Danaos Corporation

2017 Annual Report

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report.....

Commission file number 001-33060

DANAOS CORPORATION

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

Republic of The Marshall Islands

(Jurisdiction of incorporation or organization)

c/o Danaos Shipping Co. Ltd, Athens Branch
14 Akti Kondyli
185 45 Piraeus
Greece

(Address of principal executive offices)

Evangelos Chatzis
Chief Financial Officer
c/o Danaos Shipping Co. Ltd, Athens Branch
14 Akti Kondyli
185 45 Piraeus
Greece
Telephone: +30 210 419 6480
Facsimile: +30 210 419 6489

(Name, Address, Telephone Number and Facsimile Number of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $0.01 par value per share	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None.

As of December 31, 2017, there were 109,799,352 shares of the registrant's common stock outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☒ No

TABLE OF CONTENTS

		Page
FORWARD-LOOKING INFORMATION		1
PART I		2
Item 1.	Identity of Directors, Senior Management and Advisers	2
Item 2.	Offer Statistics and Expected Timetable	2
Item 3.	Key Information	2
RISK FACTORS		6
Item 4.	Information on the Company	37
Item 4A.	Unresolved Staff Comments	54
Item 5.	Operating and Financial Review and Prospects	55
Item 6.	Directors, Senior Management and Employees	93
Item 7.	Major Shareholders and Related Party Transactions	100
Item 8.	Financial Information	108
Item 9.	The Offer and Listing	109
Item 10.	Additional Information	110
Item 11.	Quantitative and Qualitative Disclosures About Market Risk	130
Item 12.	Description of Securities Other than Equity Securities	132
PART II		133
Item 13.	Defaults, Dividend Arrearages and Delinquencies	133
Item 14.	Material Modifications to the Rights of Security Holders and Use of Proceeds	133
Item 15.	Controls and Procedures	133
Item 16A.	Audit Committee Financial Expert	134
Item 16B.	Code of Ethics	134
Item 16C.	Principal Accountant Fees and Services	134
Item 16D.	Exemptions from the Listing Standards for Audit Committees	135
Item 16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	135
Item 16F.	Change in Registrant's Certifying Accountant	135
Item 16G.	Corporate Governance	135
Item 16H.	Mine Safety Disclosure	136
PART III		136
Item 17.	Financial Statements	136
Item 18.	Financial Statements	136
Item 19.	Exhibits	137

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements based on beliefs of our management. Any statements contained in this annual report that are not historical facts are forward-looking statements as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current expectations and projections about future events, including:

- future operating or financial results;
- pending acquisitions and dispositions, business strategies and expected capital spending;
- operating expenses, availability of crew, number of off-hire days, drydocking requirements and insurance costs;
- general market conditions and shipping market trends, including charter rates, vessel values and factors affecting supply and demand;
- our financial condition and liquidity, including our ability to comply with covenants in our financing arrangements and to service or refinance our outstanding indebtedness;
- our ability to reach an agreement with our lenders to restructure our indebtedness maturing in December 2018;
- performance by our charterers of their obligations;
- the availability of ships to purchase, the time that it may take to construct new ships, or the useful lives of our ships;
- our ability to obtain financing in the future to fund acquisitions and other general corporate activities;
- our continued ability to enter into multi-year, fixed-rate period charters with our customers;
- our ability to leverage to our advantage our manager's relationships and reputation in the containership shipping sector of the international shipping industry;
- changes in governmental rules and regulations or actions taken by regulatory authorities;
- potential liability from future litigation; and
- other factors discussed in "Item 3. Key Information—Risk Factors" of this annual report.

The words "anticipate," "believe," "estimate," "expect," "forecast," "intend," "potential," "may," "plan," "project," "predict," and "should" and similar expressions as they relate to us are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. We may also from time to time make forward-looking statements in our periodic reports that we file with the U.S. Securities and Exchange Commission ("SEC") other information sent to our security holders, and other written materials. Such statements reflect our current views and assumptions and all forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect our future financial results are discussed more fully in "Item 3. Key Information—Risk Factors" and in our other filings with the SEC. We caution readers of this annual report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to publicly update or revise any forward-looking statements.

PART I

Danaos Corporation is a corporation domesticated in the Republic of The Marshall Islands that is referred to in this Annual Report on Form 20-F, together with its subsidiaries, as "Danaos Corporation," "the Company," "we," "us," or "our." This report should be read in conjunction with our consolidated financial statements and the accompanying notes thereto, which are included in Item 18 to this annual report.

We use the term "twenty foot equivalent unit," or "TEU," the international standard measure of containers, in describing the capacity of our containerships. Unless otherwise indicated, all references to currency amounts in this annual report are in U.S. dollars.

All data regarding our fleet and the terms of our charters is as of February 28, 2018. As of February 28, 2018, we owned 55 containerships aggregating 327,616 TEU in capacity. Gemini Shipholdings Corporation ("Gemini"), a Marshall Islands company incorporated in August 2015 and beneficially owned 49% by Danaos Corporation and 51% by Virage International Ltd. ("Virage"), a company controlled by Danaos Corporation's largest stockholder, owned an additional four containerships of 23,998 TEU aggregate capacity as of February 28, 2018. We do not consolidate Gemini's results of operations and account for our minority equity interest in Gemini under the equity method of accounting. See "Item 4. Information on the Company—Business Overview—Our Fleet".

Item 1. Identity of Directors, Senior Management and Advisers

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

Selected Financial Data

The following table presents selected consolidated financial and other data of Danaos Corporation and its consolidated subsidiaries for each of the five years in the five year period ended December 31, 2017. The table should be read together with "Item 5. Operating and Financial Review and Prospects." The selected consolidated financial data of Danaos Corporation as of December 31, 2017 and 2016 and each of the three years ended December 31, 2017 is derived from our consolidated financial statements and notes thereto included elsewhere in this Form 20-F, which have been prepared in accordance with U.S. generally accepted accounting principles, or "U.S. GAAP", and have been audited by PricewaterhouseCoopers S.A., an independent registered public accounting firm. Our selected consolidated financial data as of December 31, 2015, 2014 and 2013 and for each of the two years ended December 31, 2014 is derived from our consolidated financial statements not included herein and reflect the retrospective application of the change in accounting principle for deferred finance costs.

Our audited consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows for the years ended December 31, 2017, 2016 and 2015, and the

consolidated balance sheets at December 31, 2017 and 2016, together with the notes thereto, are included in "Item 18. Financial Statements" and should be read in their entirety.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	In thousands, except per share amounts and other data				
STATEMENT OF OPERATIONS					
Operating revenues	$ 451,731	$ 498,332	$ 567,936	$ 552,091	$ 588,117
Voyage expenses	(12,587)	(13,925)	(12,284)	(12,974)	(11,770)
Vessel operating expenses	(106,999)	(109,384)	(112,736)	(113,755)	(122,074)
Depreciation	(115,228)	(129,045)	(131,783)	(137,061)	(137,414)
Amortization of deferred drydocking and special survey costs	(6,748)	(5,528)	(3,845)	(4,387)	(5,482)
Impairment loss	—	(415,118)	(41,080)	(75,776)	(19,004)
Bad debt expense	—	(15,834)	—	—	—
General and administrative expenses	(22,672)	(22,105)	(21,831)	(21,442)	(19,458)
Gain/(loss) on sale of vessels	—	(36)	—	5,709	(449)
Income/(loss) from operations	187,497	(212,643)	244,377	192,405	272,466
Interest income	5,576	4,682	3,419	1,703	2,210
Interest expense(1)	(86,556)	(82,966)	(84,435)	(95,050)	(106,616)
Other finance expenses(1)	(4,126)	(4,932)	(4,658)	(4,687)	(4,689)
Equity income/(loss) on investments	965	(16,252)	(1,941)	—	—
Other income/(expenses), net	(15,757)	(41,602)	111	422	302
Unrealized and realized losses on derivatives	(3,694)	(12,482)	(39,857)	(98,713)	(126,150)
Total other expenses, net	(103,592)	(153,552)	(127,361)	(196,325)	(234,943)
Net income/(loss)	$ 83,905	$ (366,195)	$ 117,016	$ (3,920)	$ 37,523
PER SHARE DATA					
Basic and diluted earnings/(loss) per share of common stock	$ 0.76	$ (3.34)	$ 1.07	$ (0.04)	$ 0.34
Basic and diluted weighted average number of shares (in thousands)	109,824	109,802	109,785	109,676	109,654
CASH FLOW DATA					
Net cash provided by operating activities	$ 181,073	$ 261,967	$ 271,676	$ 192,181	$ 189,025
Net cash provided by/(used in) investing activities	1,758	(9,379)	(13,292)	11,437	6,087
Net cash provided by/(used in) financing activities	(189,653)	(251,124)	(243,861)	(214,041)	(182,587)
Net increase/(decrease) in cash and cash equivalents	(6,822)	1,464	14,523	(10,423)	12,525
BALANCE SHEET DATA (at year end)					
Total current assets	$ 125,999	$ 135,954	$ 127,570	$ 103,073	$ 126,866
Total assets(1)	2,986,396	3,127,064	3,662,121	3,802,172	4,002,644
Total current liabilities, including current portion of long-term debt	2,379,839	2,566,281	312,145	328,082	369,888
Current portion of long-term debt	2,329,601	2,504,932	269,979	178,116	146,462
Current portion of Vendor financing	—	—	—	46,530	57,388

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	In thousands, except per share amounts and other data				
Long-term debt, net of current portion(1)	—	—	2,470,417	2,723,984	2,901,733
Vendor financing, net of current portion	—	—	—	17,837	64,367
Total stockholders' equity	548,705	487,713	841,914	688,149	598,476
Common stock shares outstanding (in thousands)	109,799	109,799	109,782	109,669	109,653
Common stock at par value	1,098	1,098	1,098	1,097	1,097
OTHER DATA					
Number of vessels at period end	55	55	56	56	59
TEU capacity at period end	327,616	329,588	334,239	334,239	345,179
Ownership days	20,075	20,138	20,440	20,406	22,257
Operating days	19,345	19,057	20,239	19,905	20,784

(1) The comparative figures presented give effect to a retrospective application of the change in accounting principle for deferred finance costs as per Accounting Standards Update No. 2015-03 "Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"), which resulted in a reduction of deferred charges, total assets, long-term debt, net and total liabilities by $49,020 and $63,908 as of December 31, 2014 and 2013, respectively and the reclassification of the amortization of deferred finance costs from "Other finance expenses" to "Interest expense" of $15,431 for the year ended December 31, 2013.

