
**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 month of August 2019

Commission File Number 001-33060

DANAOS CORPORATION

(Translation of registrant's name into English)

Danaos Corporation
c/o Danaos Shipping Co. Ltd.
14 Akti Kondyli
185 45 Piraeus
Greece

Attention: Secretary
011 030 210 419 6480

(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 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):

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):

This report on Form 6-K is hereby incorporated by reference into the Company's (i) Registration Statements on Form F-3 (Reg. No. 333-230106) and (Reg. No. 333-226096) filed with the SEC on March 6, 2019, (ii) Registration Statement on Form F-3 (Reg. No. 333-174494) filed with the SEC on May 25, 2011, (iii) Registration Statement on Form F-3 (Reg. No. 333-147099), the related prospectus supplements filed with the SEC on December 17, 2007, January 16, 2009 and March 27, 2009, (iv) Registration Statement on Form S-8 (Reg. No. 333-138449) filed with the SEC on November 6, 2006 and the reoffer prospectus, dated November 6, 2006, contained therein and (v) Registration Statement on Form F-3 (Reg. No. 333-169101).

EXHIBIT INDEX

- 99.1 [Operating and Financial Review and Prospects and Condensed Consolidated Financial Statements \(Unaudited\) for the Three and Six Months Ended June 30, 2019.](#)
- 99.2 [Amended and Restated Danaos Corporation 2006 Equity Compensation Plan](#)

SIGNATURES

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

Date: August 6, 2019

DANAOS CORPORATION

By: /s/ Evangelos Chatzis
Name: Evangelos Chatzis
Title: Chief Financial Officer

DANAOS CORPORATION

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with our interim condensed consolidated financial statements (unaudited) and the notes thereto included elsewhere in this report.

Results of Operations*Three months ended June 30, 2019 compared to three months ended June 30, 2018*

During the three months ended June 30, 2019 and June 30, 2018, Danaos had an average of 55 containerships. Our fleet utilization for the three months ended June 30, 2019 was 99.4% compared to 96.1% for the three months ended June 30, 2018.

Operating Revenues

Operating revenues decreased by 1.0%, or \$1.1 million, to \$112.3 million in the three months ended June 30, 2019 from \$113.4 million in the three months ended June 30, 2018.

Operating revenues for the three months ended June 30, 2019 reflect:

- a \$4.1 million decrease in revenues in the three months ended June 30, 2019 compared to the three months ended June 30, 2018, mainly due to the re-chartering of certain of our vessels that concluded long-term charters over the last twelve months and were re-deployed at lower spot rates in the three months ended June 30, 2019; and
- a \$3.0 million increase in revenues due to higher fleet utilization of our vessels in the three months ended June 30, 2019 compared to the three months ended June 30, 2018.

Voyage Expenses

Voyage expenses decreased by \$0.5 million, to \$2.7 million in the three months ended June 30, 2019 from \$3.2 million in the three months ended June 30, 2018.

Vessel Operating Expenses

Vessel operating expenses increased by 2.2%, or \$0.6 million, to \$27.3 million in the three months ended June 30, 2019 from \$26.7 million in the three months ended June 30, 2018. The average daily operating cost per vessel for vessels on time charter was \$5,884 per day for the three months ended June 30, 2019 compared to \$5,762 per day for the three months ended June 30, 2018. Management believes that our daily operating cost ranks as one of the most competitive in the industry.

Depreciation

Depreciation expense decreased by 10.1%, or \$2.7 million, to \$24.0 million in the three months ended June 30, 2019 from \$26.7 million in the three months ended June 30, 2018 mainly due to decreased depreciation expense for ten vessels for which we recorded an impairment charge on December 31, 2018.

Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs decreased by \$0.3 million, to \$2.1 million in the three months ended June 30, 2019 from \$2.4 million in the three months ended June 30, 2018. The decrease was mainly due to a decreased number of vessels dry-docked.

General and Administrative Expenses

General and administrative expenses increased by \$0.7 million, to \$6.5 million in the three months ended June 30, 2019, from \$5.8 million in the three months ended June 30, 2018. The increase was mainly due to increased share based compensation.

Interest Expense and Interest Income

Interest expense decreased by 18.3%, or \$4.2 million, to \$18.8 million in the three months ended June 30, 2019 from \$23.0 million in the three months ended June 30, 2018. The decrease in interest expense is attributable to:

- a \$11.5 million decrease in interest expense on two of our credit facilities for which we recognized an interest expense accrual in the third quarter of 2018, which has been classified on our balance sheet under “Accumulated accrued interest” and represents future interest expense for the relevant facilities that has been recognized in advance as a result of the application of Troubled Debt Restructuring (“TDR”) accounting in connection with our 2018 debt refinancing;
- a \$5.8 million increase in interest expense due to an increase in debt service cost by approximately 2.8%, partially offset by a \$644.4 million decrease in our average debt (including leaseback obligations), to \$1,630.7 million in the three months ended June 30, 2019, compared to \$2,275.1 million in the three months ended June 30, 2018; and
- a \$1.5 million increase in the amortization of deferred finance costs and debt discount related to our 2018 debt refinancing.

As of June 30, 2019, our bank debt outstanding, gross of deferred finance costs, was \$1,470.6 million and leaseback obligation was \$144.4 million compared to bank debt of \$2,293.9 million outstanding as of June 30, 2018.

Interest income increased by \$0.2 million to \$1.6 million in the three months ended June 30, 2019 compared to \$1.4 million in the three months ended June 30, 2018.

Other Finance Costs, net

Other finance costs, net increased by \$0.8 million to \$1.8 million in the three months ended June 30, 2019 compared to \$1.0 million in the three months ended June 30, 2018 mainly due to increased finance costs, which were partially offset by decreased exit fees expenses.

Equity income/(loss) on investments

Equity income/(loss) on investments decreased by \$0.2 million to nil in the three months ended June 30, 2019 compared to equity income on investments amounting to \$0.2 million in the three months ended June 30, 2018 and relates to the operating performance of Gemini Shipholdings Corporation (“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 month periods ended June 30, 2019 and 2018.

Other income/(expenses), net

Other income/(expenses), net was \$0.4 million in income in the three months ended June 30, 2019 compared to \$19.5 million in expenses in the three months ended June 30, 2018 mainly due to \$20.1 million of refinancing-related professional fees in the prior period.

Six months ended June 30, 2019 compared to six months ended June 30, 2018

During the six months ended June 30, 2019 and June 30, 2018, Danaos had an average of 55 containerships. Our fleet utilization for the six months ended June 30, 2019 was 98.8% compared to 95.9% for the six months ended June 30, 2018.

Operating Revenues

Operating revenues decreased by \$0.1 million, to \$225.2 million in the six months ended June 30, 2019 from \$225.3 million in the six months ended June 30, 2018.

Operating revenues for the six months ended June 30, 2019 reflect:

- a \$4.0 million decrease in revenues in the six months ended June 30, 2019 compared to the six months ended June 30, 2018, mainly due to the re-chartering of certain of our vessels that concluded long-term charters over the last twelve months and were re-deployed at lower spot rates in the six months ended June 30, 2019; and
- a \$3.9 million increase in revenues due to higher fleet utilization of our vessels in the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Voyage Expenses

Voyage expenses decreased by \$0.3 million, to \$6.0 million in the six months ended June 30, 2019 from \$6.3 million in the six months ended June 30, 2018.

Vessel Operating Expenses

Vessel operating expenses decreased by 0.7%, or \$0.4 million, to \$53.2 million in the six months ended June 30, 2019 from \$53.6 million in the six months ended June 30, 2018. The average daily operating cost per vessel for vessels on time charter was \$5,761 per day for the six months ended June 30, 2019 compared to \$5,806 per day for the six months ended June 30, 2018. Management believes that our daily operating cost ranks as one of the most competitive in the industry.

Depreciation

Depreciation expense decreased by 11.1%, or \$6.0 million, to \$47.8 million in the six months ended June 30, 2019 from \$53.8 million in the six months ended June 30, 2018 mainly due to decreased depreciation expense for ten vessels for which we recorded an impairment charge on December 31, 2018.

Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs remained stable at \$4.3 million in each of the six month periods ended June 30, 2019 and 2018.

General and Administrative Expenses

General and administrative expenses increased by \$2.4 million, to \$13.4 million in the six months ended June 30, 2019, from \$11.0 million in the six months ended June 30, 2018. The increase was mainly due to increased share based compensation and professional fees.

Interest Expense and Interest Income

Interest expense decreased by 20.0%, or \$9.2 million, to \$36.7 million in the six months ended June 30, 2019 from \$45.9 million in the six months ended June 30, 2018. The decrease in interest expense is attributable to:

- a \$22.9 million decrease in interest expense on two of our credit facilities for which we recognized an interest expense accrual in the third quarter of 2018, which has been classified on our balance sheet under “Accumulated accrued interest” and represents future interest expense for the relevant facilities that has been recognized in advance as a result of the application of TDR accounting in connection with our 2018 debt refinancing;
- a \$9.8 million increase in interest expense due to an increase in debt service cost of approximately 2.6%, partially offset by a \$644.8 million decrease in our average debt (including leaseback obligations), to \$1,643.4 million in the six months ended June 30, 2019, compared to \$2,288.2 million in the six months ended June 30, 2018; and
- a \$3.9 million increase in the amortization of deferred finance costs and debt discount related to our 2018 debt refinancing.

As of June 30, 2019, our bank debt outstanding, gross of deferred finance costs, was \$1,470.6 million and leaseback obligation was \$144.4 million compared to bank debt of \$2,293.9 million outstanding as of June 30, 2018.

Interest income increased by \$0.4 million to \$3.2 million in the six months ended June 30, 2019 compared to \$2.8 million in the six months ended June 30, 2018.

Other Finance Costs, net

Other finance costs, net increased by \$0.2 million, to \$2.1 million in the six months ended June 30, 2019 from \$1.9 million in the six months ended June 30, 2018.

Equity income/(loss) on investments

Equity income/(loss) on investments decreased by \$0.2 million to nil in the six months ended June 30, 2019 compared to \$0.2 million income in the six months ended June 30, 2018 and relates to the 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 \$1.8 million in each of the six month periods ended June 30, 2019 and 2018.

Other income/(expenses), net

Other income/(expenses), net was \$0.4 million in income in the six months ended June 30, 2019 compared to \$28.9 million in expenses in the six months ended June 30, 2018 mainly due to \$29.7 million of refinancing-related professional fees in the prior period.

Liquidity and Capital Resources

Our principal source of funds has been operating cash flows, vessel sales, and long-term bank borrowings, as well as equity provided by our stockholders from our initial public offering in October 2006, common stock sale in August 2010 and the capital contribution of Danaos Investment Limited as Trustee of the 883 Trust (“DIL”) on August 10, 2018. Our principal uses of funds have been capital expenditures to establish, grow and maintain our fleet, comply with international shipping standards, environmental laws and regulations and to fund working capital requirements and repayment of debt.

Our short-term liquidity needs primarily relate to the funding of our vessel operating expenses, debt interest payments and servicing the current portion of our debt obligations. Our long-term liquidity needs primarily relate to any additional vessel acquisitions in the containership sector and debt repayment. We anticipate that our primary sources of funds will be cash from operations and equity or debt financings.

Under our existing multi-year charters as of June 30, 2019, we had contracted revenues of \$184.4 million for the remainder of 2019, \$362.1 million for 2020 and, thereafter, approximately \$0.9 billion. Although these contracted revenues are based on contracted charter rates, we are dependent on the ability and willingness of our charterers, some of which are facing substantial financial pressure, to meet their obligations under these charters.

As of June 30, 2019, we had cash and cash equivalents of \$78.8 million. As of June 30, 2019, we had no remaining borrowing availability under our credit facilities. As of June 30, 2019, we had \$1,470.6 million of outstanding bank debt gross of deferred finance costs. We are obligated to make quarterly fixed amortization payments, totaling \$113.8 million to June 30, 2020, and quarterly variable amortization payments on this outstanding indebtedness. Additionally, in connection with the 2018 Refinancing, we undertook to refinance two of our 13,100 TEU vessels, the *Hyundai Honour* and *Hyundai Respect*, which was completed on April 12, 2019 through a sale and leaseback arrangement with a term of five years, at the end of which we will reacquire the vessels for \$52.6 million or earlier, at our option, for a purchase price set forth in the agreement. The net proceeds amounting to \$144.8 million were applied pro rata to partially repay the existing credit facilities (Club Facility, Credit Suisse Facility, Citibank \$114 mil. Facility and Citibank \$123.9 mil. Facility) secured by mortgages on such vessels. As of June 30, 2019, we had \$144.4 million of outstanding leaseback obligations, with aggregate payments of \$31.3 million (including imputed interest) due in monthly installments by June 30, 2020. See Note 4 “Fixed Assets, Net” to our unaudited condensed consolidated financial statements included in this report.

