Danaos Corp
Form 424B3
November 16, 2018

Filed Pursuant to Rule 424(b)(3)

Registration Statement No. 333-226096

Prospectus Supplement No. 2

(to Prospectus dated September 13, 2018)

DANAOS CORPORATION

This prospectus supplement amends and supplements the prospectus dated September 13, 2018 (the Prospectus), as supplemented, which forms a part of our Registration Statement on Form F-1 (Registration Statement No. 333-226096). This prospectus supplement is being filed to update and supplement the information included or incorporated by reference in the prospectus with the information contained in our Report on Form 6-K, furnished to the Securities and Exchange Commission on November 16, 2018 (the Form 6-K). Accordingly, we have attached the Form 6-K to this prospectus supplement.

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol DAC. On November 15, 2018, the last reported sale price of our common stock was $1.12 per share, as reported by the NYSE.

Investing in our common stock involves risks. See Risk Factors beginning on page 7 of the prospectus to read about factors you should consider before you make your investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is November 16, 2018

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 November 2018

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 x Form 40-F o

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): o

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): o

This report on Form 6-K is hereby incorporated by reference into the Company s (i) Registration Statement on Form F-3 (Reg. No. 333-174500) filed with the SEC on May 25, 2011, (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 Nine Months Ended September 30, 2018.

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: November 16, 2018

DANAOS CORPORATION

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

EXHIBIT 99.1

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 September 30, 2018 compared to three months ended September 30, 2017

During the three months ended September 30, 2018 and September 30, 2017, Danaos had an average of 55 containerships. Our fleet utilization for the three months ended September 30, 2018 was 97.4% compared to 97.0% for the three months ended September 30, 2017.

Operating Revenues

Operating revenues increased by 3.7%, or $4.2 million, to $117.8 million in the three months ended September 30, 2018 from $113.6 million in the three months ended September 30, 2017.

Operating revenues for the three months ended September 30, 2018 reflect:

- $6.3 million increase in revenues in the three months ended September 30, 2018 compared to the three months ended September 30, 2017 due to the re-chartering of certain of our vessels at higher rates.

- $2.1 million decrease in revenues due to lower fleet utilization of our vessels in the three months ended September 30, 2018 compared to the three months ended September 30, 2017.

Voyage Expenses

Voyage expenses increased by $0.3 million to $2.9 million in the three months ended September 30, 2018, from $2.6 million in the three months ended September 30, 2017.

Vessel Operating Expenses

Vessel operating expenses decreased by 2.3%, or $0.6 million, to $25.5 million in the three months ended September 30, 2018 from $26.1 million in the three months ended September 30, 2017. The average daily operating cost per vessel for vessels on time charter was $5,427 per day for the three months ended September 30, 2018 compared to $5,569 per day for the three months ended September 30, 2017. Management believes that our daily operating cost ranks as one of the most competitive in the industry.

Depreciation

Depreciation expense decreased by 7.5%, or $2.2 million, to $27.0 million in the three months ended September 30, 2018 from $29.2 million in the three months ended September 30, 2017.

Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs increased by $1.0 million, to $2.6 million in the three months ended September 30, 2018 from $1.6 million in the three months ended September 30, 2017. The increase was mainly due to the increased number of vessels dry-docked over the last nine months.

General and Administrative Expenses

General and administrative expenses increased by $2.0 million to $7.4 million in the three months ended September 30, 2018, from $5.4 million in the three months ended September 30, 2017. The increase was mainly due to increased remuneration costs and professional fees.

Interest Expense and Interest Income

Interest expense decreased by 6.8%, or $1.5 million, to $20.5 million in the three months ended September 30, 2018 from $22.0 million in the three months ended September 30, 2017. The decrease in interest expense is attributed to:

- a $6.4 million decrease in interest expense on two of our facilities for which we have recognized an interest expense accrual of approximately $250 million in the three months ended September 30, 2018. This interest expense accrual has been classified in our income statement under Gain on debt extinguishment and on our balance sheet under Accumulated accrued interest and represents future interest expense for the relevant facilities that has been accrued in advance as a result of the application of Troubled Debt Restructuring (TDR) accounting in connection with our debt refinancing.

