UNITED NATURAL FOODS INC
Form SC 13G/A
April 06, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 04)*

United Natural Foods, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

911163103

(CUSIP Number)

March 31, 2016

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

x Rule 13d-1(b)

o Rule 13d-1(c)

o Rule 13d-1(d)

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 911163103

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) BAMCO INC /NY/ 050376157
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) o (b) x
3	SEC USE ONLY
4	CITIZENSHIP OR PLACE OF ORGANIZATION New York

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 361,500
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 361,500

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 361,500

10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.72%
12	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IA , CO

FOOTNOTES

CUSIP No. 911163103

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Baron Capital Group, Inc. 050376157		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) o (b) x		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION New York		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:		**5**	SOLE VOTING POWER 0
		6	SHARED VOTING POWER 377,000
		7	SOLE DISPOSITIVE POWER 0
		8	SHARED DISPOSITIVE POWER 377,000
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 377,000		

10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.75%
12	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) HC , CO

FOOTNOTES

CUSIP No. 911163103

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Baron Capital Management, Inc. 050376157		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) o (b) x		
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION New York		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:		**5**	SOLE VOTING POWER 0
		6	SHARED VOTING POWER 15,500
		7	SOLE DISPOSITIVE POWER 0
		8	SHARED DISPOSITIVE POWER 15,500
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 15,500		

10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.03%
12	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) IA , CO

FOOTNOTES

CUSIP No. 911163103

1	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY) Ronald Baron 050376157
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS) (a) o (b) x
3	SEC USE ONLY
4	CITIZENSHIP OR PLACE OF ORGANIZATION New York

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	**5**	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 377,000
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 377,000

9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 377,000

10	CHECK IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS) o
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 0.75%
12	TYPE OF REPORTING PERSON (SEE INSTRUCTIONS) HC , IN

FOOTNOTES

Item 1.

(a) Name of Issuer
United Natural Foods, Inc.

(b) Address of Issuer's Principal Executive Offices
313 Iron Horse Way,
Providence, RI 02908

Item 2.

(a) Name of Person Filing
Baron Capital Group, Inc. ("BCG")
BAMCO, Inc. ("BAMCO")
Baron Capital Management, Inc. ("BCM")
Ronald Baron

(b) Address of Principal Business Office or, if none, Residence
767 Fifth Avenue, 49th Floor
New York, NY 10153

(c) Citizenship
BCG, BAMCO and BCM are New York corporations. Ronald Baron is a citizen of the United States.

(d) Title of Class of Securities
Common Stock

(e) CUSIP Number
911163103

Item 3. If this statement is filed pursuant to §§240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:

(a) o Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) o Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) o Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) o Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C 80a-8).

(e) x An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E);

(f) o An employee benefit plan or endowment fund in accordance with §240.13d-1(b)(1)(ii)(F);

(g) x A parent holding company or control person in accordance with § 240.13d-1(b)(1)(ii)(G);

(h) o A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);

(i) o A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(j) o A non-U.S. institution in accordance with § 240.13d-1(b)(1)(ii)(J).

(k) o A group, in accordance with § 240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with § 240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount beneficially owned: 377,000

(b) Percent of class: 0.75%

(c) Number of shares as to which the person has:

(i) Sole power to vote or to direct the vote: 0

(ii) Shared power to vote or to direct the vote: 377,000

(iii) Sole power to dispose or to direct the disposition of: 0

(iv) Shared power to dispose or to direct the disposition of: 377,000

Item 5. Ownership of Five Percent or Less of a Class

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following x .

Filing Persons have ceased being the beneficial owners of more than 5% of the filing class of securities reported herein.

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

N/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company

BAMCO and BCM are subsidiaries of BCG. Ronald Baron owns a controlling interest in BCG.

Item 8. Identification and Classification of Members of the Group

Please see Item 3.

Item 9. Notice of Dissolution of Group

Not applicable.

Item 10. Certification

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect, other than activities solely in connection with a nomination under §240.14a-11.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

BAMCO, Inc.

Date: March 06, 2016 By: /s/ Ronald Baron
Name: Ronald Baron
Title: Chairman and CEO

Baron Capital Group, Inc.

Date: March 06, 2016 By: /s/ Ronald Baron
Name: Ronald Baron
Title: Chairman and CEO

Baron Capital Management, Inc.