In 2018, we entered into an agreement with certain of our lenders holding approximately \$2.2 billion of debt maturing on December 31, 2018 for a debt refinancing transaction (the “2018 Refinancing”) which was consummated on August 10, 2018. The debt refinancing involved our entry into new credit facilities, which we refer to as the New 2018 Credit Facilities, including the amendment and restatement of certain previous credit facilities, resulting in a \$551 million reduction in our debt, reset financial and certain other covenants, modified interest rates and amortization profiles and the extension of debt maturities by approximately five years to December 31, 2023 (or, in some cases, June 30, 2024). In the 2018 Refinancing, we issued to certain of our lenders an aggregate of 7,095,877 shares (99,342,271 shares before the 1-for-14 reverse stock split effected on May 2, 2019) of our common stock on the closing date of the 2018 Refinancing, representing 47.5% of our issued and outstanding common stock immediately after giving effect to such issuance. The issuance ratably diluted existing holders of the Common Stock. In connection with the 2018 Refinancing, DIL, our largest stockholder, contributed \$10 million to us on the closing date of the 2018 Refinancing, for which DIL did not receive any shares of common stock or other interests in us. See the Note 10, “Long-term Debt, net” to our consolidated financial statements in our Annual Report on Form 20-F for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 5, 2019.

Under the New 2018 Credit Facilities, we are required to apply a substantial portion of our cash from operations to the repayment of principal under such facilities. See Note 9 “Long-Term Debt, net” to our unaudited condensed consolidated financial statements included in this report. We currently expect that the remaining portion of our cash from operations will be sufficient to fund all of our other obligations.

We have not paid a dividend since 2008, when our board of directors determined to suspend the payment of cash dividends as a result of market conditions in the international shipping industry. In addition, under the New 2018 Credit Facilities we are not permitted to pay dividends, until (1) we receive in excess of \$50 million in net cash proceeds from offerings of common stock and (2) the payment in full of the first installment of amortization payable following the consummation of the debt refinancing under each new credit facility. After these conditions are satisfied, under the New 2018 Credit Facilities we will be permitted to pay dividends if an event of default has not occurred and is continuing or would occur as a result of the payment of such dividend, and we remain in compliance with the financial and other covenants thereunder. To the extent our credit facilities permit us to pay dividends, any dividend payments will be subject to us having sufficient available excess cash and distributable reserves, the provisions of Marshall Islands law affecting the payment of distributions to stockholders and the discretion of our board of directors.

In July 2014, ZIM and its creditors entered into definitive documentation effecting ZIM's restructuring with its creditors. The terms of the restructuring included a reduction in the charter rates payable by ZIM under its time charters, expiring in 2020 or 2021, for six of our vessels. The terms also included our receipt of approximately \$49.9 million aggregate principal amount of unsecured, interest bearing ZIM notes maturing in 2023 (consisting of \$8.8 million of 3% Series 1 Notes due 2023 amortizing subject to available cash flow in accordance with a corporate cash sweep mechanism, and \$41.1 million of 5% Series 2 Notes due 2023 non-amortizing (of the 5% interest rate, 3% is payable quarterly in cash and 2% is payable in kind, accrued quarterly with deferred cash payment on maturity)) and ZIM shares representing approximately 7.4% of the outstanding ZIM shares immediately after the restructuring, in exchange for such charter rate reductions and cancellation of ZIM's other obligations to us which relate to the outstanding long term receivable as of December 31, 2013. See Note 7, "Other Non-current Assets" to our unaudited condensed consolidated financial statements included in this report.

In July 2016, we entered into a charter restructuring agreement with Hyundai Merchant Marine ("HMM"), which provides for a 20% reduction, for the period until December 31, 2019 (or earlier charter expiration in the case of eight vessels), in the charter hire rates payable for thirteen of our vessels currently employed with HMM. In exchange, under the charter restructuring agreement we received (i) \$32.8 million principal amount of senior, unsecured Loan Notes 1, amortizing subject to available cash flows, which accrue interest at 3% per annum payable on maturity in July 2024, (ii) \$6.2 million principal amount of senior, unsecured, non-amortizing Loan Notes 2, which accrue interest at 3% per annum payable on maturity in December 2022 and (iii) 4,637,558 HMM shares, which were sold on September 1, 2016 for cash proceeds of \$38.1 million. On March 28, 2017, the Company sold \$13.0 million principal amount carried at amortized costs of \$8.6 million of HMM Loan Notes 1 for gross cash proceeds on sale of \$6.2 million resulting in a loss on sale of \$2.4 million. The sale of these notes resulted in the transfer of all held to maturity securities into the available for sale securities and recognizing unrealized holding losses of \$39.0 million for all remaining HMM and ZIM notes in accumulated other comprehensive income/(loss) as of June 30, 2019. See Note 7, "Other Non-current Assets" to our unaudited condensed consolidated financial statements included in this report.

We have agreed to install scrubbers on nine of our vessels with estimated total costs amounting to approximately \$27.9 million as of June 30, 2019, of which \$13.2 million was paid as advances before June 30, 2019 and the remaining amount is expected to be paid in 2019.

Cash Flows

	Six Months ended June 30, 2019	Six Months ended June 30, 2018
	(In thousands)	
Net cash provided by operating activities	\$ 111,456	\$ 55,592
Net cash used in investing activities	\$ (10,638)	\$ (1,683)
Net cash used in financing activities	\$ (99,290)	\$ (48,381)

Net Cash Provided by Operating Activities

Net cash flows provided by operating activities increased by \$55.9 million, to \$111.5 million provided by operating activities in the six months ended June 30, 2019 compared to \$55.6 million provided by operating activities in the six months ended June 30, 2018. The increase was the result mainly of a \$29.3 million decrease in net other expenses, a \$13.7 million decrease in net finance costs, lower payments for dry-docking and special survey costs by \$8.7 million, a \$4.0 million change in working capital and by a \$0.2 million decrease in total operating expenses in the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Net Cash Used in Investing Activities

Net cash flows used in investing activities increased by \$8.9 million, to \$10.6 million used in investing activities in the six months ended June 30, 2019 compared to \$1.7 million used in investing activities in the six months ended June 30, 2018 mainly due to the increase in advances for vessel additions related to scrubbers.

Net Cash Used in Financing Activities

Net cash flows used in financing activities increased by \$50.9 million, to \$99.3 million used in financing activities in the six months ended June 30, 2019 compared to \$48.4 million used in financing activities in the six months ended June 30, 2018 due to the increase in payments of accumulated accrued interest related to carrying amount of debt by \$17.9 million, increased finance costs related to loan arrangement fees by \$20.0 million and net increase in loan repayments by \$13.0 million.

Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). Management believes, however, 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 our performance. See the table below for supplemental financial data and corresponding reconciliation to GAAP financial measures. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, our reported results prepared in accordance with GAAP.

EBITDA and Adjusted EBITDA

EBITDA represents net income before interest income and expense, taxes, depreciation, as well as amortization of deferred drydocking & special survey costs, amortization of deferred realized losses of cash flow interest rate swaps, amortization of finance costs and finance costs accrued. Adjusted EBITDA represents net income before interest income and expense, taxes, depreciation, amortization of deferred drydocking & special survey costs, amortization of deferred realized losses of cash flow interest rate swaps, amortization of finance costs and finance costs accrued, refinancing professional fees and stock based compensation. We believe that EBITDA and Adjusted EBITDA assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. EBITDA and Adjusted EBITDA are also used: (i) by prospective and current customers as well as potential lenders to evaluate potential transactions; and (ii) to evaluate and price potential acquisition candidates. Our EBITDA and Adjusted EBITDA may not be comparable to that reported by other companies due to differences in methods of calculation.

EBITDA and Adjusted EBITDA have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of our results as reported under U.S. GAAP. Some of these limitations are: (i) EBITDA/Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; and (ii) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and EBITDA/Adjusted EBITDA do not reflect any cash requirements for such capital expenditures. 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. Because of these limitations, EBITDA/Adjusted EBITDA should not be considered as principal indicators of our performance.

Reconciliation of Net Income to EBITDA and Adjusted EBITDA

	Six Months ended June 30, 2019	Six Months ended June 30, 2018
	(In thousands)	
Net income	\$ 63,581	\$ 20,830
Depreciation	47,805	53,757
Amortization of deferred drydocking & special survey costs	4,254	4,252
Amortization of deferred realized losses of cash flow interest rate swaps	1,796	1,832
Amortization of finance costs and debt discount	8,948	5,114
Finance costs accrued (Exit Fees under our Bank Agreements)	295	1,484
Interest income	(3,165)	(2,793)
Interest expense	27,740	40,755
EBITDA	151,254	125,231
Refinancing professional fees	—	29,701
Stock based compensation	1,865	—
Adjusted EBITDA	\$ 153,119	\$ 154,932

EBITDA increased by \$26.0 million, to \$151.2 million in the six months ended June 30, 2019 from \$125.2 million in the six months ended June 30, 2018. This increase was mainly attributed to a \$29.3 million decrease in net other expenses, which was partially offset by a \$1.4 million increase in other finance costs, a \$1.6 million increase in operating expenses, a \$0.2 million decrease in operating performance of our equity investments and to a \$0.1 million decrease in operating revenues in the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Adjusted EBITDA decreased by \$1.8 million, to \$153.1 million in the six months ended June 30, 2019 from \$154.9 million in the six months ended June 30, 2018. This decrease was mainly attributed to a \$1.4 million increase in other finance costs, to a \$0.2 million decrease in operating performance on our equity investments and to a \$0.1 million decrease in operating revenues in the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Adjusted EBITDA for the six months ended June 30, 2019 is adjusted for \$1.9 million of stock based compensation.

Credit Facilities

We, as guarantor, and certain of our subsidiaries, as borrowers, have entered into a number of credit facilities in connection with financing the acquisition of certain vessels in our fleet and the 2018 Refinancing, which are described in Note 10, "Long-term Debt, net" to our consolidated financial statements in our Annual Report on Form 20-F for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 5, 2019. The following summarizes certain terms of our credit facilities:

Credit Facility	Outstanding Principal Amount (in millions)(1)	Collateral Vessels
The Royal Bank of Scotland \$475.5 mil. Facility (2)	\$ 466.8	The <i>Progress C</i> (ex <i>Hyundai Progress</i>), the <i>Highway</i> , the <i>Bridge</i> , the <i>Zim Monaco</i> , the <i>Express Argentina</i> , the <i>Express France</i> , the <i>Express Spain</i> , the <i>CMA CGM Racine</i> , the <i>America</i> (ex <i>CSCL America</i>), the <i>CMA CGM Melisande</i> , the <i>Maersk Enping</i> , the <i>Express Berlin</i> , the <i>Le Havre</i> (ex <i>CSCL Le Havre</i>) and the <i>Derby D</i>
HSH Nordbank—Aegean Baltic Bank—Piraeus Bank \$382.5 mil. Facility (2)	\$ 376.0	The <i>Vladivostok</i> , the <i>Advance</i> , the <i>Stride</i> , the <i>Future</i> , the <i>Sprinter</i> , the <i>Amalia C</i> , the <i>MSC Zebra</i> , the <i>Danae C</i> , the <i>Dimitris C</i> , the <i>Performance</i> , the <i>Europe</i> , the <i>Dimitra C</i> (ex <i>Priority</i>), the <i>Maersk Exeter</i> , the <i>Express Rome</i> , the <i>CMA CGM Rabelais</i> , the <i>Pusan C</i> (ex <i>CSCL Pusan</i>) and the <i>ANL Tongala</i> (ex <i>Deva</i>)
Citibank \$114 mil. Facility	\$ 79.1	The <i>CMA CGM Moliere</i> and the <i>CMA CGM Musset</i>
Citibank \$123.9 mil. Facility	\$ 90.4	The <i>Zim Rio Grande</i> , the <i>Zim Sao Paolo</i> and the <i>Zim Kingston</i>
Citibank \$120 mil. Facility (2)	\$ 107.1	The <i>Colombo</i> , the <i>YM Seattle</i> , the <i>YM Vancouver</i> , the <i>Singapore</i> and the <i>Express Athens</i>
Citibank—Eurobank \$37.6 mil. Facility	\$ 31.5	The <i>MSC Ambition</i>
Club Facility \$206.2 mil.	\$ 148.0	The <i>Zim Dalian</i> , the <i>Express Brazil</i> , the <i>YM Maturity</i> , the <i>Express Black Sea</i> and the <i>CMA CGM Attila</i>
Credit Suisse \$171.8 mil. Facility	\$ 121.7	The <i>Zim Luanda</i> , the <i>CMA CGM Nerval</i> and the <i>YM Mandate</i>
Sinosure—Cexim—Citibank—ABN Amro \$203.4 mil. Facility	\$ 50.9	The <i>CMA CGM Tancredi</i> , the <i>CMA CGM Bianca</i> and the <i>CMA CGM Samson</i>

(1) As of June 30, 2019.