In the first quarter of 2009, our board of directors decided to suspend the payment of further cash dividends as a result of market conditions in the international shipping industry. Our payment of dividends is subject to the discretion of our Board of Directors. Our loan agreements and the provisions of Marshall Islands law also contain restrictions that affect our ability to pay dividends and we generally will not be permitted to pay cash dividends under the terms of the bank agreement ("Bank Agreement") and new financing agreements which we entered into in 2011. See "Item 3. Key Information—Risk Factors—Risks Inherent in Our Business—We are generally not permitted to pay cash dividends under our financing arrangements." See "Item 8. Financial Information—Dividend Policy."

Capitalization and Indebtedness

The table below sets forth our consolidated capitalization as of December 31, 2017:

- on an actual basis; and
- on an as adjusted basis to reflect, in the period from January 1, 2018 to February 28, 2018, scheduled debt repayments of $36.0 million, of which $32.6 million relates to our Bank Agreement and $3.4 million relates to our Sinosure-CEXIM-Citibank-ABN Amro credit facility.

Other than these adjustments, there have been no material changes to our capitalization from debt or equity issuances, re-capitalizations, special dividends, or debt repayments as adjusted in the table below between January 1, 2018 and February 28, 2018.

	As of December 31, 2017	
	Actual	As adjusted
	(US Dollars in thousands)	
Debt:		
Total debt(1)	$2,329,601	$2,293,625
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; 109,799,352 shares issued and outstanding; actual and as adjusted(2)	1,098	1,098
Additional paid-in capital	546,898	546,898
Accumulated other comprehensive loss	(114,076)	(114,076)
Retained earnings	114,785	114,785
Total stockholders' equity	548,705	548,705
Total capitalization	**$2,878,306**	**$2,842,330**

(1) All of our indebtedness is secured.

(2) Does not include 15 million warrants issued in 2011 to purchase shares of common stock, at an exercise price of $7.00 per share, which we issued to the lenders participating in our comprehensive financing plan. The warrants, which will expire on January 31, 2019, are exercisable solely on a cashless exercise basis.

Reasons for the Offer and Use of Proceeds

Not Applicable.

RISK FACTORS

Risks Inherent in Our Business

Our business, and an investment in our securities, involves a high degree of risk, including risks relating to the downturn in the container shipping market, which continues to adversely affect the major liner companies which charter our vessels and as well as our earnings, our compliance with our loan covenants and our ability to refinance our indebtedness.

The downturn in the containership market, from which we derive all of our revenues, has severely affected the container shipping industry, including the large liner companies to which we charter our vessels, and has adversely affected our business. The containership market has generally remained weak since declining sharply in 2008 and 2009 and, despite improving modestly in 2017, remains at depressed levels. The benchmark rates have declined in all quoted size sectors, with the benchmark one-year daily rate of a 4,400 TEU Panamax containership, which was $36,000 in May 2008 and $4,150 in December 2016, at $8,000 per day at the end of 2017. The weak charter rates are due to various factors, including the level of global trade, including exports from China to Europe and the United States, and increases in containership capacity. The depressed containership market has affected the major liner companies which charter our vessels, including Hanjin Shipping which cancelled long-term charters for eight of our vessels after it filed for court receivership in September 2016 and Hyundai Merchant Marine ("HMM") with which we agreed to charter modifications in July 2016. Other liner companies have also reported large losses again in 2017, including some of our charterers. The weakness in the containership market also affects the value of our vessels, which follow the trends of freight rates and containership charter rates, and the earnings on our charters, and similarly, affects our cash flows and liquidity. As a result of a decrease in our operating income and charter-attached market value of certain of our vessels caused mainly by the cancellation of our eight charters with Hanjin Shipping, as well as weak conditions prevailing in the containership market, we were in breach of the minimum security cover, consolidated net leverage and consolidated net worth financial covenants contained in our Bank Agreement (as defined below) and our other credit facilities as of December 31, 2017. The extended period of weakness in the containership charter market may continue to have additional adverse consequences for our industry including limited financing for vessel acquisitions and newbuildings, a less active secondhand market for the sale of vessels, additional charterers not performing under, or requesting modifications of, existing time charters and loan covenant defaults. This significant downturn in the container shipping industry could adversely affect our ability to service our debt and other obligations, or to refinance our debt, and adversely affect our results of operations and financial condition.

Low containership charter rates and containership vessel values have affected, and any future declines in these rates and values may continue to affect, our ability to comply with various covenants in our credit facilities.

Our credit facilities, which are secured by mortgages on our vessels, require us to maintain specified collateral coverage ratios and satisfy financial covenants, including requirements based on the market value of our containerships, our net worth and consolidated debt to EBITDA. Persistently low containership charter rates, or the failure of our charterers to fulfill their obligations under their charters for our vessels, due to the financial pressure on these liner companies from the significant decreases in demand for the seaborne transport of containerized cargo or otherwise, has adversely affected our ability to comply with covenants in our financing arrangements. The market value of containerships is sensitive to, among other things, changes in the charter markets with vessel values deteriorating in times when charter rates are falling and improving when charter rates are anticipated to rise. The depressed state of the containership charter market has generally adversely affected containership values. Under the agreement ("Bank Agreement") we entered into in the first quarter of 2011 for the restructuring of our then existing credit facilities and certain credit facilities we entered into in January 2011 ("January 2011 Credit Facilities"), the financial covenants in our financing arrangements were reset to levels that gradually tighten over the period through the maturity of these

financing arrangements in December 2018. As a result of a decrease in our operating income and charter-attached market value of certain of our vessels caused mainly by the cancellation of our eight charters with Hanjin Shipping, as well as weak conditions prevailing in the containership market, we were in breach of the minimum security cover, consolidated net leverage and consolidated net worth financial covenants contained in our Bank Agreement and our other credit facilities as of December 31, 2017 and December 31, 2016.

Since we are unable to comply with these financial and other covenants under our credit facilities, our lenders may accelerate our indebtedness and foreclose on the vessels in our fleet, which would impair our ability to continue to conduct our business. Any such acceleration, because of the cross-default provisions in our loan agreements, could in turn lead to additional defaults under our other loan agreements and the consequent acceleration of the indebtedness thereunder and the commencement of similar foreclosure proceedings by our other lenders. If our indebtedness were accelerated in full or in part, it would be difficult in the current financing environment for us to refinance our debt or obtain additional financing and we could lose our vessels if our lenders foreclose upon their liens, which would adversely affect our ability to continue our business.

Substantially all of our approximately $2.3 billion of indebtedness is scheduled to mature by the end of 2018 under our Bank Agreement and other loan agreements and we are in discussions with our lenders to restructure this indebtedness.

Substantially all of our $2.3 billion of indebtedness, as of December 31, 2017, is scheduled to mature by December 31, 2018, all of which has been classified as current liabilities as a result of not having agreed a refinancing of such maturing debt and the breach of certain covenants in our Bank Agreement and other loan agreements. We do not have sufficient cash or other resources, or the ability to obtain sufficient financing, to fund these balloon payments. We have been in extensive discussions with our lenders regarding restructuring our indebtedness, which substantially exceeds the current market value of our containerships and associated charters. We will need to reach an agreement with our lenders to restructure our debt by December 31, 2018 to avoid defaulting on our obligations thereunder, which would have a material adverse effect on our business operations, financial condition and liquidity. Any such agreement, or the failure to reach such an agreement, could involve proceedings under court-supervision and is likely to involve substantial losses and dilution to our stakeholders. The outcome of the discussions with our lenders is uncertain. If we are unable to reach an agreement with our lenders to restructure our indebtedness scheduled to mature in 2018, our lenders may foreclose on our vessels which could impede our ability to continue to operate our business.

Our 2018 debt maturities, inability to comply with certain financial and other covenants under our loan agreements and our working capital deficit raise substantial doubt about our ability to continue as a going concern.

As of February 28, 2018, we have not yet refinanced $2.1 billion of our debt falling due on December 31, 2018. Additionally, as a result of a decrease in our operating income and the charter attached market value of certain of our vessels caused principally by the cancellation of eight charters with Hanjin Shipping in 2016, as well as weak conditions in the containership market, we were in breach of certain financial covenants under our Bank Agreement and our other credit facilities as of December 31, 2017 and December 31, 2016. Refer to Note 11 to our consolidated financial statements for further details. We have classified our long-term debt, net of deferred finance costs as current, resulting in total current liabilities amounting to $2,379.8 million, which substantially exceeded our total current assets amounting to $126.0 million as of December 31, 2017. If we are unable to reach an agreement with our lenders to restructure or refinance such loan agreements, or comply with the covenants in our loan agreements, by December 2018 we may default on our obligations thereunder.

These conditions and events raise substantial doubt about our ability to continue as a going concern. The consolidated financial statements included in this report were prepared assuming that we will continue as a going concern. Therefore, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities, other than the reclassification of long-term debt to current liabilities as described above, or any other adjustments that might result in the event we are unable to continue as a going concern.

