by 3.4%, or \$0.8 million, to \$24.6 million in the three months ended March 31, 2020 from \$23.8 million in the three months ended March 31, 2019 mainly due to the installation of scrubbers on four of our vessels and the acquisition of the vessel *Niledutch Lion* in the three months ended March 31, 2020.

Amortization of Deferred Dry-docking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs increased by \$0.1 million to \$2.3 million in the three months ended March 31, 2020 from \$2.2 million in the three months ended March 31, 2019.

General and Administrative Expenses

General and administrative expenses decreased by \$1.1 million to \$5.8 million in the three months ended March 31, 2020, from \$6.9 million in the three months ended March 31, 2019. The decrease was mainly due to decreased share based compensation and professional fees.

Other Operating Expenses

Other Operating Expenses include Voyage Expenses.

Voyage Expenses

Voyage expenses increased by \$0.7 million to \$4.0 million in the three months ended March 31, 2020 from \$3.3 million in the three months ended March 31, 2019 mainly due to increased bunkering expenses.

Interest Expense and Interest Income

Interest expense decreased by 8.4%, or \$1.5 million, to \$16.3 million in the three months ended March 31, 2020 from \$17.8 million in the three months ended March 31, 2019. The decrease in interest expense is attributable to:

(i) a \$0.6 million decrease in interest expense due to a \$112.1 million decrease in our average debt (including leaseback obligations), to \$1,544.2 million in the three months ended March 31, 2020, compared to \$1,656.3 million in the three months ended March 31, 2019; and

(ii) a \$0.9 million decrease in the amortization of deferred finance costs and debt discount related to our 2018 debt refinancing.

As of March 31, 2020, our bank debt outstanding, gross of deferred finance costs, was \$1,396.3 million and our leaseback obligation was \$134.3 million compared to bank debt of \$1,641.7 million as of March 31, 2019.

Interest income increased by \$0.1 million to \$1.7 million in the three months ended March 31, 2020 compared to \$1.6 million in the three months ended March 31, 2019.

Other finance costs, net

Other finance costs, net increased by \$0.3 million to \$0.6 million in the three months ended March 31, 2020 compared to \$0.3 million in the three months ended March 31, 2019.

Equity income/(loss) on investments

Equity income/(loss) on investments increased by \$1.6 million to \$1.5 million of income on investments in the three months ended March 31, 2020 compared to a \$0.1 million loss on investments in the three months ended March 31, 2019 due to the improved operating performance of Gemini, in which the Company has a 49% shareholding interest.

Loss on derivatives

Amortization of deferred realized losses on interest rate swaps remained stable at \$0.9 million in each of the three months ended March 31, 2020 and March 31, 2019.

Other income, net

Other income, net was \$0.2 million in income in the three months ended March 31, 2020 compared to nil in the three months ended March 31, 2019.

Adjusted EBITDA

Adjusted EBITDA decreased by 7.2%, or \$5.6 million, to \$71.9 million in the three months ended March 31, 2020 from \$77.5 million in the three months ended March 31, 2019. As outlined above, the decrease is mainly attributable to a \$6.7 million decrease in operating revenues, of which \$3.2 million relates to the impact of the COVID-19 pandemic described above, a \$0.3 million increase in other finance expenses and a \$0.2 million increase in operating expenses, which were partially offset by a \$1.6 million increase in the operating performance of our equity investees. Adjusted EBITDA for the three months ended March 31, 2020 is adjusted for stock based compensation of \$0.3 million. Tables reconciling Adjusted EBITDA to Net Income can be found at the end of this earnings release.

Recent Developments

In 2020, we acquired one 8,463 TEU container vessel and one 8,626 TEU container vessel, both of which have been fixed on two-year charters and in the aggregate are expected to contribute approximately \$12 million to EBITDA on an annualized basis. Additionally, we entered into an agreement to acquire an 8,533 TEU vessel, which is expected to be delivered to us in the second quarter of 2020.

On April 8, 2020, we entered into a loan agreement with Macquarie Bank for an amount of up to \$24 million drawn down in full on April 9, 2020. The loan was used to partially finance the acquisition costs of the vessels *Niledutch Lion* and *Phoebe*.