Date: March 06, 2016 By: /s/ Ronald Baron
Name: Ronald Baron
Title: Chairman and CEO

Ronald Baron

Date: March 06, 2016 By: /s/ Ronald Baron
Name: Ronald Baron

Title: Individually

Footnotes:

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (See 18 U.S.C. 1001)

2" valign="bottom" bgcolor="#CCEEFF" style="background:#CCEEFF;padding:0in 0in 0in 0in;width:10.0%;">

10,000

Issuance of common stock

99,342

993

167,719

168,712

Stock compensation

4,183

42

115

157

As of September 30, 2018 (unaudited)

213,324

$

2,133

$

724,732

$

(107,852

)

$

262,832

$

881,845

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)

	Nine months ended September 30, 2018	2017
Cash Flows from Operating Activities		
Net income	$ 148,047	$ 61,099
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	80,752	87,267
Amortization of deferred drydocking and special survey costs	6,888	5,037
Amortization of finance costs	8,337	8,483
Exit fee accrued on debt	1,888	2,399
Debt discount amortization	1,207	
Gain on debt extinguishment	(116,365)	
PIK interest	414	
Stock based compensation	157	
Loss on sale of securities		2,357
Payments for drydocking and special survey costs deferred	(11,905)	(6,408)
Amortization of deferred realized losses on interest rate swaps	2,763	2,763
Equity income on investments	(912)	(633)
(Increase)/Decrease in		
Accounts receivable	(2,316)	(3,085)
Inventories	(899)	2,162
Prepaid expenses	(207)	636
Due from related parties	20,880	(144)
Other assets, current and non-current	(11,262)	(5,887)
Increase/(Decrease) in		
Accounts payable	2,387	(11)
Accrued liabilities	(3,995)	1,655
Unearned revenue, current and long-term	(13,829)	(15,058)
Other liabilities, current and long-term	(1,130)	(6,806)
Net Cash provided by Operating Activities	**110,900**	**135,826**
Cash Flows from Investing Activities		
Vessels additions	(2,083)	(3,696)
Net proceeds from sale of securities		6,236
Net Cash provided by/(used in) Investing Activities	**(2,083)**	**2,540**
Cash Flows from Financing Activities		
Proceeds from long-term debt	325,852	
Payments of long-term debt	(407,107)	(147,930)
Finance costs	(26,967)	
Paid-in capital	10,000	
Share issuance costs	(169)	
Net Cash used in Financing Activities	**(98,391)**	**(147,930)**
Net Increase/(Decrease) in cash, cash equivalents and restricted cash	10,426	(9,564)
Cash, cash equivalents and restricted cash at beginning of period	69,707	76,529
Cash, cash equivalents and restricted cash at end of period	**$ 80,133**	**$ 66,965**

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 September 30, 2018, the condensed consolidated results of operations for the three and nine months ended September 30, 2018 and 2017 and the condensed consolidated cash flows for the three and nine months ended September 30, 2018 and 2017. 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, 2017. The results of operations for the three and nine months ended September 30, 2018, 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 audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The Company s condensed consolidated financial statement have been prepared on a going concern basis and contemplate the realization of assets and satisfaction of liabilities in the normal course of business. On June 19, 2018, the Company reached a refinancing agreement with certain of its lenders holding debt maturing by December 31, 2018 through a debt reduction of approximately $551 million, the resetting of financial and other covenants, modified interest rates and amortization profiles and an extension of existing debt maturities by approximately five years to December 31, 2023, or in some cases to June 30, 2024. On August 10, 2018, the Company consummated the refinancing agreement reached with certain of the Company s lenders on June 19, 2018, as further disclosed in the Note 9 Long-term debt, net , which alleviated substantial doubt about the Company s ability to continue as a going concern reported in the Note 3, Going Concern to the consolidated financial statements in the Annual Report on Form 20-F for the year ended December 31, 2017.

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.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of September 30, 2018, Danaos included the vessel owning companies (the Danaos Subsidiaries) listed below. All vessels are container vessels:

Company	Date of Incorporation	Vessel Name	Year Built	TEU(1)
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 (ex CSCL Pusan)	2006	9,580
Ramona Marine Co. Ltd.	February 27, 2003	Le Havre (ex CSCL 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 (ex CSCL 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 (ex Priority)	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 (ex Deva)	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 (ex Hyundai Progress)	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-feet 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, 2017 filed with the Securities and Exchange Commission on March 7, 2018. During the nine months ended September 30, 2018, other than the following, there were no other significant changes made to the Company s significant accounting policies:

Changes in Accounting Principles:

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU 2016-15). The guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. Additionally, in November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (ASU 2016-18), which requires that amounts generally described as restricted cash and restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Company adopted these standards effective January 1, 2018. Prior periods were retrospectively adjusted to conform to the current period s presentation. The adoption of ASU 2016-15 did not have a material impact on the condensed consolidated statements of cash flows. Upon adoption of ASU 2016-18, the Company reclassified the restricted cash balance of $2.8 million as of December 31, 2017 and December 31, 2016 to the cash, cash equivalents and restricted cash balances within the condensed consolidated statements of cash flows and recorded a decrease of $2.8 million in net cash used in financing activities for the nine months ended September 30, 2017. Refer to Note 3 Cash, Cash Equivalents and Restricted Cash for further details.