We may have difficulty securing profitable employment for our vessels in the currently depressed containership market.

Of our 55 vessels, as of February 28, 2018, 20 are employed on time charters expiring between March 2018 and November 2018. Given the current state of the containership charter market, we may be unable to secure employment for these vessels at attractive rates, or at all, when, if applicable, their charters expire. Although we do not receive any revenues from our vessels while not employed, as was also the case for certain of our vessels for periods in recent years, we are required to pay expenses necessary to maintain the vessel in proper operating condition, insure it and service any indebtedness secured by such vessel. If we cannot re-charter our vessels profitably, our results of operations and operating cash flow will be adversely affected.

We are dependent on the ability and willingness of our charterers to honor their commitments to us for all of our revenues and the failure of our counterparties to meet their obligations under our charter agreements could cause us to suffer losses or otherwise adversely affect our business.

We derive all of our revenues from the payment of charter hire by our charterers. Each of our 55 containerships are currently employed under time or bareboat charters with twelve liner companies, with 92% of our revenues in 2017 generated from five such companies. We could lose a charterer or the benefits of a time charter if:

- the charterer fails to make charter payments to us because of its financial inability, disagreements with us, defaults on a payment or otherwise;
- the charterer exercises certain specific limited rights to terminate the charter;
- we do not take delivery of any newbuilding containership we may contract for at the agreed time; or
- the charterer terminates the charter because the ship fails to meet certain guaranteed speed and fuel consumption requirements and we are unable to rectify the situation or otherwise reach a mutually acceptable settlement.

In 2016 Hanjin Shipping cancelled the charters for eight of our vessels after it filed for court receivership in September 2016 and in July 2016 we agreed to modifications to the charters for 13 of our vessels with HMM with substantial charter rate reductions. We have also contributed to ZIM's past restructurings by agreeing to receive a portion of the charter hire payable under time charters for six of our vessels in the form of long-term notes and ZIM's 2014 agreement with its creditors included a significant reduction in the charter rates payable by ZIM under its time charters, expiring in 2020 or 2021, for six of our vessels and we received unsecured, non-amortizing, interest bearing ZIM notes maturing in 2023 and ZIM shares in exchange for such reductions and cancellation of ZIM's other obligations to us which relate to the previously deferred charter hire.

If we lose a time charter, we may be unable to re-deploy the related vessel on terms as favorable to us or at all. For instance, all of the eight vessels previously chartered to Hanjin Shipping were rechartered on short-term charters at significantly lower rates, after remaining idle for a number of months in the case of the three 10,100 TEU vessels, following Hanjin Shipping's cancellation of the charters. We would not receive any revenues from such a vessel while it remained unchartered, but we

may be required to pay expenses necessary to maintain the vessel in proper operating condition, insure it and service any indebtedness secured by such vessel.

Many of the time charters on which we deploy our containerships provide for charter rates that are significantly above current market rates. The ability and willingness of each of our counterparties to perform its obligations under their time charters with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the container shipping industry, which has generally experienced weakness with limited recovery since the 2008-2009 economic crisis, and the overall financial condition of the counterparty. Furthermore, the combination of a reduction in cash flow resulting from declines in world trade, a reduction in borrowing bases under credit facilities and the reduced availability of debt and equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us, with a number of large liner companies announcing efforts to obtain third party aid and restructure their obligations, including some of our charterers, in recent years. The likelihood of a charterer seeking to renegotiate or defaulting on its charter with us may be heightened to the extent such customers are not able to utilize the vessels under charter from us, and instead leave such chartered vessels idle. Should a counterparty fail to honor its obligations under agreements with us, it may be difficult to secure substitute employment for such vessel, and any new charter arrangements we secure may be at lower rates given the current situation in the charter market. Gemini, in which we have minority equity investment, faces the same risks with respect to its vessels that it employs on time charters.

If our charterers fail to meet their obligations to us or attempt to renegotiate our charter agreements, as part of a court-supervised restructuring or otherwise, we could sustain significant reductions in revenue and earnings which could have a material adverse effect on our business, financial condition, results of operations and cash flows, as well as our ability to comply with the covenants and refinance our credit facilities. In such an event, we could be unable to service our debt and other obligations and could ourselves have to restructure our obligations in a court supervised process or otherwise.

We depend upon a limited number of customers for a large part of our revenues. The loss of these customers could adversely affect us.

Our customers in the containership sector consist of a limited number of liner operators. The percentage of our revenues derived from these customers has varied in past years. In the past several years, CMA CGM, Hyundai Merchant Marine, Yang Ming, Hanjin Shipping, China Shipping and ZIM have represented substantial amounts of our revenue. In 2017, approximately 92% of our operating revenues were generated by five customers, while in 2016, approximately 97% of our operating revenues were derived from six customers. As of February 28, 2018, we have charters for sixteen of our vessels with CMA CGM, for ten of our vessels with Yang Ming, for six of our vessels with Hyundai, for six of our vessels with ZIM, for five of our vessels with Cosco, for five of our vessels with Maersk, for three of our vessels with Hapag Lloyd, for two of our vessels with NYK, for one of our vessels with MSC and for one of our vessels with Evergreen. We expect that a limited number of liner companies may continue to generate a substantial portion of our revenues. Some of these liner companies have publicly acknowledged the financial difficulties facing them and reported substantial losses in prior years. In 2016 Hanjin Shipping, from which 10% and 17% of our revenues in 2016 and 2015, respectively, were generated, cancelled the charters for eight of our vessels after it filed for court receivership in September 2016 and in July 2016 we agreed to charter rate reductions under the charters for 13 of our vessels with HMM, from which 31% of our revenues were generated in 2017 and 32% of our revenues were generated in 2016. ZIM's 2014 restructuring agreement with its creditors included a significant reduction in the charter rates payable by ZIM under its time charters, expiring in 2020 or 2021, for six of our vessels. If any of these liner operators cease doing business or do not fulfill their obligations under their charters for our vessels, due to the financial pressure on these liner

companies from the decreases in demand for the seaborne transport of containerized cargo or otherwise, our results of operations and cash flows, and ability to comply with covenants in our financing arrangements, could be adversely affected. Further, if we encounter any difficulties in our relationships with these charterers, our results of operations, cash flows and financial condition could be adversely affected.

Our profitability and growth depend on the demand for containerships and global economic conditions, and the impact on consumer confidence and consumer spending may continue to affect containerized shipping volume and adversely affect charter rates. Charter hire rates for containerships may continue to experience volatility or remain at depressed levels, which would, in turn, adversely affect our profitability.

Demand for our vessels depends on demand for the shipment of cargoes in containers and, in turn, containerships. The ocean-going container shipping industry is both cyclical and volatile in terms of charter hire rates and profitability. Containership charter rates peaked in 2005 and generally stayed strong until the middle of 2008, when the effects of the economic crisis began to affect global container trade, and in 2008 and 2009 the ocean-going container shipping industry experienced severe declines, with charter rates at significantly lower levels than the historic highs of the prior few years. Containership charter rates have since generally remained weak, with brief periods of limited improvement and subsequent declines, remain well below long-term averages and could remain at depressed levels for an extended period. Variations in containership charter rates result from changes in the supply and demand for ship capacity and changes in the supply and demand for the major products transported by containerships. The factors affecting the supply and demand for containerships and supply and demand for products shipped in containers are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. The slowdown in the global economy and disruptions in the credit markets may continue to reduce demand for products shipped in containers and, in turn, containership capacity.

Factors that influence demand for containership capacity include:

- supply and demand for products suitable for shipping in containers;
- changes in global production of products transported by containerships;
- the distance that container cargo products are to be moved by sea;
- the globalization of manufacturing;
- global and regional economic and political conditions;
- developments in international trade;
- changes in seaborne and other transportation patterns, including changes in the distances over which containerized cargoes are transported and steaming speed of vessels;
- environmental and other regulatory developments; and
- currency exchange rates.

Factors that influence the supply of containership capacity include:

- the number of new building deliveries;
- the scrapping rate of older containerships;
- the price of steel and other raw materials;
- changes in environmental and other regulations that may limit the useful life of containerships;
- the number of containerships that are out of service; and
- port congestion.

The recovery in consumer confidence and consumer spending has been volatile and remains relatively fragile. Consumer purchases of discretionary items, many of which are transported by sea in containers, generally decline during periods where disposable income is adversely affected or there is economic uncertainty and, as a result, liner company customers may ship fewer containers or may ship containers only at reduced rates. Any such decrease in shipping volume could adversely impact our liner company customers and, in turn, demand for containerships. Such decreases in recent years, led to declines in charter rates and vessel values in the containership sector and increased counterparty risk associated with the charters for our vessels.

Our ability to recharter our containerships upon the expiration or termination of their current charters and the charter rates payable under any renewal or replacement charters will depend upon, among other things, the prevailing state of the charter market for containerships. As of February 28, 2018, the charters for twenty of our vessels expire between March 2018 and November 2018. If the charter market, which currently remains at low levels, is depressed when our vessels' charters expire, we may be forced to recharter the containerships, if we were able to recharter such vessels at all, at sharply reduced rates and possibly at rates whereby we incur a loss. If we were unable to recharter our vessels on favorable terms, we may potentially scrap certain of such vessels, which may reduce our earnings or make our earnings volatile. The same issues will exist if we acquire additional containerships and attempt to obtain multi-year charter arrangements as part of an acquisition and financing plan.

The Bank Agreement in respect of our financing arrangements imposes stringent operating and financial restrictions on us which may, among other things, limit our ability to grow our business and currently effectively prevent us from pursuing opportunities to acquire newbuilding and other recently built containerships that meet the needs of our liner company customers.