On May 12, 2020, we refinanced the existing leaseback obligation related to the vessels *Hyundai Honour* and *Hyundai Respect* with a new sale and leaseback arrangement amounting to \$139.1 million with a four-year term, at the end of which we will reacquire these vessels for an aggregate amount of \$36.0 million or earlier, at our option, for a purchase price set forth in the agreement. This arrangement was recorded as a financing transaction and recognized as a financial liability.

Conference Call and Webcast

On Tuesday, May 19, 2020 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 May 26, 2020 by dialing 1 877 344 7529 (US Toll Free Dial In) or 1-412-317-0088 (Standard International Dial In) and using 10143967# as the access code.

Audio Webcast

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

Slide Presentation

A slide presentation regarding the Company and the containership industry will also be available on the Danaos website (www.danaos.com).

About Danaos Corporation

Danaos Corporation is one of the largest independent owners of modern, large-size containerships. Our current fleet of 62 containerships aggregating 377,236 TEUs, including five 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 safe harbor 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. 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 impact of the COVID-19 pandemic and efforts throughout the world to contain its spread, including effects on global economic activity, demand for seaborne transportation of containerized cargo, the ability and willingness of charterers to perform their obligations to us, charter rates for containerships, shipyards performing scrubber installations, drydocking and repairs, changing vessel crews and availability of financing; the effects of the 2018 refinancing transactions; Danaos' ability to achieve the expected benefits of the refinancing and comply with the terms of its new credit facilities and other agreements entered into in connection with the 2018 refinancing; 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 dry-docking, 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

For further information please contact:

Company Contact:

Evangelos Chatzis

Chief Financial Officer
Danaos Corporation
Athens, Greece
Tel.: +30 210 419 6480
E-Mail: cfo@danaos.com

Iraklis Prokopakis

Senior Vice President and Chief Operating Officer
Danaos Corporation
Athens, Greece
Tel.: +30 210 419 6400
E-Mail: coo@danaos.com

Investor Relations and Financial Media

Rose & Company
New York
Tel. 212-359-2228
E-Mail: danaos@rosecoqlobal.com

Appendix

Fleet Utilization

Danaos had 104 unscheduled off-hire days in the three months ended March 31, 2020. 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	First Quarter
	2020	2019
Ownership Days	5,073	4,950
Less Off-hire Days:		
Scheduled Off-hire Days	(336)	-
Other Off-hire Days	(104)	(90)
Operating Days	4,633	4,860
Vessel Utilization	91.3%	98.2%
Operating Revenues (in '000s of US Dollars)	\$106,196	\$112,891
Average Gross Daily Charter Rate	\$22,922	\$23,229

Fleet List

The following table describes in detail our fleet deployment profile as of May 18, 2020:

Vessel Name	Vessel Size (TEU)	Year Built	Expiration of Charter ⁽¹⁾
Containerships			
<i>Hyundai Ambition (ex MSC Ambition)</i>	13,100	2012	June 2024
<i>Hyundai Speed (ex Maersk Exeter)</i>	13,100	2012	June 2024
<i>Hyundai Smart (ex Maersk Enping)</i>	13,100	2012	May 2024
<i>Hyundai Respect</i>	13,100	2012	March 2024
<i>Hyundai Honour</i>	13,100	2012	February 2024
<i>Express Rome</i>	10,100	2011	February 2022
<i>Express Berlin</i>	10,100	2011	April 2022
<i>Express Athens</i>	10,100	2011	February 2022
<i>Le Havre</i>	9,580	2006	April 2023
<i>Pusan C</i>	9,580	2006	March 2023
<i>Niledutch Lion</i>	8,626	2008	February 2022
<i>CMA CGM Melisande</i>	8,530	2012	May 2024
<i>CMA CGM Attila</i>	8,530	2011	October 2023
<i>CMA CGM Tancredi</i>	8,530	2011	November 2023
<i>CMA CGM Bianca</i>	8,530	2011	January 2024
<i>CMA CGM Samson</i>	8,530	2011	March 2024
<i>America</i>	8,468	2004	February 2023
<i>Europe</i>	8,468	2004	March 2023
<i>Phoebe</i>	8,463	2005	April 2022
<i>CMA CGM Moliere</i>	6,500	2009	February 2022
<i>CMA CGM Musset</i>	6,500	2010	August 2022
<i>CMA CGM Nerval</i>	6,500	2010	October 2022
<i>CMA CGM Rabelais</i>	6,500	2010	December 2022
<i>CMA CGM Racine</i>	6,500	2010	January 2023
<i>YM Mandate</i>	6,500	2010	January 2028
<i>YM Maturity</i>	6,500	2010	April 2028
<i>Performance</i>	6,402	2002	May 2020
<i>Dimitra C</i>	6,402	2002	January 2023
<i>YM Seattle</i>	4,253	2007	September 2020