(2) These credit facilities are also secured by a second priority lien on the *CMA CGM Tancredi*, the *CMA CGM Bianca*, the *CMA CGM Samson* and the *MSC Ambition*.

As of June 30, 2019, there was no remaining borrowing availability under our credit facilities. We were in compliance with the financial covenants of the credit facilities as of June 30, 2019 and December 31, 2018.

Additionally, in connection with the 2018 Refinancing, we undertook to refinance two of our 13,100 TEU vessels, the *Hyundai Honour* and *Hyundai Respect*, which was completed on April 12, 2019 through a sale and leaseback arrangement with a term of five years at the end of which we will reacquire the vessels. The net proceeds amounting to \$144.8 million were applied pro rata to repay the existing credit facilities secured by mortgages on such vessels. As of June 30, 2019, we had \$144.4 million in outstanding leaseback obligations. See Note 4 “Fixed Assets, Net” to our unaudited condensed consolidated financial statements included in this report.

For additional details regarding the 2018 Refinancing and New 2018 Credit Facilities and the Sinosure-CEXIM Credit Facility, please refer to Note 10, “Long-term Debt, net” to our consolidated financial statements in our Annual Report on Form 20-F for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 5, 2019.

Reverse Stock Split

At our Special Meeting of Stockholders on March 5, 2019, our shareholders approved an amendment to our Restated Articles of Incorporation to effect a reverse stock split of our issued and outstanding shares of common stock with the exact ratio to be determined by our Board of Directors. On April 16, 2019, our Board of Directors determined to effect a reverse stock split of the issued and outstanding shares of common stock by a ratio of 1-for-14. The reverse stock split occurred, and our common stock began trading on a split adjusted basis as of the opening of trading on the NYSE on May 2, 2019 under our existing trading symbol “DAC”. The reverse stock split reduced the number of our outstanding shares of common stock from 213,324,455 to 15,237,456 and affected all issued and outstanding shares of common stock. No fractional shares were issued in connection to the reverse stock split. Stockholders who would otherwise hold a fractional share of our common stock received a cash payment in lieu of such fractional share. The par value and other terms of our common stock were not affected by the reverse stock split.

Qualitative and Quantitative Disclosures about Market Risk

Interest Rate Swaps

In the past, we entered into interest rate swap agreements converting floating interest rate exposure into fixed interest rates in order to hedge our exposure to fluctuations in prevailing market interest rates, as well as interest rate swap agreements converting the fixed rate we paid in connection with certain of our credit facilities into floating interest rates in order to economically hedge the fair value of the fixed rate credit facilities against fluctuations in prevailing market interest rates. All of these interest rate swap agreements have expired and we do not currently have any outstanding interest rate swap agreements. Refer to Note 10, “Financial Instruments”, to our unaudited condensed consolidated financial statements included in this report.

Foreign Currency Exchange Risk

We did not have any derivative instruments to hedge the foreign currency translation of assets or liabilities or foreign currency transactions during the six months ended June 30, 2019 and 2018.

Off-Balance Sheet Arrangements

We do not have any transactions, obligations or relationships that could be considered material off-balance sheet arrangements.

Capitalization and Indebtedness

The table below sets forth our consolidated capitalization as of June 30, 2019.

- on an actual basis; and
- on an as adjusted basis to reflect in the period from July 1, 2019 to August 5, 2019 debt repayments of \$1.0 million related to our leaseback obligations.

	As of June 30, 2019	
	Actual	As adjusted
	(US Dollars in thousands)	
Debt:		
Total debt (1)	\$ 1,576,470	\$ 1,575,449
Stockholders' equity:		
Preferred stock, par value \$0.01 per share; 100,000,000 preferred shares authorized and none issued; actual and as adjusted	—	—
Common stock, par value \$0.01 per share; 750,000,000 shares authorized; 15,373,194 shares issued and outstanding actual and as adjusted (2)	154	154
Additional paid-in capital	729,425	729,425
Accumulated other comprehensive loss	(119,540)	(119,540)
Retained earnings	145,430	145,430
Total stockholders' equity	<u>755,469</u>	<u>755,469</u>
Total capitalization	<u>\$ 2,331,939</u>	<u>\$ 2,330,918</u>

- (1) Total debt includes \$1,432.0 million of long-term debt and \$144.4 million (\$143.4 million, as adjusted) of long-term leaseback obligations. Long-term debt is net of deferred finance costs of \$38.6 million and excluding accumulated accrued interest of \$213.4 million outstanding as of June 30, 2019. All of our indebtedness is secured and guaranteed by the Company.
- (2) Actual and as adjusted issued and outstanding common stock includes 434,512 shares of restricted stock, 50% of which are scheduled to vest on December 31, 2019 and 50% of which are scheduled to vest on December 31, 2021, subject to satisfaction of the vesting terms.

Forward Looking Statements

Matters discussed in this report 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 effects of the refinancing transactions; Danaos' ability to achieve the expected benefits of the 2018 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 drydocking, changes in our 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 us with the U.S. Securities and Exchange Commission.

INDEX TO FINANCIAL STATEMENTS

Condensed Consolidated Balance Sheets as of June 30, 2019 (unaudited) and December 31, 2018	F-2
Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2019 and 2018 (unaudited)	F-3
Condensed Consolidated Statements of Comprehensive Income/(Loss) for the Three and Six Months Ended June 30, 2019 and 2018 (unaudited)	F-4
Condensed Consolidated Statements of Changes in Stockholders' Equity for the Six Months Ended June 30, 2019 and 2018 (unaudited)	F-5
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2019 and 2018 (unaudited)	F-6
Notes to the Unaudited Condensed Consolidated Financial Statements	F-7

DANAOS CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of United States Dollars, except share and per share amounts)

	Notes	As of	
		June 30, 2019 (unaudited)	December 31, 2018
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	\$ 78,803	\$ 77,275
Accounts receivable, net		7,496	9,225
Inventories		9,165	8,884
Prepaid expenses		1,142	1,214
Due from related parties	15	20,084	17,970
Other current assets		6,175	5,182
Total current assets		122,865	119,750
NON-CURRENT ASSETS			
Fixed assets at cost, net of accumulated depreciation of \$791,729 (2018: \$743,924)	4	2,433,731	2,480,329
Deferred charges, net	5	10,467	13,031
Investments in affiliates	6	7,311	7,363
Other non-current assets	7	73,931	59,369
Total non-current assets		2,525,440	2,560,092
Total assets		\$ 2,648,305	\$ 2,679,842
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		\$ 11,350	\$ 10,477
Accrued liabilities	8	10,765	11,770
Current portion of long-term debt, net	9	113,826	113,777
Current portion of long-term leaseback obligation	4	14,097	—
Accumulated accrued interest, current portion		35,351	35,782
Unearned revenue		19,556	19,753
Other current liabilities	9	18,363	31,142
Total current liabilities		223,308	222,701
LONG-TERM LIABILITIES			
Long-term debt, net	9	1,318,207	1,508,108
Long-term leaseback obligation, net of current portion	4	130,340	—
Accumulated accrued interest, net of current portion		178,065	200,574
Unearned revenue, net of current portion		34,675	41,730
Other long-term liabilities	9	8,241	15,876
Total long-term liabilities		1,669,528	1,766,288
Total liabilities		1,892,836	1,988,989
Commitments and Contingencies	11	—	—
STOCKHOLDERS' EQUITY			
Preferred stock (par value \$0.01, 100,000,000 preferred shares authorized and not issued as of June 30, 2019 and December 31, 2018)	12	—	—
Common stock (par value \$0.01, 750,000,000 common shares authorized as of June 30, 2019 and December 31, 2018. 15,373,194 and 15,237,456 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively (213,324,455 shares before 1-for-14 reverse stock split as of December 31, 2018))	12	154	152
Additional paid-in capital		729,425	727,562
Accumulated other comprehensive loss	7, 10	(119,540)	(118,710)
Retained earnings		145,430	81,849
Total stockholders' equity		755,469	690,853
Total liabilities and stockholders' equity		\$ 2,648,305	\$ 2,679,842

The accompanying notes are an integral part of these condensed consolidated financial statements.

DANAOS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (unaudited)
(Expressed in thousands of United States Dollars, except share and per share amounts)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
OPERATING REVENUES	13	\$ 112,319	\$ 113,466	\$ 225,210	\$ 225,320
OPERATING EXPENSES					
Voyage expenses	15	(2,732)	(3,186)	(6,002)	(6,347)
Vessel operating expenses		(27,306)	(26,742)	(53,177)	(53,591)
Depreciation		(24,039)	(26,697)	(47,805)	(53,757)
Amortization of deferred drydocking and special survey costs	5	(2,063)	(2,409)	(4,254)	(4,252)
General and administrative expenses	15	(6,492)	(5,777)	(13,361)	(10,959)
Income From Operations		49,687	48,655	100,611	96,414
OTHER INCOME (EXPENSES):					
Interest income		1,569	1,418	3,165	2,793
Interest expense		(18,844)	(23,020)	(36,687)	(45,869)
Other finance expenses		(1,770)	(961)	(2,094)	(1,932)
Equity income/(loss) on investments	6	32	210	(52)	184
Other income/(expense), net	9	367	(19,543)	434	(28,928)
Loss on derivatives	10	(903)	(921)	(1,796)	(1,832)
Total Other Expenses, net		(19,549)	(42,817)	(37,030)	(75,584)
Net Income		\$ 30,138	\$ 5,838	\$ 63,581	\$ 20,830
EARNINGS PER SHARE					
Basic earnings per share		\$ 2.02	\$ 0.74	\$ 4.26	\$ 2.66
Diluted earnings per share		\$ 1.97	\$ 0.74	\$ 4.16	\$ 2.66
Basic weighted average number of common shares (in thousands)	1, 14	14,939	7,843	14,939	7,843
Diluted weighted average number of common shares (in thousands)	1, 14	15,314	7,843	15,276	7,843

The accompanying notes are an integral part of these condensed consolidated financial statements.

DANAOS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS) (unaudited)
(Expressed in thousands of United States Dollars)

	Notes	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Net income for the period		\$ 30,138	\$ 5,838	\$ 63,581	\$ 20,830
Other comprehensive income/(loss):					
Unrealized gain/(loss) on available for sale securities	7	(2,021)	1,057	(2,626)	2,509
Amortization of deferred realized losses on cash flow hedges	10	903	921	1,796	1,832
Total Other Comprehensive Income/(Loss)		(1,118)	1,978	(830)	4,341
Comprehensive Income		\$ 29,020	\$ 7,816	\$ 62,751	\$ 25,171

The accompanying notes are an integral part of these condensed consolidated financial statements

DANAOS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)
(Expressed in thousands of United States Dollars)

	Common Stock			Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total
	Number of shares	Par value					
As of December 31, 2017	7,843	\$ 78	\$ 547,918	\$ (114,076)	\$ 114,785	\$ 548,705	
Net Income	—	—	—	—	14,992	14,992	
Net movement in other comprehensive income	—	—	—	2,363	—	2,363	
As of March 31, 2018	<u>7,843</u>	<u>\$ 78</u>	<u>\$ 547,918</u>	<u>\$ (111,713)</u>	<u>\$ 129,777</u>	<u>\$ 566,060</u>	
Net Income	—	—	—	—	5,838	5,838	
Net movement in other comprehensive income	—	—	—	1,978	—	1,978	
As of June 30, 2018	<u>7,843</u>	<u>\$ 78</u>	<u>\$ 547,918</u>	<u>\$ (109,735)</u>	<u>\$ 135,615</u>	<u>\$ 573,876</u>	

	Common Stock			Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total
	Number of shares	Par value					
As of December 31, 2018	15,237	\$ 152	\$ 727,562	\$ (118,710)	\$ 81,849	\$ 690,853	
Net Income	—	—	—	—	33,443	33,443	
Stock compensation	—	—	830	—	—	830	
Net movement in other comprehensive income	—	—	—	288	—	288	
As of March 31, 2019	<u>15,237</u>	<u>\$ 152</u>	<u>\$ 728,392</u>	<u>\$ (118,422)</u>	<u>\$ 115,292</u>	<u>\$ 725,414</u>	
Net Income	—	—	—	—	30,138	30,138	
Stock compensation	136	2	1,033	—	—	1,035	
Net movement in other comprehensive income	—	—	—	(1,118)	—	(1,118)	
As of June 30, 2019	<u>15,373</u>	<u>\$ 154</u>	<u>\$ 729,425</u>	<u>\$ (119,540)</u>	<u>\$ 145,430</u>	<u>\$ 755,469</u>	

The accompanying notes are an integral part of these condensed consolidated financial statements.