Under the terms of the Bank Agreement, our credit facilities and financing arrangements impose more stringent operating and financial restrictions on us than those previously contained in our credit facilities. These restrictions, as described in "Item 5. Operating and Financial Review and Prospects," generally preclude us from:

- incurring additional indebtedness without the consent of our lenders, except to the extent the proceeds of such additional indebtedness is used to repay existing indebtedness;
- creating liens on our assets, generally, unless for the equitable and ratable benefit of our existing lenders;
- selling capital stock of our subsidiaries;
- disposing of assets without the consent of the lenders with loans collateralized by such assets and, in case of such approval, using the proceeds thereof to repay indebtedness;
- using a significant portion of the proceeds from equity issuances for any purpose other than to repay indebtedness;
- using more than a minimal amount of our free cash from operations for purposes other than repayment of indebtedness;
- engaging in transactions that would constitute a change of control, as defined in such financing agreement, without repaying all of our indebtedness in full;
- paying dividends, absent a substantial reduction in our leverage; or
- changing our manager or certain members of our management.

As a result we have reduced discretion in operating our business and may have difficulty growing our business. In particular, the conditions on the use of equity proceeds and incurrence of indebtedness

effectively prevent us from pursuing opportunities to acquire newbuildings and other recently built containerships that meet the needs of our liner company customers with the resulting risks of a deterioration in our reputation and standing with our customers and a loss of competitive position among other containership owners.

In addition, our respective lenders under these financing arrangements will, at their option, be able to require us to repay in full amounts outstanding under such respective credit facilities, upon a "Change of Control" of our company, which for these purposes and as further described in "Item 5. Operating and Financial Review and Prospects—Bank Agreement", includes Dr. Coustas ceasing to be our Chief Executive Officer, Dr. Coustas and members of his family ceasing to collectively own over one-third of the voting interest in our outstanding capital stock or any other person or group controlling more than 20% of the voting power of our outstanding capital stock.

The Bank Agreement and our financing arrangements contain financial covenants requiring us to:

- maintain a ratio of (i) the market value of all of the vessels in our fleet, on a charter-inclusive basis, plus the net realizable value of any additional collateral, to (ii) our consolidated total debt above specified minimum levels gradually increasing from 90% through December 31, 2011 to 130% from September 30, 2017 through September 30, 2018. This ratio was required to be 130% as of December 31, 2017;
- maintain a minimum ratio of (i) the market value of the nine vessels (*Maersk Enping (ex Hyundai Smart), Maersk Exeter (ex Hyundai Speed), MSC Ambition (ex Hyundai Ambition), Hyundai Honour (ex Hyundai Together), Hyundai Respect (ex Hyundai Tenacity), Express Athens, Express Rome, Express Berlin* and *CMA CGM Rabelais*) collateralizing the January 2011 Credit Facilities, calculated on a charter-free basis, plus the net realizable value of any additional collateral, to (ii) our aggregate debt outstanding under the January 2011 Credit Facilities of 100% from September 30, 2012 through September 30, 2018;
- maintain minimum free consolidated unrestricted cash and cash equivalents, less the amount of the aggregate variable principal amortization amounts, described above, of $30.0 million at the end of each calendar quarter;
- ensure that our (i) consolidated total debt less unrestricted cash and cash equivalents to (ii) consolidated EBITDA (defined as net income before interest, gains or losses under any hedging arrangements, tax, depreciation, amortization and any other non-cash item, capital gains or losses realized from the sale of any vessel, finance charges and capital losses on vessel cancellations and before any non-recurring items and excluding any accrued interest due to us but not received on or before the end of the relevant period; provided that non-recurring items excluded from this calculation shall not exceed 5% of EBITDA calculated in this manner) for the last twelve months does not exceed a maximum ratio gradually decreasing from 12:1 on December 31, 2010 to 4.75:1 on September 30, 2018. This ratio was required to be 5.5:1 as of December 31, 2017;
- ensure that the ratio of our (i) consolidated EBITDA for the last twelve months to (ii) net interest expense (defined as interest expense (excluding capitalized interest), less interest income, less realized gains on interest rate swaps (excluding capitalized gains) and plus realized losses on interest rate swaps (excluding capitalized losses)) exceeds a minimum level of 1.50:1 through September 30, 2013 and thereafter gradually increasing to 2.80:1 by September 30, 2018. This ratio was required to be 2.5:1 as of December 31, 2017; and
- maintain a consolidated market value adjusted net worth (defined as the amount by which our total consolidated assets adjusted for the market value of our vessels in the water less cash and cash equivalents in excess of our debt service requirements exceeds our total consolidated

liabilities after excluding the net asset or liability relating to the fair value of derivatives as reflected in our financial statements for the relevant period) of at least $400 million.

The provisions of our KEXIM-ABN Amro credit facility, which is not covered by the Bank Agreement, have been aligned with the above covenants through November 20, 2018 and our Sinosure-CEXIM credit facility has similar financial covenants and a collateral coverage covenant of 125% per tranche as described in "Item 5. Operating and Financial Review and Prospects."

As of February 28, 2018, we have not yet refinanced $2.1 billion of our debt falling due on December 31, 2018. Additionally, as a result of a decrease in our operating income and charter attached market value of certain of our vessels caused principally by the cancellation of our eight charters with Hanjin Shipping in 2016, as well as weak conditions prevailing in the containership market, we were in breach of the minimum security cover, consolidated net leverage and consolidated net worth financial covenants contained in our Bank Agreement and our other credit facilities as of December 31, 2017 and as of December 31, 2016. If we are unable to meet our payment or covenant compliance obligations under the terms of the Bank Agreement covering our credit facilities or our other financing arrangements, and are unable to reach an agreement with our lenders to obtain compliance waivers or modify or restructure our agreements, our lenders could then accelerate our indebtedness and foreclose on the vessels in our fleet securing those credit facilities, which could result in cross-defaults under our other credit facilities, and the consequent acceleration of the indebtedness thereunder and the commencement of similar foreclosure proceedings by other lenders. The loss of any of these vessels would have a material adverse effect on our operating results and financial condition and could impair our ability to operate our business.

Substantial debt levels could limit our flexibility to obtain additional financing and pursue other business opportunities and our ability to service our outstanding indebtedness will depend on our future operating performance, including the charter rates we receive under charters for our vessels.

As of December 31, 2017, we had outstanding indebtedness of $2.3 billion and, while we have no remaining borrowing availability under our existing loan agreements, we may seek to incur substantial additional indebtedness, as market conditions warrant over the medium to long-term and to the extent permitted by our existing lenders, to grow our fleet. This level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing, if necessary, for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favorable terms;
- we will need to use substantially all of our free cash from operations, as required under the terms of our Bank Agreement, to make principal and interest payments on our debt, reducing the funds that would otherwise be available for future business opportunities and, if permitted by our lenders and reinstated, dividends to our stockholders;
- our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and
- our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. In particular, the charter rates we obtain for our vessels, including the twenty vessels with charters expiring between March 2018 and November 2018, and any reductions in contracted charter rates for our vessels and other concessions, such as we agreed in 2014 with ZIM for six of our vessels, such as we agreed in 2016 with Hyundai for thirteen of our vessels or the cancellation of our charters for eight vessels with Hanjin Shipping in 2016 due to its bankruptcy, will have a significant impact on our ability to service our indebtedness. Due to the restrictions on the use of cash from operations and other sources for purposes other than the repayment of indebtedness, even if we otherwise generate sufficient cash flow to service our debt, we may still be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to effect any of these remedies on satisfactory terms, or at all. In addition, restrictions in the Bank Agreement in respect of our credit facilities and a relative lack of liquidity in the debt and equity markets could hinder our ability to refinance our debt or obtain additional financing on favorable terms in the future.

Disruptions in world financial markets and the resulting governmental action could have a further material adverse impact on our results of operations, financial condition and cash flows, and could cause the market price of our common stock to decline further.

The global economy has generally improved recently but remains subject to significant downside economic risks, as well as geopolitical risks and the emergence of populist and protectionist political movements in advanced economies may negatively impact global economic growth, disrupt financial markets, and may lead to weaker consumer demand. A slowdown in the global economy may result in a decrease in worldwide demand for products transported by containerships. These issues, along with the re-pricing of credit risk and the difficulties being experienced by some financial institutions have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets, the cost of obtaining bank financing has increased as many lenders have increased interest rates, enacted tighter lending standards, required more restrictive terms, including higher collateral ratios for advances, shorter maturities and smaller loan amounts, refused to refinance existing debt at maturity at all or on terms similar to our current debt. Furthermore, certain banks that have historically been significant lenders to the shipping industry have announced an intention to reduce or cease lending activities in the shipping industry. We cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our obligations as they come due. In the absence of available financing, we may be unable to take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our revenues and results of operations.

We face risks attendant to changes in economic environments, changes in interest rates, and instability in the banking and securities markets around the world, among other factors. Major market disruptions and adverse changes in market conditions and the regulatory climate in the United States and worldwide may adversely affect our business or impair our ability to borrow amounts under any future financial arrangements. However, these recent and developing economic and governmental factors, together with the concurrent decline in charter rates and vessel values, may have a material adverse effect on our results of operations, financial condition or cash flows, have caused the price of our common stock to decline and could cause the price of our common stock to decline further.

In addition, as a result of the ongoing economic slump in Greece resulting from the sovereign debt crisis and the related austerity measures implemented by the Greek government, our operations in Greece may be subjected to new regulations that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Greek government new taxes or other

fees. Furthermore, the change in the Greek government and potential shift in its policies may undermine Greece's political and economic stability, which may adversely affect our operations and those of our manager located in Greece. We also face the risk that strikes, work stoppages, civil unrest and violence within Greece, as well as the capital controls in effect in Greece since mid-2015, may disrupt our shoreside operations and those of our manager located in Greece.