Financial Instruments

In January 2016, the FASB issued Accounting Standards Update No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities (ASU 2016-01). ASU 2016-01 requires all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this Update also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition the amendments in this Update eliminate the requirement to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. The Company adopted this standard effective January 1, 2018. The Company s investment in ZIM equity securities does not have readily determinable fair value. As a result, the Company elected to record this equity investment at cost, less impairment, adjusted for subsequent observable price changes. The adoption of this standard did not have a material effect on the condensed consolidated financial statements and notes disclosures. As of September 30, 2018, the Company did not identify any observable prices for the same or similar securities that would indicate a change in the carrying value of the Company s equity.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2 Significant Accounting Policies (Continued)

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-9 Revenue from Contracts with Customers (ASU 2014-09), which superseded the current revenue recognition guidance and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) (ASU 2016-08), which clarifies the implementation guidance on principal versus agent considerations. In addition, in 2016, the FASB issued four amendments, which clarified the guidance on certain items such as reporting revenue as a principal versus agent, identifying performance obligations, accounting for intellectual property licenses, assessing collectability and presentation of sales taxes. The Company adopted this standard effective January 1, 2018 using modified retrospective approach. The adoption of this standard did not have any effect on the retained earnings or on the financial results for the nine months ended September 30, 2018 of the Company since all the Company s vessels generated revenues from time charter and bareboat charter agreements, which are governed by ASU 2016-02 Leases see below.

Recent Accounting Pronouncements:

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases (Topic 842) (ASU 2016-02). ASU 2016-02 will apply to both types of leases capital (or finance) leases and operating leases. According to the new Accounting Standard, lessees will be 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. ASU 2016 02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted. 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 will be governed by ASC 842 while revenue related to non-lease components will be subject to ASC 606. In March 2018, the FASB tentatively approved a proposed amendment to ASU 842, that would provide an entity 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, January 1, 2019 rather than January 1, 2017, which would eliminate the need to restate amounts presented prior to January 1, 2019. 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 will allow 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 , which further improves and clarifies ASU 2016-02. The Company plans to adopt the standard on January 1, 2019 and expects to elect the use of practical expedients. The Company has not completed its analysis of this ASU. Based on a preliminary assessment, the Company is expecting that the adoption will not have a material effect on its consolidated financial statements since the Company is primarily a lessor and the changes are fairly minor.

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. 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 September 30, 2018		As of December 31, 2017		As of December 31, 2016	
Cash and cash equivalents	$	80,133	$	66,895	$	73,717
Restricted cash				2,812		2,812
Total	**$**	**80,133**	**$**	**69,707**	**$**	**76,529**

The Company was required to maintain cash of $2.8 million as of December 31, 2017 and December 31, 2016, 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.

4 Fixed assets, net

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 September 30, 2018 and as of December 31, 2017. 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 rates. 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 cyclicality 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 Refinancing, the Company has undertaken to seek to sell two of its 13,100 TEU vessels, the *Hyundai Honour* and *Hyundai Respect*, before December 31, 2018. The net proceeds from sales of such vessels are to be applied pro rata to repay the credit facilities secured by mortgages on such vessels, which would further reduce the Company s outstanding debt.

5 Deferred Charges, net

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

		Drydocking and Special Survey Costs
As of January 1, 2017	**$**	**8,199**
Additions		7,511
Amortization		(6,748)
As of December 31, 2017		**8,962**
Additions		11,905
Amortization		(6,888)
As of September 30, 2018	**$**	**13,979**

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.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 (ex NYK Lodestar)* and *NYK Leo*. 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 September 30, 2018, 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 (ex NYK Lodestar)	2001	6,422	September 21, 2015
Leo Shipping and Trading S.A.	NYK Leo	2002	6,422	February 4, 2016

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, or earlier if permitted under its credit facilities. The net assets of Gemini total $14.1 million as of September 30, 2018. The Company s exposure is limited to its share of the net assets of Gemini proportionate to its 49% equity interest in Gemini.

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 September 30, 2018	As of December 31, 2017
Current assets	$ 9,199	$ 10,014
Non-current assets	$ 40,812	$ 40,901
Current liabilities	$ 5,874	$ 6,131
Non-current liabilities	$ 30,035	$ 32,544

	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net operating revenues	$ 14,052	$ 13,009
Net income	$ 1,862	$ 1,292

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7 Other Non-current Assets

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

	As of September 30, 2018	As of December 31, 2017
Available for sale securities:		
ZIM notes, net	$ 26,139	$ 21,093
HMM notes, net	14,932	13,509
Equity participation ZIM		
Other assets	$ 22,405	14,864
Total	**$ 63,476**	**$ 49,466**

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 8 Other Non-current Assets to the consolidated financial statements in the Annual Report on Form 20-F for the year ended December 31, 2017 for further details.