DANAOS CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(Expressed in thousands of United States Dollars)

	Six months ended June 30,	
	2019	2018
Cash Flows from Operating Activities		
Net income	\$ 63,581	\$ 20,830
<i>Adjustments to reconcile net income to net cash provided by operating activities</i>		
Depreciation	47,805	53,757
Amortization of deferred drydocking and special survey costs	4,254	4,252
Amortization of finance costs	5,714	5,114
Exit fee accrued on debt	295	1,484
Debt discount amortization	3,234	—
PIK interest	1,695	—
Payments for drydocking and special survey costs deferred	(1,690)	(10,351)
Amortization of deferred realized losses on interest rate swaps	1,796	1,832
Stock based compensation	1,865	—
Equity (income)/loss on investments	52	(184)
(Increase)/Decrease in		
Accounts receivable	1,729	(9,292)
Inventories	(281)	(216)
Prepaid expenses	72	(727)
Due from related parties	(2,114)	(932)
Other assets, current and non-current	(8,750)	(6,953)
Increase/(Decrease) in		
Accounts payable	873	4,919
Accrued liabilities	(1,057)	3,174
Unearned revenue, current and long-term	(7,252)	(10,724)
Other liabilities, current and long-term	(365)	(391)
Net Cash provided by Operating Activities	111,456	55,592
Cash Flows from Investing Activities		
Vessels additions	(1,207)	(1,683)
Advances for vessels additions	(9,431)	—
Net Cash used in Investing Activities	(10,638)	(1,683)
Cash Flows from Financing Activities		
Proceeds from sale-leaseback of vessels	146,523	—
Payments of long-term debt	(205,811)	(48,381)
Payments of leaseback obligation	(2,086)	—
Payments of accumulated accrued interest	(17,867)	—
Finance costs	(20,049)	—
Net Cash used in Financing Activities	(99,290)	(48,381)
Net Increase in cash, cash equivalents and restricted cash	1,528	5,528
Cash, cash equivalents and restricted cash at beginning of period	77,275	69,707
Cash, cash equivalents and restricted cash at end of period	\$ 78,803	\$ 75,235

The accompanying notes are an integral part of these condensed consolidated financial statements.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Presentation and General Information

The accompanying condensed consolidated financial statements (unaudited) have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The reporting and functional currency of the Company is the United States Dollar.

Danaos Corporation ("Danaos" or "Company"), formerly Danaos Holdings Limited, was formed on December 7, 1998 under the laws of Liberia and is presently the sole owner of all outstanding shares of the companies listed below. Danaos Holdings Limited was redomiciled in the Marshall Islands on October 7, 2005. In connection with the redomiciliation, the Company changed its name to Danaos Corporation. On October 14, 2005, the Company filed and the Marshall Islands accepted Amended and Restated Articles of Incorporation. The authorized capital stock of Danaos Corporation is 750,000,000 shares of common stock with a par value of \$0.01 and 100,000,000 shares of preferred stock with a par value of \$0.01. Refer to Note 12, "Stockholders' Equity". The Company's principal business is the acquisition and operation of vessels. Danaos conducts its operations through the vessel owning companies whose principal activity is the ownership and operation of containerships that are under the exclusive management of a related party of the Company.

In the opinion of management, the accompanying condensed consolidated financial statements (unaudited) of Danaos and subsidiaries contain all adjustments necessary to present fairly, in all material respects, the Company's condensed consolidated financial position as of June 30, 2019, the condensed consolidated results of operations for the three and six months ended June 30, 2019 and 2018 and the condensed consolidated cash flows for the three and six months ended June 30, 2019 and 2018. All such adjustments are deemed to be of a normal, recurring nature. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in Danaos' Annual Report on Form 20-F for the year ended December 31, 2018. The results of operations for the three and six months ended June 30, 2019, are not necessarily indicative of the results to be expected for the full year. The year-end condensed consolidated balance sheet data was derived from annual financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The accompanying condensed consolidated financial statements (unaudited) represent the consolidation of the accounts of the Company and its wholly owned subsidiaries. The subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. Inter-company transaction balances and unrealized gains on transactions between the companies are eliminated.

The Company also consolidates entities that are determined to be variable interest entities, of which the Company is the primary beneficiary, as defined in the authoritative guidance under U.S. GAAP. A variable interest entity is defined as a legal entity where either (a) equity interest holders as a group lack the characteristics of a controlling financial interest, including decision making ability and an interest in the entity's residual risks and rewards, or (b) the equity holders have not provided sufficient equity investment to permit the entity to finance its activities without additional subordinated financial support, or (c) the voting rights of some investors are not proportional to their obligations to absorb the expected losses of the entity, their rights to receive the expected residual returns of the entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor that has disproportionately few voting rights. The condensed consolidated financial statements (unaudited) have been prepared to reflect the consolidation of the companies listed below. The historical balance sheets and results of operations of the companies listed below have been reflected in the condensed consolidated balance sheets and condensed consolidated statements of income, cash flows and stockholders' equity at and for each period since their respective incorporation dates. The consolidated companies are referred to as "Danaos," or "the Company."

On May 2, 2019, the Company effected a 1-for-14 reverse stock split of the issued and outstanding shares of common stock of the Company. All share and per share data disclosed in the accompanying condensed consolidated financial statements (unaudited) give effect to this reverse stock split retroactively, for all periods presented. The reverse stock split reduced the number of the Company's outstanding shares of common stock from 213,324,455 to 15,237,456 on May 2, 2019 and affected all issued and outstanding shares of common stock. No fractional shares were issued in connection to the reverse stock split. Stockholders who would otherwise hold a fractional share of the Company's common stock received a cash payment in lieu of such fractional share. The par value and other terms of the Company's common stock were not affected by the reverse stock split.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of June 30, 2019, Danaos included the vessel owning companies (the “Danaos Subsidiaries”) listed below. All vessels are container vessels:

<u>Company</u>	<u>Date of Incorporation</u>	<u>Vessel Name</u>	<u>Year Built</u>	<u>TEU(1)</u>
Megacarrier (No. 1) Corp.	September 10, 2007	Hyundai Honour	2012	13,100
Megacarrier (No. 2) Corp.	September 10, 2007	Hyundai Respect	2012	13,100
Megacarrier (No. 3) Corp.	September 10, 2007	Maersk Enping	2012	13,100
Megacarrier (No. 4) Corp.	September 10, 2007	Maersk Exeter	2012	13,100
Megacarrier (No. 5) Corp.	September 10, 2007	MSC Ambition	2012	13,100
CellContainer (No. 6) Corp.	October 31, 2007	Express Berlin	2011	10,100
CellContainer (No. 7) Corp.	October 31, 2007	Express Rome	2011	10,100
CellContainer (No. 8) Corp.	October 31, 2007	Express Athens	2011	10,100
Karlita Shipping Co. Ltd.	February 27, 2003	Pusan C	2006	9,580
Ramona Marine Co. Ltd.	February 27, 2003	Le Havre	2006	9,580
Teucarrier (No. 5) Corp.	September 17, 2007	CMA CGM Melisande	2012	8,530
Teucarrier (No. 1) Corp.	January 31, 2007	CMA CGM Attila	2011	8,530
Teucarrier (No. 2) Corp.	January 31, 2007	CMA CGM Tancredi	2011	8,530
Teucarrier (No. 3) Corp.	January 31, 2007	CMA CGM Bianca	2011	8,530
Teucarrier (No. 4) Corp.	January 31, 2007	CMA CGM Samson	2011	8,530
Oceanew Shipping Ltd.	January 14, 2002	Europe	2004	8,468
Oceanprize Navigation Ltd.	January 21, 2003	America	2004	8,468
Boxcarrier (No. 2) Corp.	June 27, 2006	CMA CGM Musset	2010	6,500
Boxcarrier (No. 3) Corp.	June 27, 2006	CMA CGM Nerval	2010	6,500
Boxcarrier (No. 4) Corp.	June 27, 2006	CMA CGM Rabelais	2010	6,500
Boxcarrier (No. 5) Corp.	June 27, 2006	CMA CGM Racine	2010	6,500
Boxcarrier (No. 1) Corp.	June 27, 2006	CMA CGM Moliere	2009	6,500
Expresscarrier (No. 1) Corp.	March 5, 2007	YM Mandate	2010	6,500
Expresscarrier (No. 2) Corp.	March 5, 2007	YM Maturity	2010	6,500
Actaea Company Limited	October 14, 2014	Performance	2002	6,402
Asteria Shipping Company Limited	October 14, 2014	Dimitra C	2002	6,402
Continent Marine Inc.	March 22, 2006	Zim Monaco	2009	4,253
Medsea Marine Inc.	May 8, 2006	Zim Dalian	2009	4,253
Blacksea Marine Inc.	May 8, 2006	Zim Luanda	2009	4,253
Bayview Shipping Inc.	March 22, 2006	Zim Rio Grande	2008	4,253
Channelview Marine Inc.	March 22, 2006	Zim Sao Paolo	2008	4,253
Balticsea Marine Inc.	March 22, 2006	Zim Kingston	2008	4,253
Seacarriers Services Inc.	June 28, 2005	YM Seattle	2007	4,253
Seacarriers Lines Inc.	June 28, 2005	YM Vancouver	2007	4,253
Containers Services Inc.	May 30, 2002	ANL Tongala	2004	4,253
Containers Lines Inc.	May 30, 2002	Derby D	2004	4,253
Boulevard Shiptrade S.A	September 12, 2013	Dimitris C	2001	3,430
CellContainer (No. 4) Corp.	March 23, 2007	Express Spain	2011	3,400
CellContainer (No. 5) Corp.	March 23, 2007	Express Black Sea	2011	3,400
CellContainer (No. 1) Corp.	March 23, 2007	Express Argentina	2010	3,400
CellContainer (No. 2) Corp.	March 23, 2007	Express Brazil	2010	3,400
CellContainer (No. 3) Corp.	March 23, 2007	Express France	2010	3,400
Wellington Marine Inc.	January 27, 2005	Singapore	2004	3,314
Auckland Marine Inc.	January 27, 2005	Colombo	2004	3,314
Vilos Navigation Company Ltd.	May 30, 2013	MSC Zebra	2001	2,602
Trindade Maritime Company	April 10, 2013	Amalia C	1998	2,452
Sarond Shipping Inc.	January 18, 2013	Danae C	2001	2,524
Speedcarrier (No. 7) Corp.	December 6, 2007	Highway	1998	2,200
Speedcarrier (No. 6) Corp.	December 6, 2007	Progress C	1998	2,200
Speedcarrier (No. 8) Corp.	December 6, 2007	Bridge	1998	2,200
Speedcarrier (No. 1) Corp.	June 28, 2007	Vladivostok	1997	2,200
Speedcarrier (No. 2) Corp.	June 28, 2007	Advance	1997	2,200
Speedcarrier (No. 3) Corp.	June 28, 2007	Stride	1997	2,200
Speedcarrier (No. 5) Corp.	June 28, 2007	Future	1997	2,200
Speedcarrier (No. 4) Corp.	June 28, 2007	Sprinter	1997	2,200

(1) Twenty-foot equivalent unit, the international standard measure for containers and containership capacity.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies, see Note 2 "Significant Accounting Policies" in the Company's consolidated financial statements included in the Annual Report on Form 20-F for the year ended December 31, 2018 filed with the Securities and Exchange Commission on March 5, 2019. During the six months ended June 30, 2019, other than the following, there were no other significant changes made to the Company's significant accounting policies:

Changes in Accounting Principles:

Leases

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 applies to both types of leases — capital (or finance) leases and operating leases. According to the new Accounting Standard, lessees are required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. This guidance requires companies to identify lease and non-lease components of a lease agreement. Lease components relate to the right to use the leased asset and non-lease components relate to payments for goods or services that are transferred separately from the right to use the underlying asset. Total lease consideration is allocated to lease and non-lease components on a relative standalone basis. The recognition of revenues related to lease components are governed by ASC 842 while revenue related to non-lease components are subject to ASC 606. In March 2018, the FASB tentatively approved a proposed amendment to ASU 842, that provide entities the optional transition method to initially account for the impact of the adoption with a cumulative adjustment to retained earnings on the effective date of the ASU. In addition, lessors can elect, as a practical expedient, not to allocate the total consideration to lease and non-lease components based on their relative standalone selling prices. As adopted by the Accounting Standards Update No. 2018-11 in July 2018, this practical expedient allows lessors to elect and account for the combined component based on its predominant characteristic. ASC 842 provides practical expedients that allow entities to not (i) reassess whether any expired or existing contracts are considered or contain leases; (ii) reassess the lease classification for any expired or existing leases; and (iii) reassess initial direct costs for any existing leases. In July 2018, the FASB issued Accounting Standards Update No. 2018-10, "Codification Improvements to Topic 842, Leases" and in December 2018 the Accounting Standards Update No. 2018-20 "Narrow-scope improvements for lessors", which further improve and clarify ASU 2016-02.