If global economic conditions weaken, particularly in Europe and in the Asia Pacific region, it could have a material adverse effect on our business, financial condition and results of operations.

Global economic conditions impact worldwide demand for various goods and, thus, container shipping. In particular, we anticipate a significant number of the port calls made by our vessels will continue to involve the loading or unloading of containers in ports in the Asia Pacific region. As a result, negative changes in economic conditions in any Asia Pacific country, in particular China which has been one of the world's fastest growing economies in recent years, can have a significant impact on the demand for container shipping. However, if China's pace of growth declines and other countries in the Asia Pacific region experience slower or negative economic growth in the future, this may negatively affect the fragile recovery of the economies of the United States and the European Union, and thus, may negatively impact container shipping demand. For example, the withdrawal of the U.S. from the Transpacific Partnership and the possibility of the introduction of tariffs on selected imported goods mainly from Asia has the potential to provoke retaliation measures from the affected countries which would create new impediments to trade. Risks remaining from the recent recovery in Europe, including the possibility of sovereign debt defaults by European Union member countries, including Greece, and any resulting weakness of the Euro, including against the Chinese renminbi, could adversely affect European consumer demand, particularly for goods imported, many of which are shipped in containerized form, from China and elsewhere in Asia, and reduce the availability of trade financing which is vital to the conduct of international shipping. In addition, the charters that we enter into with Chinese customers, including the charters we currently have with COSCO for five of our vessels, may be subject to new regulations in China that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Chinese government new taxes or other fees. Changes in laws and regulations, including with regards to tax matters, and their implementation by local authorities could affect our vessels chartered to Chinese customers as well as our vessels calling to Chinese ports and could have a material adverse effect on our business, results of operations and financial condition. Our business, financial condition, results of operations, as well as our future prospects, will likely be materially and adversely affected by an economic downturn in any of these countries.

A decrease in the level of export of goods, in particular from Asia, or an increase in trade protectionism globally, including from the United States, could have a material adverse impact on our charterers' business and, in turn, could cause a material adverse impact on our business, financial condition, results of operations, cash flows and ability to service or refinance our debt.

Our operations expose us to the risk that increased trade protectionism from the United States or other nations adversely affect our business. Governments may turn to trade barriers to protect or revive their domestic industries in the face of foreign imports, thereby depressing the demand for shipping. Restrictions on imports, including in the form of tariffs, could have a major impact on global trade and demand for shipping. Trade protectionism in the markets that our charterers serve may cause an increase in the cost of exported goods, the length of time required to deliver goods and the risks associated with exporting goods and, as a result, a decline in the volume of exported goods and demand for shipping.

The new U.S. president was elected on a platform promoting trade protectionism and recently proposed large tariffs on steel and aluminum, which has led to threats of retaliatory tariffs from leaders of other countries. These policy pronouncements have created significant uncertainty about the future

relationship between the United States and China and other exporting countries, including with respect to trade policies, treaties, government regulations and tariffs. On January 23, 2017, the U.S. President signed an executive order withdrawing the United States from the Trans-Pacific Partnership, a global trade agreement intended to include the United States, Canada, Mexico, Peru and a number of Asian countries. Protectionist developments, or the perception they may occur, may have a material adverse effect on global economic conditions, and may significantly reduce global trade and, in particular, trade between the United States and other countries, including China.

Our containerships are deployed on routes involving containerized trade in and out of emerging markets, and our charterers' container shipping and business revenue may be derived from the shipment of goods from Asia to various overseas export markets, including the United States and Europe. Any reduction in or hindrance to the output of Asia-based exporters could have a material adverse effect on the growth rate of Asia's exports and on our charterers' business.

Furthermore, the government of China has implemented economic policies aimed at increasing domestic consumption of Chinese-made goods and containing capital outflows. These policies may have the effect of reducing the supply of goods available for exports and the level of international trading and may, in turn, result in a decrease in demand for container shipping. In addition, reforms in China for a gradual shift to a "market economy" including with respect to the prices of certain commodities, are unprecedented or experimental and may be subject to revision, change or abolition and if these reforms are reversed or amended, the level of imports to and exports from China could be adversely affected.

Any new or increased trade barriers or restrictions on trade would have an adverse impact on our charterers' business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. Such adverse developments could in turn have a material adverse effect on our business, financial condition, results of operations, cash flow and our ability to service or refinance our debt.

Demand for the seaborne transport of products in containers has a significant impact on the financial performance of liner companies and, in turn, demand for containerships and our charter counterparty risk.

Demand for the seaborne transportation of products in containers, which is significantly impacted by global economic activity, remains below the levels experienced before the global economic crisis of 2008 and 2009. Consequently, the cargo volumes and freight rates achieved by liner companies, with which all of the existing vessels in our fleet are chartered, have declined sharply, reducing liner company profitability and, at times, failing to cover the costs of liner companies operating vessels on their shipping lines. In response to such reduced cargo volume and freight rates, the number of vessels being actively deployed by liner companies decreased. Approximately 1.8% of the world containership fleet estimated to be out of service at the end of 2017, which was below the 12% high of December 2009 but up from 1.3% at the end of 2014. Moreover, newbuilding containerships with an aggregate capacity of approximately 2.8 million TEUs, representing approximately 13% of the existing global fleet capacity at the end of 2017, were under construction, which may exacerbate the surplus of containership capacity further reducing charterhire rates or increasing the number of unemployed vessels. Many liner companies, including some of our customers, reported substantial losses in 2017 and other recent years, as well as having announced plans to reduce the number of vessels they charter-in and enter into consolidating mergers and cooperative alliances as part of efforts to reduce the size of their fleets to better align fleet capacity with the reduced demand for marine transportation of containerized cargo.

The reduced demand and resulting financial challenges faced by our liner company customers has significantly reduced demand for containerships and may increase the likelihood of one or more of our customers being unable or unwilling to pay us the contracted charterhire rates, such as we agreed with HMM in 2016 and ZIM in 2014 and Hanjin Shipping's cancellation of long-term charters for eight of

our vessels in 2016, which are generally significantly above prevailing charter rates, under the charters for our vessels. We generate all of our revenues from these charters and if our charterers fail to meet their obligations to us, we would sustain significant reductions in revenue and earnings, which could materially adversely affect our business and results of operations, as well as our ability to comply with covenants in our credit facilities.

An over-supply of containership capacity may prolong or further depress the current low charter rates and adversely affect our ability to recharter our containerships at profitable rates or at all and, in turn, reduce our profitability.

While the size of the containership order book has declined from the historic highs reached in mid-2008, at the end of 2017 newbuilding containerships with an aggregate capacity of approximately 2.8 million TEUs were under construction, representing approximately 13% of the existing global fleet capacity. The size of the orderbook is large relative to historic levels and, notwithstanding that some orders may be cancelled or delayed, will likely result in a significant increase in the size of the world containership fleet over the next few years. An over-supply of containership capacity, particularly in conjunction with the currently low level of demand for the seaborne transport of containers, which proposed liner company alliances may accentuate, could exacerbate the weakness in charter rates or prolong the period during which low charter rates prevail. We do not hedge against our exposure to changes in charter rates, due to increased supply of containerships or otherwise. As such, if the current low charter rate environment persists, or a further reduction occurs, during a period when the current charters for our containerships expire or are terminated, we may only be able to recharter those containerships at reduced or unprofitable rates or we may not be able to charter those vessels at all. As of February 28, 2018, the charters for twenty of our vessels expire between March 2018 and November 2018.

Our profitability and growth depends on our ability to expand relationships with existing charterers and to obtain new time charters, for which we will face substantial competition from established companies with significant resources as well as new entrants.

One of our objectives over the mid- to long-term is, when market conditions warrant and it is feasible, given the restrictions currently contained in our Bank Agreement, to acquire additional containerships in conjunction with entering into additional multi-year, fixed-rate time charters for these vessels. We employ our vessels in highly competitive markets that are capital intensive and highly fragmented, with a highly competitive process for obtaining new multi-year time charters that generally involves an intensive screening process and competitive bids, and often extends for several months. Generally, we compete for charters based on price, customer relationship, operating expertise, professional reputation and the size, age and condition of our vessels. In recent years, in light of the dramatic downturn in the containership charter market, other containership owners have chartered their vessels to liner companies at extremely low rates, including at unprofitable levels, increasing the price pressure when competing to secure employment for our containerships. Container shipping charters are awarded based upon a variety of factors relating to the vessel operator, including:

- shipping industry relationships and reputation for customer service and safety;
- container shipping experience and quality of ship operations (including cost effectiveness);
- quality and experience of seafaring crew;
- the ability to finance containerships at competitive rates and financial stability in general;
- relationships with shipyards and the ability to get suitable berths;
- construction management experience, including the ability to obtain on-time delivery of new ships according to customer specifications;

- willingness to accept operational risks pursuant to the charter, such as allowing termination of the charter for force majeure events; and
- competitiveness of the bid in terms of overall price.

We face substantial competition from a number of experienced companies, including state-sponsored entities and major shipping companies. Some of these competitors have significantly greater financial resources than we do, and can therefore operate larger fleets and may be able to offer better charter rates. We anticipate that other marine transportation companies may also enter the containership sector, including many with strong reputations and extensive resources and experience. This increased competition may cause greater price competition for time charters and, in stronger market conditions, for secondhand vessels and newbuildings.