On March 28, 2017, the Company sold $13.0 million principal amount of HMM Loan Notes 1 maturing in July 2024 carried at amortized costs of $8.6 million for gross cash proceeds on sale of $6.2 million, which were received in April 2017. The sale resulted in a loss of $2.4 million, which was recognized in the Other income/(expenses), net in the accompanying condensed consolidated statement of income for the nine months ended September 30, 2017. The proceeds were used to repay related outstanding debt obligations in April 2017. The unrealized losses, which were recognized in other comprehensive loss, are analyzed as follows as of September 30, 2018 (in thousands):

Description of securities	Amortized cost basis	Fair value	Unrealized loss on available for sale securities
ZIM notes	$ 44,082	$ 26,139	$ (17,943)
HMM notes	20,135	14,932	(5,203)
Total	**$ 64,217**	**$ 41,071**	**$ (23,146)**

	Unrealized loss on available for sale securities
Beginning balance as of January 1, 2018	$ (26,607)
Unrealized gain on available for sale securities	3,461
Ending balance as of September 30, 2018	**$ (23,146)**

Other assets mainly include non-current assets related to straight-lining of the Company s revenue amounting to $19.9 million and $10.8 million as of September 30, 2018 and December 31, 2017, respectively.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8 Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	As of September 30, 2018	As of December 31, 2017
Accrued payroll	$ 925	$ 928
Accrued interest	6,215	9,953
Accrued expenses	5,444	4,345
Total	**$ 12,584**	**$ 15,226**

Accrued expenses mainly consisted of accruals related to the operation of the Company s fleet and other expenses as of September 30, 2018 and December 31, 2017.

9 Long-Term Debt, net

Company s long-term debt, net as of September 30, 2018 and December 31, 2017 consisted of the following (in thousands):

Credit Facility	Balance as of September 30, 2018	Balance as of December 31, 2017
The Royal Bank of Scotland $475.5 mil. Facility	$ 476,397	$ 634,864
The Royal Bank of Scotland (January 2011 Facility)		24,316
HSH Nordbank AG - Aegean Baltic Bank - Piraeus Bank $382.5 mil. Facility	383,253	622,851
HSH Nordbank AG - Aegean Baltic Bank - Piraeus Bank (January 2011 Facility)		17,205
Citibank $114 mil. Facility	113,957	117,316
Credit Suisse $171.8 mil. Facility	171,783	176,189
Citibank Eurobank $37.6 mil. Facility	37,645	37,645
Club Facility $206.2 mil.	206,412	220,689
Sinosure Cexim - Citibank - ABN Amro $203.4 mil. Facility	67,800	81,360
Citibank $123.9 mil. Facility	123,928	
Citibank $120 mil. Facility	120,000	
Deutsche Bank		156,062
ABN Amro-Bank of America Merrill Lynch-Burlington Loan Management-National Bank of Greece		199,302
ABN Amro - Bank of America Merrill Lynch - Burlington Loan Management - National Bank of Greece (January 2011 Credit Facility)		8,771
The Export - Import Bank of Korea & ABN Amro		23,109
Fair value of debt	(28,043)	

Comprehensive Financing Plan exit fees accrued		21,412		21,099
Total long-term debt	**$**	**1,694,544**	**$**	**2,340,778**
Less: Deferred finance costs, net		(48,637)		(11,177)
Less: Current portion		(118,517)	$	(2,329,601)
Total long-term debt net of current portion and deferred finance cost	**$**	**1,527,390**		

All loans discussed above 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 and the corporate guarantee of Danaos Corporation.

As of September 30, 2018, there was no remaining borrowing availability under the Company s credit facilities.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long-Term Debt, net (Continued)

The Refinancing and the New Credit Facilities

The Company entered into a debt refinancing agreement with certain of its lenders holding debt of $2.2 billion maturing by December 31, 2018, for a debt refinancing (the Refinancing) which was consummated on August 10, 2018 (the Closing Date) that superseded, amended and supplemented the terms of each of the Company s then-existing credit facilities (other than the Sinosure-CEXIM credit facility which is not covered thereby). The Refinancing provided for, among other things, the issuance of 99,342,271 new shares of common stock to certain of the Company s lenders (which represented 47.5% of the Company s outstanding common stock after giving effect to such issuance and diluted existing shareholders ratably), a principal amount debt reduction of approximately $551 million, revised amortization schedules, maturities, interest rates, financial covenants, events of defaults, guarantee and security packages and $325.9 million of new debt financing from one of the Company s lenders - Citibank. The Company s largest stockholder, Danaos Investment Limited as Trustee of the 883 Trust (DIL), contributed $10 million to the Company on the Closing Date, for which DIL did not receive any shares of common stock or other interests in the Company. The maturities of most of the new loan facilities covered by this debt refinancing were extended by five years to December 31, 2023 (or, in some cases, June 30, 2024).

In addition, the Company agreed to make reasonable efforts to source investment commitment for new shares (as defined) of not less than $50 million of equity in aggregate no later than 18 months after the Closing Date ($10 million of which is to be underwritten by DIL).