- a $3.2 million increase in interest expense due to an increase in debt service cost (LIBOR + margin) of approximately 1.35%, partially offset by a $435.7 million decrease in our average debt, to $1,950.1 million in the three months ended September 30, 2018, compared to $2,385.8 million in the three months ended September 30, 2017.

- a $1.7 million increase in the amortization of deferred finance costs related to our debt refinancing.

As of September 30, 2018, the debt outstanding, gross of deferred finance costs, was $1,694.5 million compared to $2,381.7 million as of September 30, 2017.

Interest income increased by $0.1 million to $1.5 million in the three months ended September 30, 2018 compared to $1.4 million in the three months ended September 30, 2017.

Other Finance Costs, net

Other finance costs, net decreased by $0.3 million to $0.7 million in the three months ended September 30, 2018 compared to $1.0 million in the three months ended September 30, 2017 mainly due to decreased exit fees expenses.

Equity income on investments

Equity income on investments amounted to $0.7 million in the three months ended September 30, 2018 compared to $0.3 million in the three months ended September 30, 2017 and relates to the improved operating performance of Gemini Shipholdings Corporation (Gemini), in which the Company has a 49% shareholding interest.

Gain on debt extinguishment

The gain on debt extinguishment of $116.4 million in the three months ended September 30, 2018 relates to our debt refinancing described below and consists of debt principal reduction net of refinancing related fees.

Loss on derivatives

Amortization of deferred realized losses on interest rate swaps remained stable at $0.9 million in each of the three months ended September 30, 2018 and 2017.

Other income/(expenses), net

Other income/(expenses), net was $21.6 million in expenses in the three months ended September 30, 2018 compared to $3.9 million in expenses in the three months ended September 30, 2017 mainly due to the increase in refinancing-related professional fees.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

During the nine months ended September 30, 2018 and September 30, 2017, Danaos had an average of 55 containerships. Our fleet utilization for the nine months ended September 30, 2018 was 96.4% compared to 95.9% for the nine months ended September 30, 2017. The fleet utilization excluding the off charter days of the vessels that were previously chartered to Hanjin was 98.0% in the nine months ended September 30, 2017.

Operating Revenues

Operating revenues increased by 1.6%, or $5.5 million, to $343.1 million in the nine months ended September 30, 2018 from $337.6 million in the nine months ended September 30, 2017.

Operating revenues for the nine months ended September 30, 2018 reflect:

- $12.5 million increase in revenues in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 due to the re-chartering of certain of our vessels at higher rates.

- $7.0 million decrease in revenues due to lower fleet utilization of our vessels in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017 (other than three vessels previously chartered to Hanjin which were less utilized in the nine months ended September 30, 2017).

Voyage Expenses

Voyage expenses decreased by $0.4 million, to $9.2 million in the nine months ended September 30, 2018 from $9.6 million in the nine months ended September 30, 2017.

Vessel Operating Expenses

Vessel operating expenses decreased by 2.1%, or $1.7 million, to $79.1 million in the nine months ended September 30, 2018 from $80.8 million in the nine months ended September 30, 2017. The average daily operating cost per vessel for vessels on time charter was $5,678 per day for the nine months ended September 30, 2018 compared to $5,687 per day for the nine months ended September 30, 2017. Management believes that our daily operating cost ranks as one of the most competitive in the industry.

Depreciation

Depreciation expense decreased by 7.4%, or $6.5 million, to $80.8 million in the nine months ended September 30, 2018 from $87.3 million in the nine months ended September 30, 2017.

Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs increased by $1.9 million, to $6.9 million in the nine months ended September 30, 2018 from $5.0 million in the nine months ended September 30, 2017. The increase was mainly due to the increased number of vessels dry-docked over the last nine months.

General and Administrative Expenses

General and administrative expenses increased by $1.5 million, to $18.4 million in the nine months ended September 30, 2018, from $16.9 million in the nine months ended September 30, 2017. The increase was mainly due to increased remuneration costs and professional fees.

Interest Expense and Interest Income

Interest expense increased by 3.3%, or $2.1 million, to $66.4 million in the nine months ended September 30, 2018 from $64.3 million in the nine months ended September 30, 2017. The increase in interest expense is attributed to:

- a $6.4 million decrease in interest expense on two of our facilities for which we have recognized an interest expense accrual of approximately $250 million in the three months ended September 30, 2018. This interest expense accrual has been classified in our income statement under Gain on debt extinguishment and on our balance sheet under Accumulated accrued interest and represents future interest expense for the relevant facilities that has been accrued in advance as a result of the application of TDR accounting in connection with our debt refinancing.