In addition, a number of our competitors in the containership sector, including several that are among the largest charter owners of containerships in the world, have been established in the form of a German KG (Kommanditgesellschaft), which provides tax benefits to private investors. Although the German tax law was amended to significantly restrict the tax benefits to taxpayers who invest in these entities after November 10, 2005, the tax benefits afforded to all investors in the KG-model shipping entities continue to be significant, and such entities may continue to be attractive investments. Their focus on these tax benefits allows the KG-model shipping entities more flexibility in offering lower charter rates to liner companies. Further, since the charter rate is generally considered to be one of the principal factors in a charterer's decision to charter a vessel, the rates offered by these sizeable competitors can have a depressing effect throughout the charter market.

As a result of these factors, we may be unable to compete successfully with established companies with greater resources or new entrants for charters at a profitable level, or at all, which would have a material adverse effect on our business, results of operations and financial condition.

We may have more difficulty entering into multi-year, fixed-rate time charters if a more active short-term or spot container shipping market develops.

One of our principal strategies is to enter into multi-year, fixed-rate containership time charters particularly in strong charter rate environments, although in weaker charter rate environments, such as the one that currently exists, we would generally expect to target somewhat shorter charter terms of three to six years or even shorter periods, particularly for smaller vessels. As more vessels become available for the spot or short-term market, we may have difficulty entering into additional multi-year, fixed-rate time charters for our containerships due to the increased supply of containerships and the possibility of lower rates in the spot market and, as a result, our cash flows may be subject to instability in the long-term. A more active short-term or spot market may require us to enter into charters based on changing market rates, as opposed to contracts based on a fixed rate, which could result in a decrease in our cash flows and net income in periods when the market for container shipping is depressed, as it is currently, or insufficient funds are available to cover our financing costs for related containerships.

Delays in deliveries of any newbuilding vessels we may order or any secondhand vessels we may agree to acquire could harm our business.

Delays in the delivery of any newbuilding containerships we may order or any secondhand vessels we may agree to acquire, would delay our receipt of revenues under any arranged time charters and could result in the cancellation of such time charters or other liabilities under such charters, and therefore adversely affect our anticipated results of operations. The delivery of any newbuilding containership could also be delayed because of, among other things:

- work stoppages or other labor disturbances or other events that disrupt the operations of the shipyard building the vessels;

- quality or engineering problems;
- changes in governmental regulations or maritime self-regulatory organization standards;
- lack of raw materials;
- bankruptcy or other financial crisis of the shipyard building the vessel;
- our inability to obtain requisite financing or make timely payments;
- a backlog of orders at the shipyard building the vessel;
- hostilities or political or economic disturbances in the countries where the containerships are being built;
- weather interference or catastrophic event, such as a major earthquake or fire;
- our requests for changes to the original vessel specifications;
- requests from the liner companies, with which we have arranged charters for such vessels, to delay construction and delivery of such vessels due to weak economic conditions and container shipping demand;
- shortages of or delays in the receipt of necessary construction materials, such as steel;
- our inability to obtain requisite permits or approvals; or
- a dispute with the shipyard building the vessel.

The shipbuilders with which we contract for any newbuilding may be affected by instability in the financial markets and other market conditions, including with respect to the fluctuating price of commodities and currency exchange rates. In addition, the refund guarantors under any newbuilding contracts we enter into, which would be banks, financial institutions and other credit agencies, may also be affected by financial market conditions in the same manner as our lenders and, as a result, may be unable or unwilling to meet their obligations under their refund guarantees. If shipbuilders or refund guarantors are unable or unwilling to meet their obligations to us, this will impact our acquisition of vessels and may materially and adversely affect our operations and our obligations under our credit facilities.

The delivery of any secondhand containership we may agree to acquire could be delayed because of, among other things, hostilities or political disturbances, non-performance of the purchase agreement with respect to the vessels by the seller, our inability to obtain requisite permits, approvals or financing or damage to or destruction of the vessels while being operated by the seller prior to the delivery date.

Containership values have decreased significantly in recent years, and may remain at these depressed levels, or decrease further, and over time may fluctuate substantially. Depressed vessel values could cause us to incur impairment charges, such as the $415.1 million and $41.1 million impairment losses we recorded as of December 31, 2016 and December 31, 2015, respectively, for our older vessels, or to incur a loss if these values are low at a time we are attempting to dispose of a vessel.

Due to the sharp decline in world trade and containership charter rates, the market values of the containerships in our fleet are currently significantly lower than prior to the downturn that began in the second half of 2008. Containership values may remain at current low, or lower, levels for a prolonged period of time and can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in the markets in which containerships operate;
- changes in and the level of world trade;
- the supply of containership capacity;
- prevailing charter rates; and

- the cost of retrofitting or modifying existing ships, as a result of technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

As of December 31, 2016 and December 31, 2015, we recorded an impairment loss of $415.1 million and $41.1 million, respectively for our older vessels, and we have incurred impairment charges in prior years as well. Conditions in the containership market also required us to record other impairment losses in 2016, including losses with respect to our investment in Gemini and our ZIM securities. In the future, if the market values of our vessels experience further deterioration or we lose the benefits of the existing charter arrangements for any of our vessels and cannot replace such arrangements with charters at comparable rates, we may be required to record additional impairment charges in our financial statements, which could adversely affect our results of operations. Any impairment charges incurred as a result of declines in charter rates could negatively affect our financial condition and results of operations. In addition, if we sell any vessel at a time when vessel prices have fallen and before we have recorded an impairment adjustment to our financial statements, the sale may be at less than the vessel's carrying amount on our financial statements, resulting in a loss and a reduction in earnings.

We are generally not permitted to pay cash dividends under our financing arrangements.

Prior to 2009, we paid regular cash dividends on a quarterly basis. In the first quarter of 2009, our board of directors suspended the payment of cash dividends as a result of market conditions in the international shipping industry and in particular the sharp decline in charter rates and vessel values in the containership sector. Until such market conditions significantly improve, it is unlikely that we will reinstate the payment of dividends and if reinstated, it is likely that any dividend payments would be at reduced levels. The Bank Agreement, which restructured our credit facilities and provides new financing arrangements, does not permit us to pay cash dividends or repurchase shares of our common stock until the termination of such agreements in late 2018, absent a significant decrease in our leverage.

We are a holding company and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries and our equity investment in Gemini. As a result, our ability to pay our contractual obligations and, if permitted by our lenders and reinstated, to make any dividend payments in the future depends on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, or by the law of their respective jurisdictions of incorporation which regulates the payment of dividends by companies. If we are unable to obtain funds from our subsidiaries, even if our lenders agreed to allow dividend payments, our board of directors may exercise its discretion not to declare or pay dividends. If we reinstate dividend payments in the future, we do not intend to seek to obtain funds from other sources to make such dividend payments, if any.

If we are unable to fund our capital expenditures for additional vessels, we may not be able to grow our fleet.

We would have to make substantial capital expenditures to grow our fleet. We have no remaining borrowing availability under our existing credit facilities. In order to fund capital expenditures for future fleet growth to the extent feasible given the current restrictions in our Bank Agreement and other financing arrangements, we generally plan to use equity financing given the restrictions that are contained in our restructured credit facilities and other financing arrangements on the use of cash from our operations, debt financings and asset sales for purposes other than debt repayment. Our ability to

access the capital markets through future offerings may be limited by our financial condition at the time of any such offering as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. Moreover, only a portion of the proceeds from any equity financings that we are able to complete will be permitted to be used for purposes other than debt repayment under our restructured and other financing arrangements, which could also adversely affect our ability to complete an equity financing on favorable terms. Our failure to obtain funds for future capital expenditures could limit our ability to grow our fleet.

We must make substantial capital expenditures to maintain the operating capacity of our fleet, which may reduce the amount of cash available for other purposes.

Maintenance capital expenditures include capital expenditures associated with modifying an existing vessel or acquiring a new vessel to the extent these expenditures are incurred to maintain the operating capacity of our existing fleet. These expenditures could increase as a result of changes in the cost of labor and materials; customer requirements; increases in our fleet size or the cost of replacement vessels; governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment; and competitive standards. Significant capital expenditures, including to maintain the operating capacity of our fleet, may reduce the cash available for other purposes.

Our ability to obtain additional debt financing for future acquisitions of vessels may be dependent on the performance of our then existing charters and the creditworthiness of our charterers.

We have no remaining borrowing availability under our existing credit facilities. We intend, however, to borrow against vessels we may acquire in the future as part of our medium to long term growth plan to the extent permitted under our existing financing arrangements. The actual or perceived credit quality of our charterers, and any defaults by them, may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing or committing to financing on unattractive terms could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to volatility in LIBOR.

Loans advanced under our credit facilities are, generally, advanced at a floating rate based on LIBOR, which has been stable and at historically low levels in recent years, but was volatile in prior years, which can affect the amount of interest payable on our debt, and which, in turn, could have an adverse effect on our earnings and cash flow. LIBOR rates have been at historically low levels for an extended period of time and may continue to increase from these low levels. Our financial condition could be materially adversely affected at any time that we have not entered into interest rate hedging arrangements to hedge our interest rate exposure and the interest rates applicable to our credit facilities and any other financing arrangements we may enter into in the future increase. Moreover, even if we have entered into interest rate swaps or other derivative instruments for purposes of managing our interest rate or bunker cost exposure, our hedging strategies may not be effective and we may incur substantial losses.

We may enter into derivative contracts to hedge our exposure to fluctuations in interest rates, which could result in higher than market interest rates and charges against our income.

As of December 31, 2017, we did not have any interest rate swap arrangements. In the past, however, we have entered into interest rate swaps in substantial aggregate notional amounts, generally for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness

under our credit facilities, which were advanced at floating rates based on LIBOR, as well as interest rate swap agreements converting fixed interest rate exposure under our credit facilities advanced at a fixed rate of interest to floating rates based on LIBOR. Any hedging strategies we choose to employ, may not be effective and we may again incur substantial losses, as we did in 2015 and prior years. Since our discontinuation of hedge accounting for interest rate swaps and any other derivative instruments from July 1, 2012, we recognize all fluctuations in the fair value of such contracts in our consolidated Statements of Operations. Recognition of such fluctuations in our statement of operations may increase the volatility of our earnings. Any hedging activities we engage in may not effectively manage our interest rate exposure or have the desired impact on our financial conditions or results of operations.