As part of the Refinancing the Company entered into new credit facilities for an aggregate principal amount of approximately $1.6 billion due December 31, 2023 through an amendment and restatement or replacement of existing credit facilities. The following are the new term loan credit facilities (the New Credit Facilities):

(i) a $475.5 million credit facility provided by the Royal Bank of Scotland (the RBS Facility), which refinanced the prior Royal Bank of Scotland credit facilities

(ii) a $382.5 million credit facility provided by HSH Nordbank AG - Aegean Baltic Bank - Piraeus Bank (the HSH Facility), which refinanced the prior HSH Nordbank AG - Aegean Baltic Bank - Piraeus Bank credit facilities

(iii) a $114.0 million credit facility provided by Citibank (the Citibank $114 mil. Facility), which refinanced the prior Citibank credit facility

(iv) a $171.8 million credit facility provided by Credit Suisse (the Credit Suisse $171.8 mil. Facility), which refinanced the prior Credit Suisse credit facility

(v) a $37.6 million credit facility provided by Citibank - Eurobank (the Citibank - Eurobank $37.6 mil. Facility)) , which refinanced the prior Citibank Eurobank credit facility

(vi) a $206.2 million credit facility provided by Citibank - Credit Suisse - Sentina (the Club Facility $206.2 mil.), which refinanced the prior EnTrustPermal - Credit Suisse - CitiGroup Club facility

(vii) a $120.0 million credit facility provided by Citibank (the Citibank $120 mil. Facility), which refinanced the prior ABN Amro Bank of America Merrill Lynch Burlington Loan Management National Bank of Greece facilities

(viii) a $123.9 million credit facility provided by Citibank (the Citibank $123 mil. Facility), which refinanced the prior Deutsche Bank facility

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long-Term Debt, net (Continued)

Interest and Fees

The interest rate payable under the New Credit Facilities (other than the Sinosure-CEXIM credit facility) is LIBOR+2.50% (subject to a 0% floor), with subordinated tranches of two credit facilities incurring additional PIK interest of 4.00%, compounded quarterly, payable in respect of $282 million principal related to the RBS Facility and HSH Facility, which tranches have maturity dates of June 30, 2024.

The Company was required to pay a cash amendment fee of $70.1 million in the aggregate, out of which $18.3 million was paid in cash before September 30, 2018 and the remaining portion will be paid in instalments. The unpaid amendment fee of $36.5 million was accrued under Other current liabilities and of $15.3 million under Other long-term liabilities in the consolidated balance sheet as of September 30, 2018. Of the cash amendment fee, $18.1 million was deferred and will be amortized over the life of the respective credit facilities with the effective interest method and $52.0 million was expensed to the income statement.

The Company was also required to issue 14.7 million shares of common stock as part of the amendments fees on the Closing Date, or $25.0 million fair value in the aggregate. Of this amount, recognition of $18.1 million was deferred and will be amortized over the life of the respective credit facilities with the effective interest method and $6.9 million was expensed in the accompanying condensed consolidated statements of income. The fair value of the shares issued at the Closing Date are based on a level 1 Measurement of the share s price, which was $1.70 as of August 10, 2018.

The Company incurred $51.5 million and $9.3 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 nine months periods ended September 30, 2018 and 2017, respectively. Additionally, the Company deferred $11.7 million of professional fees related to the extinguished Citibank facilities and will be amortized over the life of the respective credit facilities.

Covenants, Events of Defaults, Collaterals and Guarantees

The New Credit Facilities contain financial covenants requiring the Company to maintain:

(i) minimum collateral to loan value coverage on a charter-free basis increasing from 57.0% as of December 31, 2018 to 100% as of September 30, 2023 and thereafter,

(ii) minimum collateral to loan value coverage on a charter-attached basis increasing from 69.5% as of December 31, 2018 to 100% as of September 30, 2023 and thereafter,

(iii) minimum liquidity of $30 million throughout the term of the new credit facilities,

(iv) maximum consolidated net leverage ratio, declining from 7.50x as of December 31, 2018 to 5.50x as of September 30, 2023 and thereafter,

(v) minimum interest coverage ratio of 2.50x throughout the term of the new credit facilities and

(vi) minimum consolidated market value adjusted net worth increasing from negative $510 million as of December 31, 2018 to $60 million as of September 30, 2023 and thereafter.

The New Credit Facilities contain certain restrictive covenants and customary events of default, including those relating to cross-acceleration and cross-defaults to other indebtedness, non-compliance, or repudiation of security documents, material adverse changes to the Company s business, the Company s common stock ceasing to be listed on the NYSE (or another recognized stock exchange), foreclosure on a vessel in the Company s fleet, a change in control of the Manager, a breach of the management agreement by the Manager and a material breach of a charter by a charterer or cancellation of a charter (unless replaced with a similar charter acceptable to the lenders) for the vessels securing the respective new credit facilities. Each of the new credit facilities is secured by customary shipping industry collateral, including vessel mortgages, earnings accounts, assignment of their insurance policies, the Company s investments in ZIM and Hyundai Merchant Marine securities and stock pledges and benefits from corporate guarantees.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long-Term Debt, net (Continued)

Exit Fee

As of September 30, 2018, the Company has an accrued Exit Fee of $21.4 million relating to its debt facilities and is reported under Long-term debt, net in the consolidated Balance Sheet. The payment of the exit fees accrued under the long-term debt prior to the debt refinancing shall be postponed on the earlier of maturity, acceleration or prepayment or repayment in full of the amended facilities or the relevant facility refinancing. The exit fees will accrete in the consolidated statements of income of the Company over the life of the respective facilities covered by the Refinancing (excluding Sinosure-CEXIM credit facility) up to the agreed full exit fees payable amounting to $24.0 million.