- a $7.4 million increase in interest expense due to an increase in debt service cost (LIBOR + margin) of approximately 0.94%, partially offset by a $257.6 million decrease in our average debt, to $2,174.5 million in the nine months ended September 30, 2018, compared to $2,432.1 million in the nine months ended September 30, 2017.

- a $1.1 million increase in the amortization of deferred finance costs related to our debt refinancing.

As of September 30, 2018, the debt outstanding, gross of deferred finance costs, was $1,694.5 million compared to $2,381.7 million as of September 30, 2017.

Interest income increased by $0.1 million to $4.3 million in the nine months ended September 30, 2018 compared to $4.2 million in the nine months ended September 30, 2017.

Other Finance Costs, net

Other finance costs, net decreased by $0.5 million, to $2.6 million in the nine months ended September 30, 2018 from $3.1 million in the nine months ended September 30, 2017 mainly due to decreased exit fees expenses.

Equity income on investments

Equity income on investments amounted to $0.9 million in the nine months ended September 30, 2018 compared to $0.6 million in the nine months ended September 30, 2017 and relates to the improved operating performance of Gemini, in which the Company has a 49% shareholding interest.

Gain on debt extinguishment

The gain on debt extinguishment of $116.4 million in the nine months ended September 30, 2018 relates to our debt refinancing described below and consists of debt principal reduction net of refinancing related fees.

Loss on derivatives

Amortization of deferred realized losses on interest rate swaps remained stable at $2.8 million in each of the nine months ended September 30, 2018 and 2017.

Other income/(expenses), net

Other income/(expenses), net was $50.6 million in expenses in the nine months ended September 30, 2018 compared to $11.5 million in expenses in the nine months ended September 30, 2017 mainly due to a $42.2 million increase in refinancing-related professional fees, which were partially offset by a $0.7 million increase in other income and a $2.4 million realized loss on sale of HMM securities in the nine months ended September 30, 2017 that did not recur in the 2018 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. As described below, on August 10, 2018, we refinanced over $2.2 billion of debt scheduled to mature by December 2018, extending maturities to December 31, 2023 (or in some cases June 30, 2024).

Under our existing multi-year charters as of September 30, 2018, we had contracted revenues of $104.1 million for the remainder of 2018, $326.0 million for 2019 and, thereafter, approximately $1.1 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 September 30, 2018, we had cash and cash equivalents of $80.1 million. As of September 30, 2018, we had no remaining borrowing availability under our credit facilities. As of September 30, 2018, we had $1,694.5 million of outstanding indebtedness gross of deferred finance costs.

The Company entered into an agreement with certain of the lenders holding approximately $2.2 billion of debt maturing on December 31, 2018 for a debt refinancing transaction which was consummated on August 10, 2018. The debt refinancing involved the Company s entry into new 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 refinancing, the Company issued to certain of its lenders an aggregate of 99,342,271 shares of the Company s common stock on the August 10, 2018 closing date, representing 47.5% of the Company s issued and outstanding common stock immediately after giving effect to such issuance. The issuance ratably diluted existing holders of the Common Stock. See New Credit Facilities below.

Under the new credit facilities, we are required to apply a substantial portion of our cash from operations to the repayment of principal under such facilities. See New Credit Facilities below and Note 9 Long-Term Debt, net to our unaudited condensed consolidated financial statements included elsewhere 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 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 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 new 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.

We have 15,000,000 outstanding warrants, which will expire on January 31, 2019, with an exercise price of $7.00 per share. We will not receive any cash upon exercise of the warrants as the warrants are only exercisable on a cashless basis.

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, 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 $23.1 million for all remaining HMM and ZIM notes in accumulated other comprehensive income/(loss) as of September 30, 2018. See Note 7, Other Non-current Assets to our unaudited condensed consolidated financial statements included in this report.