Because we generate all of our revenues in United States dollars but incur a portion of our expenses in other currencies, exchange rate fluctuations could hurt our results of operations.

We generate all of our revenues in United States dollars and for the year ended December 31, 2017, we incurred approximately 25.0% of our vessels' expenses in currencies other than United States dollars, mainly Euros. This difference could lead to fluctuations in net income due to changes in the value of the United States dollar relative to the other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the United States dollar falls in value could increase, thereby decreasing our net income. We have not hedged our currency exposure and, as a result, our U.S. dollar-denominated results of operations and financial condition could suffer. In addition, to the extent charter hire rates with respect to any port calls our vessels may make in Iran must be paid in a currency other than the U.S. dollar, due to continuing U.S. primary sanctions applicable to U.S. dollar transfers, we would be exposed to fluctuations in the value of that currency.

Due to our lack of diversification, adverse developments in the containership transportation business could reduce our ability to meet our payment obligations and our profitability.

We rely exclusively on the cash flows generated from charters for our vessels that operate in the containership sector of the shipping industry. Due to our lack of diversification, adverse developments in the container shipping industry have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets or lines of business.

We may have difficulty properly managing our growth through acquisitions of additional vessels and we may not realize the expected benefits from these acquisitions, which may have an adverse effect on our financial condition and performance.

To the extent market conditions warrant and we are able to obtain sufficient financing for such purposes in compliance with the restrictions in our financing arrangements, we intend to grow our business over the medium to long-term by ordering newbuilding containerships and through selective acquisitions of additional vessels, including through our investment in Gemini. Future growth will primarily depend on:

- locating and acquiring suitable vessels;
- identifying and consummating vessel acquisitions or joint ventures relating to vessel acquisitions;
- enlarging our customer base;
- developments in the charter markets in which we operate that make it attractive for us to expand our fleet;
- managing any expansion;
- the operations of the shipyard building any newbuilding containerships we may order; and
- obtaining required financing, within the restrictions placed on the use of funds by our existing financing arrangements, on acceptable terms.

Although containership charter rates and vessel values currently are at historically low levels, during periods in which charter rates are high, vessel values generally are high as well, and it may be difficult to acquire vessels at favorable prices. Moreover, our financing arrangements impose significant restrictions on our ability to use debt financing, or cash from operations, asset sales or equity financing, for purposes, such as vessel acquisitions, other than debt repayment without the consent of our lenders. In addition, growing any business by acquisition presents numerous risks, such as managing relationships with customers and integrating newly acquired assets into existing infrastructure. We cannot give any assurance that we will be successful in executing any growth plans or that we will not incur significant expenses and losses in connection with any future growth efforts.

We are subject to regulation and liability under environmental laws that could require significant expenditures and affect our cash flows and net income.

Our business and the operation of our vessels are materially affected by environmental regulation in the form of international, national, state and local laws, regulations, conventions and standards in force in international waters and the jurisdictions in which our vessels operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, wastewater discharges and ballast water management. Because such conventions, laws, and regulations are often revised, we cannot predict the ultimate cost of complying with such requirements or their impact on the resale price or useful life of our vessels. We are required by various governmental and quasi-governmental agencies to obtain certain permits, licenses, certificates and financial assurances with respect to our operations. Many environmental requirements are designed to reduce the risk of pollution, such as from oil spills, and our compliance with these requirements could be costly. To comply with these and other regulations, including the new MARPOL Annex VI sulfur emission requirements instituting a global 0.5% sulphur cap on marine fuels from January 1, 2020 and the IMO ballast water management ("BWM") convention, which requires vessels to install expensive ballast water treatment systems ("BWTS"), we may be required to incur additional costs to meet new maintenance and inspection requirements, develop contingency plans for potential spills, and obtain insurance coverage. (Please read "Item 4B. Business Overview—Regulation" for more information on the regulations applicable to our vessels.) Additional conventions, laws and regulations may be adopted that could limit our ability to do business or increase the cost of doing business and which may materially and adversely affect our operations.

Environmental requirements can also affect the resale value or useful lives of our vessels, could require a reduction in cargo capacity, ship modifications or operational changes or restrictions, could lead to decreased availability of insurance coverage for environmental matters or could result in the denial of access to certain jurisdictional waters or ports or detention in certain ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and natural resource damages liability, in the event that there is a release of petroleum or hazardous materials from our vessels or otherwise in connection with our operations. Environmental laws often impose strict liability for remediation of spills and releases of oil and hazardous substances, which could subject us to liability without regard to whether we were negligent or at fault. The 2010 explosion of the *Deepwater Horizon* and the subsequent release of oil into the Gulf of Mexico may result in further regulation of the shipping industry, including modifications to liability schemes. We could also become subject to personal injury or property damage claims relating to the release of hazardous substances associated with our existing or historic operations. Violations of, or liabilities under, environmental requirements can result in substantial penalties, fines and other sanctions, including, in certain instances, seizure or detention of our vessels.

The operation of our vessels is also affected by the requirements set forth in the International Maritime Organization's, or IMO's, International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject us to increased liability, may decrease available insurance coverage for the affected ships, and may result in denial of access to, or detention in, certain ports.

In connection with a 2001 incident involving the presence of oil on the water on the starboard side of one of our former vessels, the *Henry* (ex *CMA CGM Passiflore*) in Long Beach, California, our manager pled guilty to one count of negligent discharge of oil and one count of obstruction of justice, based on a charge of attempted concealment of the source of the discharge. Consistent with the government's practice in similar cases, our manager agreed, among other things, to develop and implement an approved third party consultant monitored environmental compliance plan. Any violation of this environmental compliance plan or any penalties, restitution or heightened environmental compliance plan requirements that are imposed relating to alleged discharges in any other action involving our fleet or our manager could negatively affect our operations and business.

Climate change and greenhouse gas restrictions may adversely impact our operations.

Due to concern over the risks of climate change, a number of countries and the International Maritime Organization, or "IMO", have adopted, or are considering the adoption of, regulatory frameworks to reduce greenhouse gas emission from ships. These regulatory measures may include adoption of cap and trade regimes, carbon taxes, increased efficiency standards and incentives or mandates for renewable energy. Emissions of greenhouse gases from international shipping currently are not subject to the Kyoto Protocol to the United Nations Framework Convention on Climate Change, or the "Kyoto Protocol", or any amendments or successor agreements. The Paris Agreement adopted under the United Nations Framework Convention on Climate Change in December 2015, which contemplates commitments from each nation party thereto to take action to reduce greenhouse gas emissions and limit increases in global temperatures but did not include any restrictions or other measures specific to shipping emissions. However, restrictions on shipping emissions are likely to continue to be considered and a new treaty may be adopted in the future that includes additional restrictions on shipping emissions to those already adopted under the International Convention for the Prevention of Marine Pollution from Ships, or the "MARPOL Convention". Compliance with future changes in laws and regulations relating to climate change could increase the costs of operating and maintaining our ships and could require us to install new emission controls, as well as acquire allowances, pay taxes related to our greenhouse gas emissions or administer and manage a greenhouse gas emissions program.

Increased inspection procedures, tighter import and export controls and new security regulations could cause disruption of our containership business.

International container shipping is subject to security and customs inspection and related procedures in countries of origin, destination, and certain trans- shipment points. These inspection procedures can result in cargo seizure, delays in the loading, offloading, trans-shipment, or delivery of containers, and the levying of customs duties, fines or other penalties against exporters or importers and, in some cases, charterers and charter owners.

Since the events of September 11, 2001, U.S. authorities increased container inspection rates and further increases have been contemplated. Government investment in non-intrusive container scanning technology has grown and there is interest in electronic monitoring technology, including so-called "e-seals" and "smart" containers, that would enable remote, centralized monitoring of containers

during shipment to identify tampering with or opening of the containers, along with potentially measuring other characteristics such as temperature, air pressure, motion, chemicals, biological agents and radiation. Also, additional vessel security requirements have been imposed including the installation of security alert and automatic information systems on board vessels.

It is further unclear what changes, if any, to the existing inspection and security procedures will ultimately be proposed or implemented, or how any such changes will affect the industry. It is possible that such changes could impose additional financial and legal obligations, including additional responsibility for inspecting and recording the contents of containers and complying with additional security procedures on board vessels, such as those imposed under the ISPS Code. Changes to the inspection and security procedures and container security could result in additional costs and obligations on carriers and may, in certain cases, render the shipment of certain types of goods by container uneconomical or impractical. Additional costs that may arise from current inspection or security procedures or future proposals that may not be fully recoverable from customers through higher rates or security surcharges.

Our vessels may call on ports located in countries that are subject to restrictions imposed by the United States government, which could negatively affect the trading price of our shares of common stock.

From time to time on charterers' instructions, our vessels have called and may again call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the United States government as state sponsors of terrorism. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

On January 16, 2016, "Implementation Day" for the Iran Joint Comprehensive Plan of Action (JCPOA), the United States lifted its secondary sanctions against Iran which prohibited certain conduct by non-U.S. companies and individuals that occurred entirely outside of U.S. jurisdiction involving specified industry sectors in Iran, including the energy, petrochemical, automotive, financial, banking, mining, shipbuilding and shipping sectors. By lifting the secondary sanctions against Iran, the U.S. government effectively removed U.S. imposed restraints on dealings by non-U.S. companies, such as our Company, and individuals with these formerly targeted Iranian business sectors. Non-U.S. companies continue to be prohibited under U.S. sanctions from (i) knowingly engaging in conduct that seeks to evade U.S. restrictions on transactions or dealings with Iran or that causes the export of goods or services from the United States to Iran, (ii) exporting, reexporting or transferring to Iran any goods, technology, or services originally exported from the U.S. and / or subject to U.S. export jurisdiction and (iii) conducting transactions with the Iranian or Iran-related individuals and entities that remain or are placed in the future on OFAC's list of Specially Designated Nationals and Blocked Persons (SDN List), notwithstanding the lifting of secondary sanctions. The U.S. has the ability to reimpose sanctions against Iran, including if, in the future, Iran does not comply with its obligations under the nuclear agreement.