Payment of Dividends

The Company will not be permitted to pay dividends under the new credit facilities, until (1) it receives in excess of $50 million in net cash proceeds from offerings of its common stock and (2) the payment in full of the first installment of amortization payable following the consummation of the Refinancing under each new credit facility entered into in connection therewith (other than the Sinosure-CEXIM credit facility). After these conditions are satisfied, the Company would be permitted to pay dividends under the terms of these credit facilities unless an event of default has occurred and is continuing or would occur as a result of the payment of such dividend and as long as the obligors under each new credit facility are in compliance with covenants thereunder (including the Company s compliance with financial covenants).

Sinosure-CEXIM credit facility and KEXIM-ABN AMRO credit facility

On the Closing Date the Company amended and restated the Sinosure-CEXIM credit facility, dated as of February 21, 2011, under which $67.8 million was outstanding as of September 30, 2018, primarily to align its financial covenants with those contained in the new credit facilities and provide second lien collateral to lenders under certain of the New Credit Facilities.

On June 27, 2018, the Company gave notice to the lenders under the KEXIM ABN-AMRO credit facility and fully repaid $17.5 million outstanding under this facility on July 20, 2018.

Principal Payments

The New 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 (calculated on a generally consistent basis to the Company s 2011 Restructuring Agreement), subject to certain adjustments. The new credit facilities have maturity dates of December 31, 2023 (or in some cases as indicated below, June 30, 2024). After giving effect to the debt refinancing consummated on August 10, 2018, scheduled debt maturities of total long-term debt subsequent to September 30, 2018 are as follows (in thousands):

Payments due by period ended	Fixed principal repayments	Final payments due by June 30, 2024*	Total principal payments
September 30, 2019	$ 118,517		$ 118,517
September 30, 2020	115,086		115,086
September 30, 2021	120,326		120,326
September 30, 2022	99,891		99,891
September 30, 2023	81,360		81,360
Thereafter	17,792	$ 1,148,203	1,165,995
Total long-term debt	**$ 552,972**	**$ 1,148,203**	**$ 1,701,175**

* The final payments due by June 30, 2024, include the unamortized remaining principal debt balances under the new credit facilities, as such amount will be determinable following the fixed amortization. As mentioned above, the Company is also subject to variable principal amortization based on actual free cash flows, which are included under final payments due by June 30, 2024.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long-Term Debt, net (Continued)

Accounting for the Restructuring Agreement

The Company performed an accounting analysis on a lender by lender basis to determine which accounting guidance applied to each of the amendments to our Existing Credit Facilities. The following guidance was used to perform the analysis:

(i) As set forth in ASC 470-60, *Accounting by Debtors and Creditors for Troubled Debt Restructurings* troubled debt restructuring (TDR) accounting is required when the debtor is experiencing financial difficulty and the creditor has granted a concession. A concession is granted when the effective borrowing rate on the restructured debt is less than the effective borrowing rate on the original debt. The application of TDR accounting requires a comparison of the recorded value of each debt instrument prior to restructuring to the sum of the undiscounted future cash flows to be received by a creditor under the newly restructured debt instrument. Interest expense in future periods is determined by the effective interest rate required to discount the newly restructured future cash flows to equal the recorded value of the debt instrument without regard to how the parties allocated these cash flows to principal and interest in the restructured agreement. In cases in which the recorded value of the debt instrument exceeds the sum of undiscounted future cash flows to be received under the restructured debt instrument, the recorded value is reduced to the sum of undiscounted future cash flows, and a gain is recorded. In this instance, no future interest expense will be recorded on the affected facilities, as the adjusted recorded value and the undiscounted future cash flows are equal and the effective interest rate is zero.

(ii) For lenders on which the Company has concluded that the above changes to the terms of long-term debt do not constitute a troubled debt restructuring as no concession has been granted, the Company applied the guidance in ASC 470-50, Modifications and Extinguishments. The accounting treatment is determined by whether (1) the lender (creditor) remains the same and (2) terms of the new debt and original debt are substantially different. The new debt and the old debt are considered substantially different pursuant to ASC 470-50 when the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. If the original and new debt instruments are substantially different, the original debt is derecognized and the new debt should be initially recorded at fair value, with the difference recognized as an extinguishment gain or loss.

Based on the analysis, we concluded for the lenders that participated in both the Existing Credit Facilities and the New Credit Facilities, the following accounting:

Troubled Debt Restructuring

Prior to the finalization of the Refinancing, the Company concluded that it was experiencing financial difficulty and that certain of the lenders granted a concession (as part of the Refinancing). The Company was experiencing financial difficulty primarily as a result of the projected cash flows not being sufficient to service the balloon payment due as of December 31, 2018 without restructuring and the Company was not be able to obtain funding from sources other than existing creditors at an effective interest rate equal to the current market interest rate for similar debt. As a result, the following accounting has been applied at the Closing Date:

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long-Term Debt, net (Continued)

Troubled Debt Restructuring (Continued)