In connection with the debt refinancing, DIL, our largest stockholder, contributed $10 million to us on the August 10, 2018, closing date of the refinancing, for which DIL did not receive any shares of common stock or other interests in us. In connection with the refinancing, we have also undertaken to seek to sell two of our 13,100 TEU vessels, the *Hyundai Honour* and the *Hyundai Respect*. The net proceeds from sales of such vessels are to be applied pro rata to repay the new credit facilities secured by mortgages on such vessels, which would further reduce our outstanding debt.

Cash Flows

	Nine Months ended September 30, 2018	Nine Months ended September 30, 2017
	(In thousands)	
Net cash provided by operating activities	$ 110,900	$ 135,826
Net cash provided by/(used in) investing activities	$ (2,083)	$ 2,540
Net cash used in financing activities	$ (98,391)	$ (147,930)

Net Cash Provided by Operating Activities

Net cash flows provided by operating activities decreased by $24.9 million, to $110.9 million provided by operating activities in the nine months ended September 30, 2018 compared to $135.8 million provided by operating activities in the nine months ended September 30, 2017. The decrease was the result mainly of a $41.4 million increase in net other expenses related to our debt refinancing, higher payments for dry-docking and special survey costs by $5.5 million and a $0.5 million increase in net finance costs which were partially offset by $16.2 million change in working capital, a $5.5 million increase in operating revenues and a $0.8 million decrease in total operating expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

Net Cash Used in Investing Activities

Net cash flows used in investing activities decreased by $4.6 million, to $2.1 million used in investing activities in the nine months ended September 30, 2018 compared to $2.5 million provided by investing activities in the nine months ended September 30, 2017. The decrease mainly reflects $6.2 million in net proceeds from the sale of securities in the nine months ended September 30, 2017 that did not recur in the nine months ended September 30, 2018, which was partially offset by a $1.6 million decrease in cash used in connection with vessel additions in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

Net Cash Used in Financing Activities

Net cash flows used in financing activities decreased by $49.5 million, to $98.4 million used in financing activities in the nine months ended September 30, 2018 compared to $147.9 million used in financing activities in the nine months ended September 30, 2017 mainly due to debt payments of $407.1 million partially paid with new loan facilities drawdowns of $325.9 million, deferred finance costs of $27.0 million relating to certain of our new loan agreements in connection with our debt refinancing and share issuance costs of $0.2 million, which were partially offset by paid-in capital of $10.0 million in the nine months ended September 30, 2018 compared to $147.9 million of debt payments in the nine months ended September 30, 2017.

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, gain on debt extinguishment, refinancing professional fees, stock based compensation and loss on sale of securities. 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

		Nine Months ended September 30, 2018		Nine Months ended September 30, 2017
		(In thousands)		
Net income	$	148,047	$	61,099
Depreciation		80,752		87,267
Amortization of deferred drydocking & special survey costs		6,888		5,037
Amortization of deferred realized losses of cash flow interest rate swaps		2,763		2,763
Amortization of finance costs		9,544		8,483
Finance costs accrued (Exit Fees under our Bank Agreement)		1,888		2,399
Interest income		(4,298)		(4,201)
Interest expense		56,834		55,846
EBITDA		**302,418**		**218,693**
Gain on debt extinguishment		(116,365)		
Refinancing professional fees		51,467		9,312
Stock based compensation		157		
Loss on sale of securities				2,357
Adjusted EBITDA	**$**	**237,677**	**$**	**230,362**

EBITDA increased by $83.7 million, to $302.4 million in the nine months ended September 30, 2018 from $218.7 million in the nine months ended September 30, 2017. This increase was attributed to a $116.4 million gain on debt extinguishment, a $5.5 million increase in operating revenues, $0.6 million decrease in total operating expenses and a $0.3 million improvement in operating performance on our equity investments, which were partially offset by a $39.1 million increase in net other expenses in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017.

Adjusted EBITDA increased by $7.3 million, to $237.7 million in the nine months ended September 30, 2018 from $230.4 million in the nine months ended September 30, 2017. This increase was attributed to a $5.5 million increase in operating revenues, a $0.7 million increase in other income, a $0.8 million decrease in total operating expenses and a $0.3 million improvement in operating performance on our equity investments in the nine months ended September 30, 2018 compared to the nine months ended September 30, 2017. Adjusted EBITDA for the nine months ended September 30, 2018 is adjusted for a gain on debt extinguishment of $116.4 million, $51.5 million of refinancing-related professional fees and stock based compensation of $0.2 million.