The Company adopted this standard on January 1, 2019 using the modified retrospective method. The Company derives its revenue from the time charters and bareboat charters of its vessels that are classified as operating leases. These charters involve placing the vessels at charterers use for a period of time in return for daily hire rates, which include lease component related to the right of use of the vessels and non-lease components primarily related to the operating expenses of the vessels paid by the Company. The revenue earned based on these charters is not negotiated in separate components. The Company elected the practical expedient to use the effective date of adoption as the date of initial application. Furthermore the Company elected practical expedients, which allow entities not (i) reassess whether any expired or existing contracts are considered or contain leases; (ii) reassess the lease classification for any expired or existing leases (iii) reassess initial direct costs for any existing leases and (iv) which allows to treat the lease and non-lease components as a single lease component provided the criteria are met. The adoption of this standard did not have a material effect on the condensed consolidated financial statements since the Company is primarily a lessor and the accounting for lessors is largely unchanged under this standard.

Recent Accounting Pronouncements:

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"), which amends the impairment model by requiring entities to use a forward-looking approach based on expected losses to estimate credit losses on certain types of financial instruments, including trade receivables. In December 2018, the FASB issued Accounting Standards Update No. 2018-19 "Codification improvements to Topic 326", which clarifies that impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. The ASU 2016-13 is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of the new standard on the Company's consolidated financial statements.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3 Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash consisted of the following (in thousands):

	As of June 30, 2019	As of December 31, 2018	As of December 31, 2017
Cash and cash equivalents	\$ 78,803	\$ 77,275	\$ 66,895
Restricted cash	—	—	2,812
Total	\$ 78,803	\$ 77,275	\$ 69,707

The Company was required to maintain cash of \$2.8 million as of December 31, 2017 in retention bank accounts as a collateral for the upcoming scheduled debt payments of its KEXIM-ABN Amro credit facility, which were recorded under current assets in the Company's Condensed Consolidated Balance Sheets. This credit facility was fully repaid in July 2018.

4 Fixed assets, net

As of December 31, 2018, the Company recorded an impairment loss of \$210.7 million in relation to ten of its vessels that are held and used. Fair value of each vessel was determined by management with the assistance from valuations obtained by third party independent shipbrokers.

The residual value (estimated scrap value at the end of the vessels' useful lives) of the fleet was estimated at \$378.2 million as of June 30, 2019 and as of December 31, 2018. The Company has calculated the residual value of the vessels taking into consideration the 10 year average and the 5 year average of the scrap. The Company has applied uniformly the scrap value of \$300 per ton for all vessels. The Company believes that \$300 per ton is a reasonable estimate of future scrap prices, taking into consideration the cyclicity of the nature of future demand for scrap steel. Although the Company believes that the assumptions used to determine the scrap rate are reasonable and appropriate, such assumptions are highly subjective, in part, because of the cyclical nature of future demand for scrap steel.

In connection with the 2018 debt refinancing, the Company undertook to seek to refinance two of its 13,100 TEU vessels, the *Hyundai Honour* and *Hyundai Respect*, which refinancing was completed on April 12, 2019 through a sale and leaseback arrangement with a term of five years, at the end of which the Company will reacquire the vessels for an aggregate amount of \$52.6 million or earlier, at the Company's option, for a purchase price set forth in the agreement. The net proceeds amounting to \$144.8 million were applied pro rata to partially repay the existing credit facilities (Club Facility, Credit Suisse Facility, Citibank \$114 mil. Facility and Citibank \$123.9 mil. Facility) secured by mortgages on such vessels. This arrangement was recorded as failed sale and leaseback by the Company with the received proceeds recognized as a financial liability.

The scheduled leaseback instalments subsequent to June 30, 2019 are as follows (in thousands):

Instalments due by period ended:	
June 30, 2020	\$ 31,304
June 30, 2021	32,522
June 30, 2022	32,521
June 30, 2023	32,522
June 30, 2024	77,127
Total leaseback instalments	205,996
Less: Imputed interest	(61,559)
Total leaseback obligation	144,437
Less: Current leaseback obligation	(14,097)
Leaseback obligation, net of current portion	\$ 130,340

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5 Deferred Charges, net

Deferred charges, net consisted of the following (in thousands):

	Drydocking and Special Survey Costs
As of January 1, 2018	\$ 8,962
Additions	13,306
Amortization	(9,237)
As of December 31, 2018	13,031
Additions	1,690
Amortization	(4,254)
As of June 30, 2019	\$ 10,467

The Company follows the deferral method of accounting for drydocking and special survey costs in accordance with accounting for planned major maintenance activities, whereby actual costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled survey, which is two and a half years. If special survey or drydocking is performed prior to the scheduled date, the remaining unamortized balances are immediately written off. Furthermore, when a vessel is drydocked for more than one reporting period, the respective costs are identified and recorded in the period in which they were incurred and not at the conclusion of the drydocking.

6 Investments in affiliates

In August 2015, an affiliated company Gemini Shipholdings Corporation (“Gemini”) was formed by the Company and Virage International Ltd. (“Virage”), a company controlled by the Company’s largest shareholder. Gemini acquired a 100% interest in entities with capital leases for the *Suez Canal* and *Genoa* and that own the container vessels *Catherine C* and *Leo C*. Gemini financed these acquisitions with the assumption of capital lease obligations of \$35.4 million, \$19.0 million of borrowings under secured loan facilities and an aggregate of \$47.4 million from equity contributions from the Company and Virage, which subscribed in cash for 49% and 51%, respectively, of Gemini’s issued and outstanding share capital. As of June 30, 2019, Gemini consolidated its wholly owned subsidiaries listed below:

Company	Vessel Name	Year Built	TEU	Date of vessel delivery
Averto Shipping S.A.	Suez Canal	2002	5,610	July 20, 2015
Sinoi Marine Ltd.	Genoa	2002	5,544	August 2, 2015
Kingsland International Shipping Limited	Catherine C	2001	6,422	September 21, 2015
Leo Shipping and Trading S.A.	Leo C	2002	6,422	February 4, 2016
Springer Shipping Co	—	—	—	—

On May 29, 2019, an affiliated company of Gemini has entered into an agreement to acquire a 8,500 TEU container vessel built in 2006 for a gross purchase price of \$25.3 million. An advance payment of \$2.5 million was made and is outstanding as of June 30, 2019. This vessel is expected to be delivered in August 2019.

The Company has determined that Gemini is a variable interest entity of which the Company is not the primary beneficiary, and as such, this affiliated company is accounted for under the equity method and recorded under “Equity income on investments” in the condensed consolidated statements of income. The Company does not guarantee the debt of Gemini and its subsidiaries and has the right to purchase all of the beneficial interest in Gemini that it does not own for fair market value at any time after December 31, 2018, to the extent permitted under its credit facilities. The net assets of Gemini total \$14.9 million as of June 30, 2019. The Company’s exposure is limited to its share of the net assets of Gemini proportionate to its 49% equity interest in Gemini.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6 Investments in affiliates (Continued)

A condensed summary of the financial information for equity accounted investments 49% owned by the Company shown on a 100% basis are as follows (in thousands):

	As of June 30, 2019	As of December 31, 2018
Current assets	\$ 4,355	\$ 8,327
Non-current assets	\$ 45,173	\$ 41,155
Current liabilities	\$ 9,252	\$ 5,201
Non-current liabilities	\$ 25,355	\$ 29,254
	Six months ended June 30, 2019	Six months ended June 30, 2018
Net operating revenues	\$ 7,451	\$ 8,625
Net income/(loss)	\$ (106)	\$ 376

7 Other Non-current Assets

Other non-current assets consisted of the following (in thousands):

	As of June 30, 2019	As of December 31, 2018
Available for sale securities:		
ZIM notes, net	\$ 19,733	\$ 21,044
HMM notes, net	8,678	7,847
Equity participation ZIM	—	—
Advances for vessels additions	\$ 14,851	\$ 5,420
Other assets	30,669	25,058
Total	\$ 73,931	\$ 59,369

Equity participation in ZIM and interest bearing unsecured ZIM notes maturing in 2023, which consist of \$8.8 million Series 1 Notes and \$41.1 million of Series 2 Notes, were obtained after the charter restructuring agreements with ZIM in July 2014. Interest bearing senior unsecured HMM notes consist of \$32.8 million Loan Notes 1 maturing in July 2024 and \$6.2 million Loan Notes 2 maturing in December 2022, which were obtained after the charter restructuring agreements with HMM in July 2016. As of December 31, 2016, the Company has recorded an impairment loss on its equity participation in ZIM amounting to \$28.7 million, thus reducing its book value to nil and \$0.7 million impairment loss on ZIM notes.

See Note 7 “Other Non-current Assets” to the consolidated financial statements in the Annual Report on Form 20-F for the year ended December 31, 2018 for further details.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Other Non-current Assets (Continued)

The unrealized losses, which were recognized in other comprehensive loss, are analyzed as follows as of June 30, 2019 (in thousands):

Description of securities	Amortized cost basis	Fair value	Unrealized loss
ZIM notes	\$ 45,899	\$ 19,733	\$ (26,166)
HMM notes	21,516	8,678	(12,838)
Total	\$ 67,415	\$ 28,411	\$ (39,004)

	Unrealized loss on available for sale securities
Beginning balance as of January 1, 2019	\$ (36,378)
Unrealized loss on available for sale securities 2019	(2,626)
Ending balance as of June 30, 2019	\$ (39,004)

The Company has agreed to install scrubbers on nine of its vessels, with estimated total costs amounting to approximately \$27.9 million out of which advances of \$13.2 million were paid before June 30, 2019 and the remaining amount of \$14.7 million is expected to be paid in 2019.

Other assets mainly include non-current assets related to straight-lining of the Company's revenue amounting to \$29.9 million and \$23.1 million as of June 30, 2019 and December 31, 2018, respectively.

8 Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	As of June 30, 2019	As of December 31, 2018
Accrued payroll	\$ 830	\$ 924
Accrued interest	4,896	6,304
Accrued expenses	5,039	4,542
Total	\$ 10,765	\$ 11,770

Accrued expenses mainly consisted of accruals related to the operation of the Company's fleet and other expenses as of June 30, 2019 and December 31, 2018.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long -Term Debt, net

Long-term debt, net consisted of the following (in thousands):

Credit Facility	Balance as of June 30, 2019	Balance as of December 31, 2018
The Royal Bank of Scotland \$475.5 mil. Facility	\$ 466,789	\$ 474,743
HSH Nordbank AG - Aegean Baltic Bank - Piraeus Bank \$382.5 mil. Facility	376,001	379,762
Citibank \$114 mil. Facility	79,143	110,644
Credit Suisse \$171.8 mil. Facility	121,710	167,990
Citibank — Eurobank \$37.6 mil. Facility	31,539	35,544
Club Facility \$206.2 mil.	147,965	202,439
Sinosure Cexim - Citibank - ABN Amro \$203.4 mil. Facility	50,850	61,020
Citibank \$123.9 mil. Facility	90,435	122,523
Citibank \$120 mil. Facility	107,110	115,973
Fair value of debt	(22,831)	(26,065)
Comprehensive Financing Plan exit fees accrued	21,879	21,583
Total long-term debt	\$ 1,470,590	\$ 1,666,156
Less: Deferred finance costs, net	(38,557)	(44,271)
Less: Current portion	(113,826)	(113,777)
Total long-term debt net of current portion and deferred finance cost	\$ 1,318,207	\$ 1,508,108

Each of the new credit facilities are collateralized by first and second preferred mortgages over the vessels financed, general assignment of all hire freights, income and earnings, the assignment of their insurance policies, as well as any proceeds from the sale of mortgaged vessels, the Company's investments in ZIM and Hyundai Merchant Marine securities, stock pledges and benefits from corporate guarantees.