<i>YM Vancouver</i>	4,253	2007	June 2020
<i>Derby D</i>	4,253	2004	July 2020
<i>ANL Tongala</i>	4,253	2004	October 2020
<i>ZIM Rio Grande</i>	4,253	2008	June 2020
<i>ZIM Sao Paolo</i>	4,253	2008	August 2020
<i>ZIM Kingston</i>	4,253	2008	September 2020
<i>ZIM Monaco</i>	4,253	2009	November 2020
<i>ZIM Dalian</i>	4,253	2009	February 2021
<i>ZIM Luanda</i>	4,253	2009	May 2021
<i>Dimitris C</i>	3,430	2001	June 2020
<i>Express Black Sea</i>	3,400	2011	November 2020
<i>Express Spain</i>	3,400	2011	July 2020
<i>Express Argentina</i>	3,400	2010	June 2020
<i>Express Brazil</i>	3,400	2010	September 2020
<i>Express France</i>	3,400	2010	October 2020
<i>Singapore</i>	3,314	2004	July 2020
<i>Colombo</i>	3,314	2004	August 2020
<i>MSC Zebra</i>	2,602	2001	September 2020
<i>Amalia C</i>	2,452	1998	August 2020
<i>Danae C</i>	2,524	2001	June 2020
<i>Advance</i>	2,200	1997	August 2020
<i>Future</i>	2,200	1997	June 2020
<i>Sprinter</i>	2,200	1997	July 2020
<i>Stride</i>	2,200	1997	August 2020
<i>Progress C</i>	2,200	1998	July 2020
<i>Bridge</i>	2,200	1998	September 2020
<i>Highway</i>	2,200	1998	May 2020
<i>Vladivostok</i>	2,200	1997	June 2020
<i>Belita⁽²⁾</i>	8,533	2006	September 2021
<i>Catherine C⁽²⁾</i>	6,422	2001	January 2023
<i>Leo C⁽²⁾</i>	6,422	2002	August 2022
<i>Suez Canal⁽²⁾</i>	5,610	2002	July 2020
<i>Genoa⁽²⁾</i>	5,544	2002	August 2020

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

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

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

	Three months ended March 31, <u>2020</u>	Three months ended March 31, <u>2019</u>
OPERATING REVENUES	\$106,196	\$112,891
OPERATING EXPENSES		
Vessel operating expenses	(26,002)	(25,871)
Depreciation & amortization	(26,891)	(25,957)
General & administrative	(5,840)	(6,869)
Other operating expenses	(4,046)	(3,270)
Income From Operations	43,417	50,924
OTHER INCOME/(EXPENSES)		
Interest income	1,714	1,596
Interest expense	(16,313)	(17,843)
Other finance expenses	(622)	(324)
Equity income/(loss) on investments	1,545	(84)
Other income, net	251	67
Realized loss on derivatives	(903)	(893)
Total Other Expenses, net	(14,328)	(17,481)
Net Income	\$29,089	\$33,443
EARNINGS PER SHARE		
Basic earnings per share	\$1.18	\$2.24
Diluted earnings per share	\$1.17	\$2.19
Basic weighted average number of common shares (in thousands of shares)	24,573	14,939
Diluted weighted average number of common shares (in thousands of shares)	24,789	15,237

Non-GAAP Measures¹
Reconciliation of Net Income to Adjusted Net Income – Unaudited

	Three months ended March 31, <u>2020</u>	Three months ended March 31, <u>2019</u>
Net income	\$29,089	\$33,443
Amortization of financing fees, debt discount & finance fees accrued	4,192	5,126
Adjusted Net Income	\$33,281	\$38,569
Adjusted Earnings Per Share, diluted	\$1.34	\$2.53
Diluted weighted average number of shares (in thousands)	24,789	15,237