(i) As of the Closing Date, the outstanding balance of HSH Facility was $639.8 million. In exchange for reduction of principal of $251.0 million, the lenders received a total of 49.4 million shares of common stock with a fair value of $83.9 million, resulting in a net concession of $167.1 million. Accumulated accrued interest of $129.3 million was recognized using the Libor rate of 2.34% as of August 10, 2018. The TDR accounting guidance requires the Company to record the value of the new debt to its restructured undiscounted cash flows over the life of the loan, including cash flows associated with the remaining scheduled interest and principal payments. In cases in which the recorded value of the debt instrument exceeds the sum of undiscounted future cash flows to be received under the restructured debt instrument, the recorded value is reduced to the sum of undiscounted future cash flows, and a gain is recorded. For the HSH Facility, the total undiscounted future cash flows total $518.6 million, which results in a gain of $36.6 million. The amendment fees to be paid to HSH Facility lenders of $9.5 million will be directly recorded in the income statement and presented in the net gain on debt extinguishment.

(ii) As of the Closing Date, the outstanding balance of RBS Facility was $660.9 million. In exchange for reduction of principal of $179.2 million, the lender received a total of 35.2 million shares of common stock with a fair value of $59.9 million, resulting in a net concession of $119.3 million and accumulated accrued interest of $119.3 million as of August 10, 2018. The TDR accounting guidance requires the Company to record the value of the new debt to its restructured undiscounted cash flows over the life of the loan, including cash flows associated with the remaining scheduled interest and principal payments not to exceed the carrying amount of the original debt. For the RBS Facility, the undiscounted cash flows exceed the recorded value of the modified debt, and as such, the modified and new debt will be accreted up to its maturity value using the effective interest rate inherent in the restructured cash flows. The amendment fees to be paid to RBS of $9.3 million will be deferred and recognized through the income statement using the effective interest method.

Following the issuance of the shares of common stock, HSH and RBS are considered related parties. The fair value of the shares issued at the Closing Date are based on a level 1 measurement of the share s price, which was $1.70 as of August 10, 2018. In addition, the outstanding principal and related exit fee payable for the Deutsche Bank Facility, the EnTrustPermal portion of the Club Facility and the ABN AMRO - Bank of America Merrill Lynch - Burlington Loan Management - National Bank of Greece Facility (Other facilities) were extinguished with the proceeds from our new credit facilities with Citibank (the Citibank New Money) amounting to $325.9 million and with corporate cash amounting to $12.0 million.

The following table summarizes the impact of the application of TDR accounting and extinguishment of Citibank facilities and Other facilities (in thousands):

	HSH facility	RBS facility	Citibank facilities extinguishment	Other facilities extinguishment	Total
Balance as of August 10, 2018 before refinancing	639,174	660,855	152,944	450,830	1,903,803
(-) Shares issued	(83,935)	(59,905)			(143,840)
(+) New money			325,851		325,851
(-) Cash payments				(337,851)	(337,851)
	555,239	600,950	478,795	112,979	1,747,963
(-) Concession granted	(167,121)	(119,275)		(108,810)	(395,206)
(+) Accumulated accrued interest	129,346	119,275			248,621
(-) Existing fees write-off	1,146		3,535	(4,169)	512
Balance as of August 10, 2018 after refinancing	518,610	600,950	482,330	0	1,601,890
Gross gain on debt extinguishment	36,630		(3,535)	112,979	146,074
(+) Fair value adjustment			29,251		29,251
(-) New loan amendment fees	(9,499)		(49,461)		(58,960)
Net gain on debt extinguishment	27,131		(23,745)	112,979	116,365

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9 Long-Term Debt, net (Continued)

Modification and Extinguishment Accounting

Based on the accounting analysis performed, the Company concluded that:

(i) As of the Closing Date, the outstanding balance for the Credit Suisse Facility, the Credit Suisse and Sentina portions of the New Club Facility and the Eurobank portion of the Citibank - Eurobank Facility was $173.5 million, $125.6 million and $7.2 million, respectively. The present value of the cash flows Credit Suisse facilities and Sentina portion of the New Club Facility and Eurobank portion of the Citibank Eurobank Facility, as amended by the debt refinancing, were not substantially different from the present value of the remaining cash flows under the terms of the original instruments prior to the debt refinancing, and, as such, accounted for the debt refinancing as a modification. Accordingly, no gain or loss was recorded and a new effective interest rate was established based on the carrying value of the long-term loan prior to the debt refinancing became effective and the revised cash flows pursuant to the debt refinancing, including the fair value of the shares issued to the lender as part of the amendment fees. Total amendment fees paid in cash and shares to Credit Suisse Facility, the New Club Facility and Eurobank portion of the Citibank Eurobank Facility were $15.1 million, $10.9 million and $0.1 million, respectively and are deferred over the life of the facilities and recognized through the new effective interest method.