Credit Facilities

We entered into a debt refinancing agreement with our lenders holding debt of $2.2 billion maturing by December 31, 2018, which was consummated on August 10, 2018, and amended and restated or replaced these credit facilities. See New Credit Facilities and Note 9 Long-Term Debt, net to our unaudited condensed consolidated financial statements included elsewhere in this report for a description of this refinancing and the new credit facilities. As of September 30, 2018 and after giving effect to the debt refinancing described above, there was no remaining borrowing availability under the Company s credit facilities.

The following table summarizes all of our credit facilities as of September 30, 2018:

Credit Facility		**Outstanding Principal Amount (in millions)**	**Collateral Vessels**
The Royal Bank of Scotland $475.5 mil. Facility (1)	$	476.4	The *Progress C (ex Hyundai Progress)*, the *Highway*, the *Bridge*, the *Zim Monaco*, the *Express Argentina*, the *Express France*, the *Express Spain*, the *CMA CGM Racine,* the *America (ex CSCL America)*, the *CMA CGM Melisande,* the *Maersk Enping*, the *Express Berlin,* the *Le Havre (ex CSCL Le Havre)* and the *Derby D*
HSH Nordbank Aegean Baltic Bank Piraeus Bank $382.5 mil. Facility (1)	$	383.3	The *Vladivostok*, the *Advance*, the *Stride*, the *Future*, the *Sprinter*, the *Amalia C*, the *MSC Zebra*, the *Danae C*, the *Dimitris C,* the *Performance,* the *Europe,* the *Dimitra C (ex Priority),* the *Maersk Exeter*, the *Express Rome*, the *CMA CGM Rabelais*, the *Pusan C (ex CSCL Pusan)* and the *ANL Tongala (ex Deva)*
Citibank $114 mil. Facility	$	114.0	The *CMA CGM Moliere*, the *CMA CGM Musset* , the *Hyundai Honour* and the *Hyundai Respect*
Citibank $123.9 mil. Facility	$	123.9	The *Zim Rio Grande*, the *Zim Sao Paolo* and the *Zim Kingston,* the *Hyundai Honour* and the *Hyundai Respect*
Citibank $120 mil. Facility (1)	$	120.0	The *Colombo*, the *YM Seattle*, the *YM Vancouver*, the *Singapore* and the *Express Athens*
Citibank Eurobank $37.6 mil. Facility	$	37.6	The *MSC Ambition*
Club Facility $206.2 mil.	$	206.4	The *Zim Dalian*, the *Express Brazil,* the *YM Maturity*, the *Express Black Sea*, the *CMA CGM Attila,* the *Hyundai Honour* and the *Hyundai Respect*

Credit Suisse $171.8 mil. Facility	$	171.8	The *Zim Luanda*, the *CMA CGM Nerval*, the *YM Mandate,* the *Hyundai Honour* and the *Hyundai Respect*
Sinosure Cexim Citibank ABN Amro $203.4 mil. Facility	$	67.8	The *CMA CGM Tancredi*, the *CMA CGM Bianca* and the *CMA CGM Samson*

(1) 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.*

New Credit Facilities

We 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 the Company s previous credit facilities that had outstanding debt of approximately $2.2 billion maturing on December 31, 2018. 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 bank agreement that the Company entered into with its lenders in 2011), subject to certain adjustments. The new credit facilities have maturity dates of December 31, 2023 or, in some cases, June 30, 2024 as noted below. The interest rate payable under the new credit facilities 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 approximately $282 million principal amount thereunder, which tranches have maturity dates of June 30, 2024.

The new credit facilities contain financial covenants requiring us 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 our business, our Common Stock ceasing to be listed on the New York Stock Exchange (NYSE) (or another recognized stock exchange), foreclosure on a vessel in our fleet, a change in control of our Manager, a breach of the management agreement by our Manager for the vessels securing the respective credit facilities 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.