As of June 30, 2019, there was no remaining borrowing availability under the Company's credit facilities. The Company was in compliance with the financial covenants of the credit facilities as of June 30, 2019 and December 31, 2018.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long -Term Debt, net (Continued)

The Sinosure—Cexim—Citibank—ABN Amro Credit Facility provides for semi-annual amortization payments and the New 2018 Credit Facilities provide for quarterly fixed and variable amortization payments, together representing approximately 85% of actual free cash flows from the relevant vessels securing such credit facilities, subject to certain adjustments. The New 2018 Credit Facilities have maturity dates of December 31, 2023 (or in some cases June 30, 2024). The scheduled debt maturities of total long-term debt subsequent to June 30, 2019 are as follows (in thousands):

<u>Payments due by period ended</u>	<u>Fixed principal repayments</u>	<u>Final payments*</u>	<u>Total principal payments</u>
June 30, 2020	\$ 113,826	—	\$ 113,826
June 30, 2021	119,084	—	119,084
June 30, 2022	105,927	—	105,927
June 30, 2023	85,222	—	85,222
June 30, 2024	35,879	\$ 1,011,604	1,047,483
Total long-term debt	\$ 459,938	\$ 1,011,604	\$ 1,471,542

* The final payments include the unamortized remaining principal debt balances under the New 2018 Credit Facilities, as such amount will be determinable following the fixed amortization. As mentioned above, the Company is also subject to quarterly variable principal amortization based on actual free cash flows, which are included under “Final payments” in this table.

The Company incurred nil and \$29.7 million of professional fees related to the refinancing discussions with its lenders reported under “Other income/(expenses), net” in the accompanying condensed consolidated statements of income for the six months ended June 30, 2019 and 2018, respectively.

Unpaid loan amendment fees of \$17.8 million and \$30.5 million are accrued under “Other current liabilities” and of \$7.4 million and \$14.8 million are accrued under “Other long-term liabilities” as of June 30, 2019 and December 31, 2018, respectively.

10 Financial Instruments

The principal financial assets of the Company consist of cash and cash equivalents and trade receivables and other assets. The principal financial liabilities of the Company consist of long-term bank loans. The following is a summary of the Company’s risk management strategies and the effect of these strategies on the Company’s condensed consolidated financial statements.

Interest Rate Risk: Interest rate risk arises on bank borrowings. The Company monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favorable rates.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and trade accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with established financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company’s investment strategy. The Company is exposed to credit risk in the event of non-performance by counterparties, however, the Company limits this exposure by diversifying among counterparties with high credit ratings. The Company depends upon a limited number of customers for a large part of its revenues. Credit risk with respect to trade accounts receivable is generally managed by the selection of customers among the major liner companies in the world and their dispersion across many geographic areas.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Financial Instruments (Continued)

Fair Value: The carrying amounts reflected in the accompanying condensed consolidated balance sheets of financial assets and liabilities (excluding long-term bank loans and certain other non-current assets) approximate their respective fair values due to the short maturity of these instruments. The fair values of long-term floating rate bank loans approximate the recorded values, generally due to their variable interest rates. The fair value of available for sale securities is estimated based on either observable market based inputs or unobservable inputs that are corroborated by market data. The Company is exposed to changes in fair value of available for sale securities as there is no hedging strategy.

a. Interest Rate Swap Hedges

The Company currently has no outstanding interest rate swaps agreements. However, in the past years, the Company entered into interest rate swap agreements with its lenders in order to manage its floating rate exposure. Certain variable-rate interests on specific borrowings were associated with vessels under construction and were capitalized as a cost of the specific vessels. In accordance with the accounting guidance on derivatives and hedging, the amounts related to realized gains or losses on cash flow hedges that have been entered into and qualified for hedge accounting, in order to hedge the variability of that interest, were recognized in accumulated other comprehensive loss and are reclassified into earnings over the depreciable life of the constructed asset, since that depreciable life coincides with the amortization period for the capitalized interest cost on the debt. An amount of \$1.8 million was reclassified into earnings for the six months ended June 30, 2019 and 2018, representing its amortization over the depreciable life of the vessels. An amount of \$3.6 million is expected to be reclassified into earnings within the next 12 months.

b. Fair Value of Financial Instruments

The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

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

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

Level III: Inputs that are unobservable. The Company did not use any Level 3 inputs as of June 30, 2019 and December 31, 2018.

The estimated fair values of the Company's financial instruments are as follows:

	As of June 30, 2019		As of December 31, 2018	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands of \$)			
Cash and cash equivalents	\$ 78,803	\$ 78,803	\$ 77,275	\$ 77,275
Due from related parties	\$ 20,084	\$ 20,084	\$ 17,970	\$ 17,970
ZIM notes	\$ 19,733	\$ 19,733	\$ 21,044	\$ 21,044
HMM notes	\$ 8,678	\$ 8,678	\$ 7,847	\$ 7,847
Equity investment in ZIM	—	—	—	—
Long-term debt, including current portion	\$ 1,470,590	\$ 1,470,590	\$ 1,666,156	\$ 1,666,156

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10 Financial Instruments (Continued)

The estimated fair value of the financial instruments that are measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows as of June 30, 2019:

	Fair Value Measurements as of June 30, 2019			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of \$)			
ZIM notes(1)	\$ 19,733	\$ —	\$ 19,733	\$ —
HMM notes(1)	\$ 8,678	\$ —	\$ 8,678	\$ —

The estimated fair value of the financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows as of June 30, 2019:

	Fair Value Measurements as of June 30, 2019			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of \$)			
Long-term debt, including current portion(2)	\$ 1,470,590	\$ —	\$ 1,470,590	\$ —

The estimated fair value of the financial instruments that are measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows as of December 31, 2018:

	Fair Value Measurements as of December 31, 2018			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of \$)			
ZIM notes(1)	\$ 21,044	\$ —	\$ 21,044	\$ —
HMM notes(1)	\$ 7,847	\$ —	\$ 7,847	\$ —

The estimated fair value of the financial instruments that are not measured at fair value on a recurring basis, categorized based upon the fair value hierarchy, are as follows as of December 31, 2018:

	Fair Value Measurements as of December 31, 2018			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of \$)			
Long-term debt, including current portion(2)	\$ 1,666,156	\$ —	\$ 1,666,156	\$ —

- (1) The fair value is estimated based on either observable market based inputs or unobservable inputs that are corroborated by market data, including currently available information on the Company's counterparty, other contracts with similar terms, remaining maturities and interest rates.
- (2) Long-term debt, including current portion is presented gross of deferred finance costs of \$38.6 million and \$44.3 million as of June 30, 2019 and December 31, 2018, respectively. The fair value of the Company's debt is estimated based on currently available debt with similar contract terms, interest rate and remaining maturities, as well as taking into account its increased credit risk and does not include amounts related to the accumulated accrued interest.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11 Commitments and Contingencies

There are no material legal proceedings to which the Company is a party or to which any of its properties are the subject, or other contingencies that the Company is aware of, other than routine litigation incidental to the Company's business. Furthermore, the Company does not have any commitments outstanding.

See the Note 7 "Other Non-current Assets" for capital commitments related to the installation of scrubbers on certain of the Company's vessels.

12 Stockholders' Equity

The Company's largest stockholder, Danaos Investment Limited ("DIL"), contributed \$10 million to the Company in connection with the consummation of the Company's debt refinancing on August 10, 2018. DIL did not receive any shares of common stock or other interests in the Company as a result of this contribution.

Additionally, on August 10, 2018, in connection with this debt refinancing, the Company issued 7,095,877 shares (99,342,271 shares before the 1-for-14 reverse stock split) new shares of common stock to certain of the Company's lenders, which represented 47.5% of the outstanding common stock immediately after this issuance.

As of April 18, 2008, the Board of Directors and the Compensation Committee approved incentive compensation of Manager's employees with its shares from time to time, after specific for each such time, decision by the compensation committee and the Board of Directors in order to provide a means of compensation in the form of free shares to certain employees of the Manager of the Company's common stock. The plan was effective as of December 31, 2008. Pursuant to the terms of the plan, employees of the Manager may receive (from time to time) shares of the Company's common stock as additional compensation for their services offered during the preceding period. The total amount of stock to be granted to employees of the Manager will be at the Company's Board of Directors' discretion only and there will be no contractual obligation for any stock to be granted as part of the employees' compensation package in future periods. During the six months ended June 30, 2019, the Company did not grant any shares under the plan. During the six months ended June 30, 2018, no new shares were issued.

The Company has also established the Directors Share Payment Plan under its 2006 equity compensation plan. The purpose of the plan is to provide a means of payment of all or a portion of compensation payable to directors of the Company in the form of Company's Common Stock. The plan was effective as of April 18, 2008. Each member of the Board of Directors of the Company may participate in the plan. Pursuant to the terms of the plan, directors may elect to receive in Common Stock all or a portion of their compensation. Following December 31 of each year, the Company delivers to each Director the number of shares represented by the rights credited to their Share Payment Account during the preceding calendar year. During the six months ended June 30, 2019 and June 30, 2018, none of the directors elected to receive their compensation in Company shares.

On September 14, 2018, the Company granted 298,774 shares (4,182,832 shares before the 1-for-14 reverse stock split) of restricted stock to executive officers of the Company, 50% of which are scheduled to vest on December 31, 2019 and 50% of which are scheduled to vest on December 31, 2021. Additionally, on May 10, 2019, the Company granted 137,944 shares of restricted stock to certain employees of the Manager, out of which 135,738 are outstanding as of June 30, 2019 due to forfeiture of 2,206 shares, 50% of which restricted shares are scheduled to vest on December 31, 2019 and 50% of which are scheduled to vest on December 31, 2021. The issuance of these shares is subject to satisfaction of the vesting terms, under the Company's 2006 Equity Compensation Plan, as amended. 434,512 shares and 298,774 shares of restricted stock are issued and outstanding as of June 30, 2019 and December 31, 2018, respectively.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12 Stockholders' Equity (Continued)

On May 2, 2019, the Company effected a 1-for-14 reverse stock split of the issued and outstanding shares of common stock of the Company. All share and per share data disclosed in the accompanying condensed consolidated financial statements (unaudited) give effect to this reverse stock split retroactively, for all periods presented. The reverse stock split reduced the number of the Company's outstanding shares of common stock from 213,324,455 to 15,237,456 on May 2, 2019 and affected all issued and outstanding shares of common stock. No fractional shares were issued in connection to the reverse stock split. Stockholders who would otherwise hold a fractional share of the Company's common stock received a cash payment in lieu of such fractional share. The par value and other terms of the Company's common stock were not affected by the reverse stock split.

The Company is not permitted to pay cash dividends under the terms of the 2018 debt refinancing until (1) the Company receives in excess of \$50 million in net cash proceeds from offerings of Common Stock and (2) the payment in full of the first installment of amortization payable following the consummation of the debt refinancing under each new credit facility and provided that an event of default has not occurred and the Company is not, and after giving effect to the payment of the dividend, in breach of any covenant.

13 Lease Arrangements

Charters-out

The future minimum charter revenue, expected to be earned on non-cancellable time charters and bareboat charters classified as operating leases consisted of the following as of June 30, 2019 (in thousands):

Remainder of 2019	\$	184,430
2020		362,091
2021		339,528
2022		268,529
2023		182,786
2024 and thereafter		119,284
Total future rentals	\$	<u>1,456,648</u>

Revenue from time charters are not generally received when a vessel is off-hire, including time required for normal periodic maintenance of the vessel. In arriving at the future minimum rentals, an estimated time off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future. The off-hire assumptions used relate mainly to drydocking and special survey maintenance carried out approximately every 2.5 years per vessel, or every 5 years for vessels less than 15-years old, and which may last approximately 10 to 15 days.