¹ 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 ended March 31, 2020 and 2019. 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 Consolidated Balance Sheets - Unaudited
(Expressed in thousands of United States dollars)

	As of March 31, <u>2020</u>	As of December 31, <u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$97,019	\$139,170
Accounts receivable, net	7,921	7,145
Other current assets	47,133	44,071
	<u>152,073</u>	<u>190,386</u>
NON-CURRENT ASSETS		
Fixed assets, net	2,413,730	2,389,874
Deferred charges, net	13,995	11,455
Investments in affiliates	10,510	8,965
Other non-current assets	71,199	82,339
	<u>2,509,434</u>	<u>2,492,633</u>
TOTAL ASSETS	<u>\$2,661,507</u>	<u>\$2,683,019</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt, current portion	\$119,525	\$119,673
Accumulated accrued interest, current portion	32,870	34,137
Long-term leaseback obligations, current portion	16,804	16,342
Accounts payable, accrued liabilities & other current liabilities	51,668	52,928
	<u>220,867</u>	<u>223,080</u>
LONG-TERM LIABILITIES		
Long-term debt, net	1,245,785	1,270,663
Accumulated accrued interest, net of current portion	146,909	156,583
Long-term leaseback obligations, net	117,534	121,872
Other long-term liabilities	26,764	29,131
	<u>1,536,992</u>	<u>1,578,249</u>
STOCKHOLDERS' EQUITY		
Common stock	248	248
Additional paid-in capital	785,572	785,274
Accumulated other comprehensive loss	(124,363)	(116,934)
Retained earnings	242,191	213,102
	<u>903,648</u>	<u>881,690</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$2,661,507</u>	<u>\$2,683,019</u>

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

	Three months ended March 31, <u>2020</u>	Three months ended March 31, <u>2019</u>
Operating Activities:		
Net income	\$29,089	\$33,443
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation	24,581	23,766
Amortization of deferred drydocking & special survey costs, finance cost, debt discount and other finance fees accrued	6,502	7,317
PIK interest	807	840
Payments for drydocking/special survey	(4,850)	(121)
Amortization of deferred realized losses on cash flow interest rate swaps	903	893
Equity (income)/loss on investments	(1,545)	84
Stock based compensation	298	830
Accounts receivable	(776)	1,782
Other assets, current and non-current	(1,889)	(7,166)
Accounts payable and accrued liabilities	5,343	918
Other liabilities, current and long-term	(3,036)	(3,584)
Net Cash provided by Operating Activities	<u>55,427</u>	<u>59,002</u>
Investing Activities:		
Vessel additions and advances	(42,246)	(1,667)
Investments	(75)	-
Net Cash used in Investing Activities	<u>(42,321)</u>	<u>(1,667)</u>
Financing Activities:		
Debt repayment	(32,637)	(29,714)
Payments of leaseback obligations	(3,876)	-
Payments of accumulated accrued interest	(8,329)	(9,100)
Finance costs	(10,415)	(14,487)
Net Cash used in Financing Activities	<u>(55,257)</u>	<u>(53,301)</u>
Net Increase/(Decrease) in cash and cash equivalents	(42,151)	4,034
Cash and cash equivalents, beginning of period	139,170	77,275
Cash and cash equivalents, end of period	<u>\$97,019</u>	<u>\$81,309</u>

DANAOS CORPORATION
Reconciliation of Net Income to Adjusted EBITDA - Unaudited
(Expressed in thousands of United States dollars)

	Three months ended	Three months ended
	March 31,	March 31,
	2020	2019
Net income	\$29,089	\$33,443
Depreciation	24,581	23,766
Amortization of deferred drydocking & special survey costs	2,310	2,191
Amortization of deferred finance costs, debt discount and other finance fees accrued	4,192	5,126
Amortization of deferred realized losses on interest rate swaps	903	893
Interest income	(1,714)	(1,596)
Interest expense	12,259	12,885
Stock based compensation	298	830
Adjusted EBITDA⁽¹⁾	\$71,918	\$77,538

- 1) Adjusted EBITDA represents net income before interest income and expense, depreciation, amortization of deferred drydocking & special survey costs, amortization of deferred finance costs, debt discount and other finance fees accrued, amortization of deferred realized losses on interest rate swaps and stock based compensation. 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 ended March 31, 2020 and 2019. 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.