A Change of Control will give rise to a mandatory prepayment in full of each new credit facility. A Change of Control for these purposes includes the occurrence of the following: (i) Dr. Coustas ceases to be both our Chief Executive Officer and our director, subject to certain exceptions, (ii) the existing members of the board of directors and the directors appointed following nomination by the existing board of directors collectively do not constitute a majority of the board of directors, (iii) Dr. Coustas and members of his family cease to collectively control more than 15% of the voting interest in our outstanding capital stock or to beneficially own at least 15% and one share of our outstanding capital stock, or (iv) any person or persons acting in concert (other than the Coustas family) (x) holds a greater portion of our outstanding capital stock than the Coustas family (other than as a direct result of the sale by the lenders of shares issued in the debt refinancing) or (y) controls us.

Each of the new credit facilities is secured by customary shipping industry collateral, including vessel mortgages, earnings accounts, our investments in ZIM and Hyundai Merchant Marine securities and stock pledges and benefits from corporate guarantees.

We will not be permitted to pay dividends under the new credit facilities, 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 entered into in connection therewith (other than the Sinosure-CEXIM credit facility). After these conditions are satisfied, under the credit facilities, we would be permitted to pay dividends 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 our compliance with financial covenants).

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

On August 10, 2018, the Company amended and restated its Sinosure-CEXIM credit facility, dated as of February 21, 2011, under which $67.8 million was outstanding as of September 30, 2018, including 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.

The Company prepaid in full all $17.5 million outstanding under the KEXIM ABN-AMRO credit facility, dated January 29, 2004, on July 20, 2018.

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 nine months ended September 30, 2018 and 2017.

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 September 30, 2018.

- on an actual basis; and

- on an as adjusted basis to reflect in the period from October 1, 2018 to November 15, 2018 debt repayments of $27.1 million relating to our New Credit Facilities and $3.4 million debt repayment relating to our Sinosure CEXIM-Citibank-ABN Amro credit facility.

	As of September 30, 2018 Actual		As adjusted	
	(US Dollars in thousands)			
Debt:				
Total debt (1)	$	1,645,907	$	1,615,414
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 $0.01 per share; 750,000,000 shares authorized; 213,324,455 shares issued and outstanding actual and as adjusted (2)		2,133		2,133
Additional paid-in capital		724,732		724,732
Accumulated other comprehensive loss		(107,852)		(107,852)
Retained earnings		262,832		262,832
Total stockholders equity		881,845		881,845
Total capitalization	**$**	**2,527,752**	**$**	**2,497,259**

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(1) Net of deferred finance costs of $48.6 million outstanding as of September 30, 2018. All of our indebtedness is secured. See Note 9 Long-Term Debt, net to our unaudited condensed consolidated financial statements included elsewhere in this report.

(2) Does not include 15 million warrants issued in 2011 to purchase shares of common stock solely on a cash-less exercise basis, at an exercise price of $7.00 per share, which expire on January 31, 2 019. Includes 4,182,832 shares of restricted stock granted on September 14, 2018, of which 2,091,416 are scheduled to vest on December 31, 2019 and 2,091,416 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 refinancing and comply with the terms of its new credit facilities and other agreements entered into in connection with the 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.

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DANAOS CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS

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

	Notes		As of September 30, 2018 (unaudited)		December 31, 2017
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	3	$	80,133	$	66,895
Restricted cash	3				2,812
Accounts receivable, net			8,818		6,502
Inventories			9,740		8,841
Prepaid expenses			1,441		1,234
Due from related parties			13,127		34,007
Other current assets			6,421		5,708
Total current assets			**119,680**		**125,999**
NON-CURRENT ASSETS					
Fixed assets at cost, net of accumulated depreciation of $843,942 (2017: $763,190)	4		2,717,302		2,795,971
Deferred charges, net	5		13,979		8,962
Investments in affiliates	6		6,910		5,998
Other non-current assets	7		63,476		49,466
Total non-current assets			**2,801,667**		**2,860,397**
Total assets		**$**	**2,921,347**	**$**	**2,986,396**
LIABILITIES AND STOCKHOLDERS EQUITY					
CURRENT LIABILITIES					
Accounts payable		$	15,477	$	11,371
Accrued liabilities	8		12,584		15,226
Current portion of long-term debt, net	9		118,517		2,329,601
Accumulated accrued interest, current portion	9		35,815		
Unearned revenue			19,816		22,853
Other current liabilities	9		37,215		788
Total current liabilities			**239,424**		**2,379,839**
LONG-TERM LIABILITIES					
Long-term debt, net	9		1,527,390		
Accumulated accrued interest, net of current portion	9		210,827		
Unearned revenue, net of current portion			45,367		56,159
Other long-term liabilities	9		16,494		1,693
Total long-term liabilities			**1,800,078**		**57,852**
Total liabilities			**2,039,502**		**2,437,691**
Commitments and Contingencies	11				
STOCKHOLDERS EQUITY					
Preferred stock (par value $0.01, 100,000,000 preferred shares authorized and not issued as of September 30, 2018 and December 31, 2017)	12				
Common stock (par value $0.01, 750,000,000 common shares authorized as of September 30, 2018 and December 31, 2017. 213,324,455 issued and outstanding as of September 30, 2018 and 109,799,352 December 31, 2017)	12		2,133		1,098