DANAOS CORPORATION
NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14 Earnings per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three months ended	
	June 30, 2019	June 30, 2018
	(in thousands)	
<i>Numerator:</i>		
Net income	\$ 30,138	\$ 5,838
<i>Denominator (number of shares in thousands):</i>		
Basic weighted average common shares outstanding	14,939	7,843
Effect of dilutive securities:		
Share based compensation	375	—
Diluted weighted average common shares outstanding	15,314	7,843
	Six months ended	
	June 30, 2019	June 30, 2018
	(in thousands)	
<i>Numerator:</i>		
Net income	\$ 63,581	\$ 20,830
<i>Denominator (number of shares in thousands):</i>		
Basic weighted average common shares outstanding	14,939	7,843
Effect of dilutive securities:		
Share based compensation	337	—
Diluted weighted average common shares outstanding	15,276	7,843

The issued and outstanding 15,000,000 warrants to purchase shares of the Company's common stock (on a pre-split basis), which expired in January 2019, were excluded from the diluted earnings/(loss) per share for the three and six months ended June 30, 2019 and 2018, as applicable before the expiry because they were antidilutive.

15 Related Party Transactions

Management fees to Danaos Shipping Company Limited ("the Manager") amounted to \$8.3 million in the six months ended June 30, 2019 and 2018, and are presented under "General and administrative expenses" in the condensed consolidated statements of income.

Commissions to the Manager amounted to \$2.7 million and \$2.5 million in the six months ended June 30, 2019 and 2018, respectively and are presented under "Voyage expenses" in the condensed consolidated statements of income.

The balance "Due from related parties" in the condensed consolidated balance sheets totaling \$20.1 million and \$18.0 million as of June 30, 2019 and December 31, 2018, respectively, represents advances to the Manager on account of the vessels' operating and other expenses. An amount \$0.6 million as of June 30, 2019 and December 31, 2018 was due to executive officers and is presented under "Accounts payable" in the condensed consolidated balance sheets.

**AMENDED AND RESTATED
DANAOS CORPORATION
2006 EQUITY COMPENSATION PLAN**

1. Purpose of the Plan

The purpose of this amended and restated Danaos Corporation 2006 Equity Compensation Plan (the “Plan”) is to advance the interests of the Company and its stockholders by providing a means (a) to attract, retain, and reward directors, officers, other employees and persons who provide services to the Company and its Subsidiaries and directors, officers and employees of any Management Company, (b) to link compensation to measures of the Company’s performance in order to provide additional incentives, including stock-based incentives and cash-based incentives, to such persons for the creation of stockholder value, and (c) to enable such persons to acquire or increase a proprietary interest in the Company in order to promote a closer identity of interests between such persons and the Company’s stockholders.

The Plan was originally effective as of September 18, 2006 (the “Effective Date”) and was amended effective as of September 15, 2016 to extend the term of the Plan. This amended and restated Plan will be effective as of August 2, 2019 (the “Amendment Effective Date”). Changes made pursuant to this amendment and restatement shall only apply to Awards granted on or after the Amendment Effective Date. Awards granted prior to the Amendment Effective Date shall continue to be governed by the applicable Award Agreements and the terms of the Plan without giving effect to changes made pursuant to this amendment and restatement, and the Committee shall administer such Awards in accordance with the Plan without giving effect to changes made pursuant to this amendment and restatement.

2. Definitions

Capitalized terms used in the Plan and not defined elsewhere in the Plan shall have the meaning set forth in this Section.

2.1 “Award” means a compensatory award made under the Plan pursuant to which a Participant receives, or has the opportunity to receive, Shares or cash.

2.2 “Award Agreement” means a written document prescribed by the Committee and provided to a Participant evidencing the grant of an Award under the Plan.

2.3 “Beneficiary” means the person(s) or trust(s) entitled by will or the laws of descent and distribution to receive any rights with respect to an Award that survive such Participant’s death, provided that, if at the time of a Participant’s death, the Participant had on file with the Committee a written designation of a person(s) or trust(s) to receive such rights, then such person(s) (if still living at the time of the Participant’s death) or trust(s) shall be the “Beneficiary” for purposes of the Plan.

2.4 “Board” means the Board of Directors of the Company.

2.5 “Change of Control” shall mean the occurrence of any of the following:

(a) any “person” (as such term is used in Sections 3(a)(9) and 13(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) or “group” (within the meaning of Section 13(d)(3) of the Exchange Act), other than (i) the Company, or (ii) John Koustas or entities which he directly or indirectly controls (as defined in

Rule 12b-2 under the Exchange Act) or which are established for his benefit or the benefit of members of his family, acquiring “beneficial ownership” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than fifty percent (50%) of the Voting Stock of the Company;

(b) the sale of all or substantially all of the Company’s assets in one or more related transactions to a “person” (as such term is used in Sections 3(a)(9) and 13(d) of the Exchange Act) other than such a sale (x) to a subsidiary of the Company which does not involve a change in the equity holdings of the Company or (y) to John Koustas or entities which he directly or indirectly controls or which are established for his benefit or the benefit of members of his family;

(c) any merger, consolidation, reorganization or similar event of the Company, as a result of which the holders of the Voting Stock of the Company immediately prior to such merger, consolidation, reorganization or similar event do not directly or indirectly hold at least fifty-one percent (51%) of the Voting Stock of the surviving entity;

(d) a majority of the members of the Board of Directors are no longer Continuing Directors; as used herein, a “Continuing Director” means any member of the Board of Directors who was a member of such Board of Directors on the date hereof and any person who becomes a director subsequent to such date whose election or nomination for election was supported by a majority of the directors who then comprised the Continuing Directors; or

(e) implementation of any plan of liquidation or dissolution providing for the distribution of all or substantially all of the Company’s assets.

For purposes of the Change of Control definition, the “Company” shall include any entity that succeeds to all or substantially all of the business of the Company and “Voting Stock” shall mean capital stock of any class or classes having general voting power, in the absence of specified contingencies, to elect the directors of a corporation.

Notwithstanding anything herein to the contrary, solely for the purposes of determining the timing of payment of any awards which constitute deferred compensation under Section 409A of the Code, to the extent applicable, a Change of Control shall not occur unless such Change of Control constitutes a change in the ownership or effective control of the Company or a change in the ownership of a substantial portion of the assets of the Company under US Treasury Regulation 1.409A-3(i)(5).

2.6 “Code” means the United States Internal Revenue Code of 1986, as amended, including regulations thereunder and successor provisions and regulations thereto.

2.7 “Committee” means the Compensation Committee of the Board or such other committee appointed by the Board to administer the Plan or the Board, where the Board is acting as the Committee or performing the functions of the Committee, as set forth in Section 3.

2.8 “Company” means Danaos Corporation, a corporation domiciled in the Republic of The Marshall Islands.

2.9 “Dividend-Equivalent Right” means the right to receive an amount, which is determined by multiplying the number of Shares subject to the applicable Award by the per-Share cash dividend, or

the per-Share value (as determined by the Committee) of any dividend in consideration other than cash, paid by the Company on Shares.

2.10 “Fair Market Value” means (a) the closing price of a Share on the date of calculation (or on the last preceding trading date if Shares were not traded on such date) if Shares are readily tradeable on a national securities exchange or other market system or (b) if Shares are not readily tradeable on a national securities exchange or other market system, the amount determined in good faith by the Committee as the fair market value per Share.

2.11 “Management Company” means any company that is providing administrative, commercial, technical or maritime services to, or for the benefit of, the Company, its subsidiaries and their vessels.

2.12 “Non-Employee Director” means an individual who is a member of the Board and is not otherwise employed by the Company, any Subsidiary or any Management Company.

2.13 “Participant” means any person who has been granted an Award under the Plan.

2.14 “Share-Based Award” means an Award pursuant to which a Participant receives, or has the opportunity to receive, Shares, or receives, or has the opportunity to receive, cash, where the amount of cash is determined by reference to the value of a specific number of Shares. Share-Based Awards shall include, without limitation, Stock Options, Stock Appreciation Rights, restricted Shares, restricted units, Share units, performance units and bonus Shares.

2.15 “Shares” means shares of common stock of the Company and such other securities as may be substituted or resubstituted for Shares pursuant to Section 6.

2.16 “Subsidiary” means an entity that is, either directly or through one or more intermediaries, controlled by the Company.

3. Administration

3.1 *Committee*. The Plan shall be administered by the Committee. Other provisions of the Plan notwithstanding, the Board may perform any function of the Committee under the Plan, and that authority specifically reserved to the Board under the terms of the Plan, the Company’s Articles of Incorporation, By-Laws, or applicable law shall be exercised by the Board and not by the Committee. The Board shall serve as the Committee in respect of any Awards made to any director of the Company who is not otherwise employed by the Company.

3.2 *Powers and Duties of Committee*. In addition to the powers and duties specified elsewhere in the Plan, the Committee shall have full authority and discretion to:

(a) adopt, amend, suspend, and rescind such rules and regulations and appoint such agents as the Committee may deem necessary or advisable to administer the Plan;

(b) correct any defect or supply any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Agreement, or other instrument hereunder;

(c) make determinations relating to eligibility for and entitlements in respect of Awards, and to make all factual findings related thereto;

and

(d) make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan. All determinations and decisions of the Committee shall be final and binding upon a Participant or any person claiming any rights under the Plan from or through any Participant, and the Participant or such other person may not further pursue his or her claim in any court of law or equity or other arbitral proceeding.

3.3 *Delegation by Committee* . Except to the extent prohibited by applicable law or the applicable rules of a stock exchange, the Committee may delegate, on such terms and conditions as it determines in its sole and absolute discretion, to one or more senior executives of the Company (i) the authority to make grants of Awards to officers (other than executive officers), employees of the Company, employees of any Subsidiary and employees of any Management Company and (ii) other administrative responsibilities. Any such allocation or delegation may be revoked by the Committee at any time.

3.4 *Limitation of Liability* . Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him by any officer or other employee of the Company or any Subsidiary, the Company's independent registered public accountants, or any executive compensation consultant, legal counsel, or other professional retained by the Company to assist in the administration of the Plan. No member of the Committee, nor any officer or employee of the Company acting on behalf of the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Committee and any officer or employee of the Company acting on behalf of the Committee or members thereof shall, to the extent permitted by law, be fully indemnified and protected by the Company with respect to any such action, determination, or interpretation.

4. Limitations on Awards

4.1 *Aggregate Number of Shares Available for Awards*. Subject to Section 6, the aggregate number of Shares that may be issued on or after the Amendment Effective Date with respect to Awards granted under the Plan shall not exceed the sum of (a) 1,000,000 Shares, plus (b) the number of Shares subject to outstanding Awards under the Plan as of August 2, 2019 (434,512 Shares).

4.2 *Type of Shares Deliverable* . The Shares delivered in connection with Awards may consist, in whole or in part, of authorized and unissued Shares, or Shares acquired in the market for the account of a Participant.

4.3 *Share Counting*. If and to the extent Stock Options or Stock Appreciation Rights granted under the Plan terminate, expire, or are canceled, forfeited, exchanged or surrendered without having been exercised, and if and to the extent that any other Awards payable in Shares are forfeited or terminated, or otherwise are not paid in full, the Shares reserved for such Awards shall again be available for purposes of the Plan. Shares surrendered in payment of the exercise price of a Stock Option, and shares withheld or surrendered for payment of taxes, shall not be available for re-issuance under the Plan. If Stock Appreciation Rights are exercised and settled in Shares, the full number of Shares subject to the Stock Appreciation Rights shall be considered issued under the Plan, without regard to the number of Shares issued upon settlement of the Stock Appreciation Rights. To the extent that Awards are designated in an Award Agreement to be paid in cash or are otherwise paid in cash, and not in Shares, such Awards shall not count against the share limit in Section 4.1. For the avoidance of doubt, if Shares are repurchased by the Company on the open market with the proceeds of the exercise price of Stock Options, such shares may not again be made available for issuance under the Plan.

5. Awards

5.1 *Eligibility*. The Committee shall have the discretion to select Award recipients from among the following categories of eligible recipients: (a) individuals who are employees (including officers) of the Company, any Subsidiary or any Management Company, (b) Non-Employee Directors, (c) any other individual who provides substantial personal services to the Company or any Subsidiary, (d) any individual who has agreed to become an employee of the Company or a Subsidiary or any Management Company, provided that no such person may receive any payment or exercise any right relating to an Award until such person has commenced employment, and (e) individuals formerly employed by the Company or any Subsidiary as compensation in respect of their employment with the Company or any Subsidiary.