(ii) The present value of the cash flows for all of the Existing Citibank facilities plus the Citibank - New Money Facility, was substantially different from the present value of the remaining cash flows under the terms of the original instrument prior to the debt refinancing, and, as such, accounted for the debt refinancing as an extinguishment. Accordingly, the Company derecognized the carrying value of the prior Citibank debt facilities and recorded the refinanced debt at fair value totaling $448.2 million. Total new fees of $49.5 million were recorded directly in the income statement under the gain on debt extinguishment. The fair value of the new Citibank facilities was determined by the Company through an independent valuation using an issue date, risk adjusted market interest rate of 7.15% per annum, similar to the market yield for unsecured high yield bonds to the shipping companies, and considered to be a Level 2 input in the ASC 820 fair value hierarchy.

10 Financial Instruments

The principal financial assets of the Company consist of cash and cash equivalents, trade receivables and other assets. The principal financial liabilities of the Company consist of long-term bank loans and accounts payable. 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 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. 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 $2.8 million was reclassified into earnings for the nine months ended September 30, 2018 and September 30, 2017, respectively, representing its amortization over the depreciable life of the vessels. An amount of accumulated other comprehensive loss of $84.7 million is unamortized as of September 30, 2018 and an amount of $3.7 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 September 30, 2018 and December 31, 2017.

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

	September 30, 2018				As of December 31, 2017			
	Book Value		Fair Value		Book Value		Fair Value	
	(in thousands of $)							
Cash and cash equivalents	$	80,133	$	80,133	$	66,895	$	66,895
Restricted cash					$	2,812	$	2,812
Due from related parties	$	13,127	$	13,127	$	34,007	$	34,007
ZIM notes	$	26,139	$	26,139	$	21,093	$	21,093
HMM notes	$	14,932	$	14,932	$	13,509	$	13,509
Long-term debt, including current portion	$	1,694,544	$	1,694,544	$	2,340,778	$	2,325,209

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 September 30, 2018:

	Fair Value Measurements as of September 30, 2018			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of $)			
ZIM notes(1)	$ 26,139	$	$ 26,139	$
HMM notes(1)	$ 14,932	$	$ 14,932	$

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 September 30, 2018:

	Fair Value Measurements as of September 30, 2018			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of $)			
Long-term debt, including current portion(2)	$ 1,694,544	$	$ 1,694,544	$

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, 2017:

	Fair Value Measurements as of December 31, 2017			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of $)			
ZIM notes(1)	$ 21,093	$	$ 21,093	$
HMM notes(1)	$ 13,509	$	$ 13,509	$

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, 2017:

	Fair Value Measurements as of December 31, 2017			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of $)			
Long-term debt, including current portion(2)	$ 2,325,209	$	$ 2,325,209	$

(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 $48.6 million and $11.2 million as of September 30, 2018 and December 31, 2017, 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.

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.

12 Stockholders Equity

Our largest stockholder 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 99,342,271 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 stock will have no vesting period and the employee will own the stock immediately after grant. 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 nine months ended September 30, 2018, the Company did not grant any shares under the plan. During the nine months ended September 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 nine months ended September 30, 2018 and September 30, 2017, none of the directors elected to receive their compensation in Company shares.

On September 14, 2018, the Company granted 4,182,832 shares 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, subject to satisfaction of the vesting terms, under its 2006 Equity Compensation Plan, as amended. These shares of restricted stock are issued and outstanding as of September 30, 2018.

DANAOS CORPORATION

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13 Earnings per Share

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

	Three months ended	
	September 30, 2018	September 30, 2017
	(in thousands)	
Numerator:		
Net income	$ 127,217	$ 22,427
Denominator (number of shares in thousands):		
Basic weighted average common shares outstanding	164,870	109,825
Diluted weighted average common shares outstanding	165,597	109,825

	Nine months ended	
	September 30, 2018	September 30, 2017
	(in thousands)	
Numerator:		
Net income	$ 148,047	$ 61,099
Denominator (number of shares in thousands):		
Basic weighted average common shares outstanding	128,358	109,825
Diluted weighted average common shares outstanding	128,603	109,825

The Warrants issued and outstanding as of September 30, 2018 and 2017, were excluded from the diluted earnings per share for the three and nine months ended September 30, 2018 and 2017, because they were antidilutive.

Basic earnings per share amount related to the gain on debt extinguishment of $116.4 million recorded on the Refinancing (see Note 9) are $0.71 and $0.91 and the diluted earnings per share are $0.70 and $0.90 for the three months and nine months ended September 30, 2018, respectively.

14 Related Party Transactions

Management fees to Danaos Shipping Company Limited (the Manager) amounted to $12,530 thousand in the nine months ended September 30, 2018 ($12,652 thousand in the nine months ended September 30, 2017) and are presented under General and administrative expenses in the condensed consolidated statements of income.

Commissions to the Manager amounted to $3,972 thousand in the nine months ended September 30, 2018 ($3,976 thousand in the nine months ended September 30, 2017) and are presented under Voyage expenses in the condensed consolidated statements of income.

On August 10, 2018, the term of the Company s management agreement with the Manager was extended until December 31, 2024. The Manager agreed to apply all or some of the amount of DIL s unfulfilled obligations, if any, under the Backstop Agreement as a credit towards any fees payable by the Company to the Manager.