Additional paid-in capital		724,732	546,898
Accumulated other comprehensive loss	7, 10	(107,852)	(114,076)
Retained earnings		262,832	114,785
Total stockholders equity		**881,845**	**548,705**
Total liabilities and stockholders equity		**$ 2,921,347**	**$ 2,986,396**

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 September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
OPERATING REVENUES		$ 117,781	$ 113,588	$ 343,101	$ 337,563
OPERATING EXPENSES					
Voyage expenses		(2,883)	(2,570)	(9,230)	(9,625)
Vessel operating expenses		(25,461)	(26,132)	(79,052)	(80,803)
Depreciation		(26,995)	(29,221)	(80,752)	(87,267)
Amortization of deferred drydocking and special survey costs	5	(2,636)	(1,634)	(6,888)	(5,037)
General and administrative expenses		(7,431)	(5,388)	(18,390)	(16,857)
Income From Operations		**52,375**	**48,643**	**148,789**	**137,974**
OTHER INCOME (EXPENSES):					
Interest income		1,505	1,386	4,298	4,201
Interest expense		(20,509)	(22,016)	(66,378)	(64,329)
Other finance expenses		(679)	(1,042)	(2,611)	(3,129)
Equity income on investments	6	728	278	912	633
Gain on debt extinguishment	9	116,365		116,365	
Other expenses, net	7, 9	(21,637)	(3,891)	(50,565)	(11,488)
Loss on derivatives	10	(931)	(931)	(2,763)	(2,763)
Total Other Income/(Expenses), net		**74,842**	**(26,216)**	**(742)**	**(76,875)**
Net Income		**$ 127,217**	**$ 22,427**	**$ 148,047**	**$ 61,099**
EARNINGS PER SHARE					
Basic earnings per share		$ 0.77	$ 0.20	$ 1.15	$ 0.56
Diluted earnings per share		$ 0.77	$ 0.20	$ 1.15	$ 0.56
Basic weighted average number of common shares (in thousands)		164,870	109,825	128,358	109,825
Diluted weighted average number of common shares (in thousands)	13	165,597	109,825	128,603	109,825

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 September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net income for the period		**$ 127,217**	**$ 22,427**	**$ 148,047**	**$ 61,099**
Other comprehensive income/(loss):					
Unrealized gain/(loss) on available for sale securities	7	952	(1,621)	3,461	(35,728)
Amortization of deferred realized losses on cash flow hedges	10	931	931	2,763	2,763
Total Other Comprehensive Income/(Loss)		**1,883**	**(690)**	**6,224**	**(32,965)**
Comprehensive Income		**$ 129,100**	**$ 21,737**	**$ 154,271**	**$ 28,134**

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

DANAOS CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(Expressed in thousands of United States Dollars)

	Common Stock Number of shares	Par value	Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total
As of January 1, 2017	**109,799**	**$ 1,098**	**$ 546,898**	**$ (91,163)**	**$ 30,880**	**$ 487,713**
Net Income					83,905	83,905
Net movement in other comprehensive income				(22,913)		(22,913)
As of December 31, 2017	**109,799**	**$ 1,098**	**$ 546,898**	**$ (114,076)**	**$ 114,785**	**$ 548,705**
Net Income					148,047	148,047
Net movement in other comprehensive income				6,224		6,224
Paid-in capital			10,000			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	