5.2 *Type of Awards*. The Committee shall have the discretion to determine the type of Awards to be granted under the Plan. Such Awards may be in a form payable in either Shares or cash, including, but not limited to, options to purchase Shares (“Stock Options”), restricted Shares, bonus Shares, appreciation rights (“Stock Appreciation Rights”), share units, performance units and Dividend- Equivalent Rights. The Committee is authorized to grant Awards as a bonus, or to grant Awards in lieu of obligations of the Company or any Subsidiary to pay cash or grant other awards under other plans or compensatory arrangements (including under any employment agreement), to the extent permitted by such other plans or arrangements. Shares issued pursuant to an Award in the nature of a purchase right (e.g., Stock Options) shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including cash, Shares, or other consideration, as the Committee shall determine.

5.3 *Terms and Conditions of Awards*. The Committee shall determine the size of each Award to be granted (including, where applicable, the number of Shares to which an Award will relate), and all other terms and conditions of each such Award (including, but not limited to, any exercise price, base price, or purchase price, any restrictions or conditions relating to transferability, forfeiture, exercisability, or settlement of an Award, any schedule or performance conditions for the lapse of such restrictions or conditions, and accelerations or modifications thereof, and to the extent permitted by law, any restrictive covenant obligations (such as confidentiality, non-competition and non-solicitation covenants) and clawback or recoupment provisions, as the Committee may deem advisable, based in each case on such considerations as the Committee shall determine). Notwithstanding the foregoing but subject to Sections 5.6 and 6, (a) the price per Share at which Shares may be purchased upon the exercise of a Stock Option shall not be less than 100% of the Fair Market Value per Share on the date of grant of such Stock Option; (b) with respect to Stock Appreciation Rights, the base price per Share from which stock appreciation is measured shall not be less than 100% of the Fair Market Value of such Share on the date of grant of the Stock Appreciation Rights; and (c) Dividend-Equivalent Rights shall not be granted with respect to Stock Options or Stock Appreciation Rights. The Committee may determine whether, to what extent, and under what circumstances an Award may be settled, or the exercise price of an Award may be paid, in cash, Shares, other Awards, or other consideration, or an Award may be canceled, forfeited, or surrendered, except as otherwise provided in Section 5.4 below.

5.4 *No Option Repricing; No Reloads*. Except in connection with a corporate transaction involving the Company (including, without limitation, any stock dividend, distribution (whether in the form of cash, Shares, other securities or property), stock split, extraordinary cash dividend, recapitalization, Change of Control, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities, or similar transactions), the Company may not, without obtaining stockholder approval, (a) amend the terms of outstanding Stock Options or Stock Appreciation Rights to reduce the exercise price of such outstanding Stock Options or base price of such Stock Appreciation Rights, (b) cancel outstanding Stock Options or Stock Appreciation Rights in exchange for Stock Options or Stock Appreciation Rights with an exercise price or base price, as

applicable, that is less than the exercise price or base price of the original Stock Options or Stock Appreciation Rights or (c) cancel outstanding Stock Options or Stock Appreciation Rights with an exercise price or base price, as applicable, above the current stock price in exchange for cash or other securities. The Company will not grant any Stock Options or Stock Appreciation Rights with automatic reload features.

5.5 *Stand-Alone, Additional, Tandem, and Substitute Awards.* Subject to Section 5.4, Awards granted under the Plan may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with, or in substitution or exchange for, any other Award or any award granted under another plan of the Company, any Subsidiary, any Management Company or any business entity to be acquired by the Company or a Subsidiary, or any other right of a Participant to receive payment from the Company or any Subsidiary, including under any employment agreement.

5.6 *Change of Control.* Unless otherwise set forth in an Award Agreement, Awards will vest upon a Change of Control, and any time periods, conditions or contingencies relating to the exercise or realization of, or lapse of restrictions under, any Award shall be automatically accelerated or waived so that if no exercise of the Award is required, the Award may be realized in full at the time of the occurrence of the Change of Control or if exercise of the Award is required, the Award may be exercised at the occurrence of the Change of Control.

6. Adjustments

If there is any change in the number or kind of Shares outstanding (a) by reason of a stock dividend, spinoff, recapitalization, stock split, or combination or exchange of Shares, (b) by reason of a merger, reorganization or consolidation, (c) by reason of a reclassification or change in par value, or (d) by reason of any other extraordinary or unusual event affecting the Company's outstanding capital stock without the Company's receipt of consideration, or if the value of outstanding Shares is substantially reduced as a result of a spinoff or the Company's payment of an extraordinary dividend or distribution, the maximum number of Shares available for issuance under the Plan (including the limit on Shares which may be issued without regard to minimum vesting restrictions), the kind and number of Shares covered by outstanding Awards, the maximum number and kind of Shares for which any Participant may receive Awards in any year (to the extent applicable), the kind and number of Shares issued and to be issued under the Plan, and the price per Share or the applicable market value of such Awards and the exercise price, base price or purchase price relating to any Award shall be equitably adjusted by the Committee to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of Company capital stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the Plan and such outstanding Awards; provided, however, that any fractional shares resulting from such adjustment shall be eliminated. In addition, the Committee is authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards (including cancellation of Awards in exchange for the intrinsic (i.e., in-the-money) value, if any, of the vested portion thereof, substitution of Awards using securities or other obligations of a successor or other entity, acceleration of the expiration date for Awards, or adjustment to performance goals in respect of Awards) in recognition of unusual or nonrecurring events affecting the Company, any Subsidiary or any business unit, including without limitation, the events described in the preceding sentence, or the financial statements of the Company or any Subsidiary, or in response to changes in applicable laws, regulations, or accounting principles. Any adjustments determined by the Committee shall be final, binding and conclusive.

7. General Provisions

7.1 *Compliance with Laws and Obligations* . The Company shall not be obligated to issue or deliver Shares in connection with any Award or take any other action under the Plan in a transaction subject to the registration requirements of any applicable securities law, any requirement under any listing agreement between the Company and any securities exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Company, until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing Shares issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

7.2 *Limitations on Transferability* . Awards and other rights under the Plan will not be transferable by a Participant except to a Beneficiary in the event of the Participant's death (to the extent any such Award, by its terms, survives the Participant's death), and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative; provided, however, that such Awards and other rights may be transferred during the lifetime of the Participant to family members (and trusts or other entities for the benefit of Participants and family members) for purposes of the Participant's estate planning, or to charities for charitable purposes (in each case, as determined by the Committee), and may be exercised by such transferees in accordance with the terms of such Award, but only if and to the extent permitted by the Committee. Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to the claims of creditors. A Beneficiary, transferee, or other person claiming any rights under the Plan from or through any Participant shall be subject to all terms and conditions of the Plan and any Award Agreement applicable to such Participant, except as otherwise determined by the Committee, and to any additional terms and conditions deemed necessary or appropriate by the Committee.

7.3 *No Right to Continued Employment; Leaves of Absence* . Neither the Plan, the grant of any Award, nor any other action taken hereunder shall be construed as giving any employee, consultant, director, or other person the right to be retained in the employ or service of the Company, any of its Subsidiaries or any Management Company (for the vesting period or any other period of time), nor shall it interfere in any way with the right of the Company or any of its Subsidiaries, or the right of any Management Company, to terminate any person's employment or service at any time. Unless otherwise specified in the applicable Award Agreement, (a) an approved leave of absence shall not be considered a termination of employment or service for purposes of an Award under the Plan, (b) any Participant who is employed by or performs services for a Subsidiary shall be considered to have terminated employment or service for purposes of an Award under the Plan if such Subsidiary is sold or no longer qualifies as a Subsidiary of the Company, unless such Participant remains employed by the Company or another Subsidiary and (c) any Participant who is employed by, or serves as a director of, a Management Company shall be considered to have terminated employment or service for purposes of an Award under the Plan if such Management Company no longer provides services to the Company.

7.4 *Taxes* . The Company and any Subsidiary is authorized to withhold from any delivery of Shares in connection with an Award, any other payment relating to an Award, or any payroll or other payment to a Participant, amounts of withholding and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Company, its Subsidiaries and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include authority to withhold Shares or receive or accept Shares or other consideration and to require Participants to make cash payments in satisfaction of withholding tax obligations. The Committee may, in its discretion and subject to such rules as the Committee may adopt, allow Participants to elect to have Share withholding applied to all or a portion of the tax withholding obligation arising in connection with any particular Award.

7.5 *Changes to the Plan and Awards* . The Board may amend, suspend, discontinue, or terminate the Plan or the Committee's authority to grant Awards under the Plan without the consent of stockholders or Participants, except that any amendment shall be subject to the approval of the Company's stockholders at or before the next annual meeting of stockholders for which the record date is after the date of such Board action if such stockholders approval is required by any applicable law, regulation or stock exchange rule, and the Board may otherwise, in its discretion, determine to submit other such amendments to stockholders for approval; provided, however, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under any Award theretofore granted. Subject to Section 5.4, the Committee may amend, suspend, discontinue, or terminate any Award theretofore granted and any Award Agreement relating thereto; provided, however, that, without the consent of an affected Participant, no such action may materially impair the rights of such Participant under such Award. Any action taken by the Committee pursuant to Section 6 shall not be treated as an action described in this Section 7.5.

7.6 *No Right to Awards; No Shareholder Rights* . No Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants, employees, consultants, or directors. No Award shall confer on any Participant any of the rights of a shareholder of the Company unless and until Shares are duly issued or transferred and delivered to the Participant in accordance with the terms of the Award.

7.7 *Company Policies* . All Awards made under the Plan shall be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented by the Board from time to time.

7.8 *Jurisdictional Provisions*. The Committee may make Awards on such terms and conditions as the Committee deems appropriate to comply with the laws of any applicable jurisdiction, and the Committee may create such procedures, addenda and subplans and make such modifications as may be necessary or advisable to comply with such laws.

7.9 *Unfunded Status of Awards; Creation of Trusts* . The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award shall give any such Participant any rights that are greater than those of a general creditor of the Company; provided, however, that the Committee may authorize the creation of trusts or make other arrangements to meet the Company's obligations under the Plan to deliver cash, Shares, other Awards, or other consideration pursuant to any Award, which trusts or other arrangements shall be consistent with the "unfunded" status of the Plan unless the Committee otherwise determines.

7.10 *Nonexclusivity of the Plan* . Neither the adoption of the Plan by the Board nor the submission of the Plan or of any amendment to stockholders for approval shall be construed as creating any limitations on the power of the Board to adopt such other compensatory arrangements as it may deem desirable, including the granting of awards otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

7.11 *Successors and Assigns* . The Plan and Award Agreements may be assigned by the Company to any successor to the Company's business. The Plan and any applicable Award Agreement shall be binding on all successors and assigns of the Company and a Participant, including any permitted transferee of a Participant, the Beneficiary or estate of such Participant and the executor, administrator or trustee of such estate, or any receiver or trustee in bankruptcy or representative of the Participant's creditors.

7.12 *Governing Law* . The Plan and all Award Agreements shall be governed by and construed in accordance with the laws of the Republic of the Marshall Islands, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the Republic of the Marshall Islands.

7.13 *Severability of Provisions* . If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

7.14 *Section 409A*. Notwithstanding the other provisions hereof, the Plan and the Awards are intended to comply with the requirements of Section 409A of the Code, to the extent applicable; provided, however, that in no event shall the Company be obligated to reimburse a Participant or Beneficiary for any additional tax (or related penalties and interest) incurred by reason of application of Section 409A of the Code. Notwithstanding anything herein to the contrary, in the event that any Awards constitute nonqualified deferred compensation under Section 409A of the Code, to the extent Section 409A is applicable, if (a) the Participant is a “specified employee” of the Company as of the specified employee identification date for purposes of Code Section 409A (as determined in accordance with the policies and procedures adopted by the Company) and (b) the delivery of any cash or Shares payable pursuant to an Award is required to be delayed for a period of six months after separation from service pursuant to Section 409A of the Code, such cash or Shares shall be paid within 15 days after the end of the six-month period. If the Participant dies during such six-month period, the amounts withheld on account of Section 409A shall be paid to the Participant’s Beneficiary within 30 days of the Participant’s death.