The U.S. government's primary Iran sanctions remain largely unchanged after Implementation Day and as a consequence, U.S. persons continue to be broadly prohibited from engaging in transactions or dealings in or with Iran or its government. In addition, U.S. persons continue to be broadly prohibited from engaging in transactions or dealings with the Government of Iran and Iranian financial institutions, which effectively impacts the transfer of funds to, from, or through the U.S. financial system whether denominated in US dollars or any other currency.

In 2017, 2016 and 2015, no vessels operated by us made any calls to ports in Cuba, Iran, Syria or Sudan. Certain vessels in our fleet, however, are operated by liner companies under long-term bareboat charters, pursuant to which the liner company does not notify us of its ports of call and controls all

aspects of these vessels' operation including technical management, manning with its own officers and crew as well as its ports of call, cargoes and routes within the limits set forth in the charters, which include compliance with applicable law. Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Company. Additionally, some investors may decide to divest their interest, or not to invest, in the Company simply because we do business with companies that do lawful business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. As a result of the lifting of U.S. secondary sanctions (and relevant EU sanctions) relating to Iran, we can anticipate that some of our charterers may direct our vessels to carry containers to or from Iran. This could have various effects on us, such as affecting our reputation and our relationships with our investors and financing sources, affecting the cost of our insurance with respect to such voyages, and potentially increase our exposure to foreign currency fluctuations. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.

A government of a ship's registry could requisition for title or seize our vessels. Requisition for title occurs when a government takes control of a ship and becomes the owner. Also, a government could requisition our containerships for hire. Requisition for hire occurs when a government takes control of a ship and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency. Government requisition of one or more of our vessels may negatively impact our revenues and results of operations.

Terrorist attacks and international hostilities could affect our results of operations and financial condition.

Terrorist attacks such as the attacks on the United States on September 11, 2001 and more recent attacks in other parts of the world, and the continuing response of the United States and other countries to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty in the world financial markets and may affect our business, results of operations and financial condition. Events in the Middle East and North Africa, including Egypt and Syria, and the conflicts in Iraq and Afghanistan may lead to additional acts of terrorism, regional conflict and other armed conflicts around the world, which may contribute to further economic instability in the global financial markets. These uncertainties could also adversely affect our ability to obtain additional financing on terms acceptable to us, or at all.

Terrorist attacks targeted at sea vessels, such as the October 2002 attack in Yemen on the VLCC Limburg, a ship not related to us, may in the future also negatively affect our operations and financial condition and directly impact our containerships or our customers. Future terrorist attacks could result in increased volatility of the financial markets in the United States and globally and could result in an economic recession affecting the United States or the entire world. Any of these occurrences could have a material adverse impact on our operating results, revenue and costs.

Changing economic, political and governmental conditions in the countries where we are engaged in business or where our vessels are registered could affect us. In addition, future hostilities or other political instability in regions where our vessels trade could also affect our trade patterns and adversely affect our operations and performance.

Acts of piracy on ocean-going vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in regions of the world such as the South China Sea and in the Gulf of Aden off the coast of Somalia. Despite leveling off somewhat in the last few years, the frequency of piracy incidents has increased significantly since 2008, particularly in the Gulf of Aden off the coast of Somalia. For example, in January 2010, the Maran Centaurus, a tanker vessel not affiliated with us, was captured by pirates in the Indian Ocean while carrying crude oil estimated to be worth $20 million, and was released in January 2010 upon a ransom payment of over $5 million. In addition, crew costs, including costs due to employing onboard security guards, could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on us. In addition, any detention or hijacking as a result of an act of piracy against our vessels, or an increase in cost, or unavailability, of insurance for our vessels, could have a material adverse impact on our business, financial condition, results of operations and ability to pay dividends.

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

Our vessels call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims or penalties which could have an adverse effect on our business, results of operations, cash flows and financial condition.

Risks inherent in the operation of ocean-going vessels could affect our business and reputation, which could adversely affect our expenses, net income and stock price.

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property losses or damage;
- business interruptions caused by mechanical failure, human error, war, terrorism, political action in various countries, or adverse weather conditions;
- work stoppages or other labor problems with crew members serving on our vessels, substantially all of whom are unionized and covered by collective bargaining agreements; and
- piracy.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. Any of these circumstances or events could increase our costs or lower our revenues, which could result in reduction in the market price of our shares of common stock. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

Our insurance may be insufficient to cover losses that may occur to our property or result from our operations due to the inherent operational risks of the shipping industry.

The operation of any vessel includes risks such as mechanical failure, collision, fire, contact with floating objects, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of a marine disaster, including oil spills and other environmental mishaps. There are also liabilities arising from owning and operating vessels in international trade. We procure insurance for our fleet against risks commonly insured against by vessel owners and operators. Our current insurance includes (i) hull and machinery insurance covering damage to our vessels' hull and machinery from, among other things, contact with fixed and floating objects, (ii) war risks insurance covering losses associated with the outbreak or escalation of hostilities and (iii) protection and indemnity insurance (which includes environmental damage and pollution insurance) covering third-party and crew liabilities such as expenses resulting from the injury or death of crew members, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels, damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs and (iv) loss of hire insurance for the *CSCL Pusan* and the *CSCL Le Havre*.

We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement vessel in the event of a loss. Under the terms of our credit facilities, we will be subject to restrictions on the use of any proceeds we may receive from claims under our insurance policies. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage for tort liability. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs.

In addition, we do not currently carry loss of hire insurance (other than for the *CSCL Pusan* and the *CSCL Le Havre* to satisfy our loan agreement requirements). Loss of hire insurance covers the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled drydocking due to damage to the vessel from accidents. Accordingly, any loss of a vessel or any extended period of vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends, if any, to our stockholders.

Maritime claimants could arrest our vessels, which could interrupt our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lien holder may enforce its lien by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of our vessels could interrupt our cash flows and require us to pay large sums of money to have the arrest lifted.

In addition, in some jurisdictions, such as South Africa, under the "sister ship" theory of liability, a claimant may arrest both the vessel that is subject to the claimant's maritime lien and any "associated" vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert "sister ship" liability against one vessel in our fleet for claims relating to another of our ships.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our fleet ages, we may incur increased costs. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. Cargo insurance rates also increase with the age of a vessel, making older vessels less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of a vessel may also require expenditures for alterations or the addition of new equipment to our vessels, and may restrict the type of activities in which our vessels may engage. Although our current fleet of 55 containerships had an average age (weighted by TEU capacity) of approximately 9.4 years as of February 28, 2018, we cannot assure you that, as our vessels age, market conditions will justify such expenditures or will enable us to profitably operate our vessels during the remainder of their expected useful lives.

Increased competition in technology and innovation could reduce our charter hire income and the value of our vessels.

The charter rates and the value and operational life of a vessel are determined by a number of factors, including the vessel's efficiency, operational flexibility and physical life. Efficiency includes speed and fuel economy. Flexibility includes the ability to enter harbors, utilize related docking facilities and pass through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations. If new ship designs currently promoted by shipyards as more fuel efficient perform as promoted or containerships are built that are more efficient or flexible or have longer physical lives than our vessels, competition from these more technologically advanced containerships could adversely affect the amount of charter-hire payments that we receive for our containerships once their current time charters expire and the resale value of our containerships. This could adversely affect our ability to service our debt or pay dividends, if any, to our stockholders.

We rely on our information systems to conduct our business, and failure to protect these systems against security breaches could adversely affect our business and results of operations. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

The efficient operation of our business is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyberterrorists. We rely on industry accepted security measures and technology to securely maintain confidential and proprietary information maintained on our information systems. However, these measures and technology may not adequately prevent security breaches. In addition, the unavailability of the information systems or the failure of these systems to perform as anticipated for any reason could disrupt our business and could result in decreased performance and increased operating costs, causing our business and results of operations to suffer. Any significant interruption or failure of our information systems or any significant breach of security could adversely affect our business, results of operations and financial condition, as well as our cash flows.

Compliance with safety and other requirements imposed by classification societies may be very costly and may adversely affect our business.

The hull and machinery of every commercial vessel must be classed by a classification society authorized by its country of registry. The classification society certifies that a vessel is safe and seaworthy in accordance with the applicable rules and regulations of the country of registry of the vessel and the Safety of Life at Sea Convention, and all vessels must be awarded ISM certification.

A vessel must undergo annual surveys, intermediate surveys and special surveys. In lieu of a special survey, a vessel's machinery may be on a continuous survey cycle, under which the machinery would be surveyed periodically over a five-year period. Each of the vessels in our fleet is on a special survey cycle for hull inspection and a continuous survey cycle for machinery inspection.

If any vessel does not maintain its class or fails any annual, intermediate or special survey, and/or loses its certification, the vessel will be unable to trade between ports and will be unemployable, and we could be in violation of certain covenants in our loan agreements. This would negatively impact our operating results and financial condition.

Our business depends upon certain employees who may not necessarily continue to work for us.

Our future success depends to a significant extent upon our chief executive officer, Dr. John Coustas, and certain members of our senior management and that of our manager. Dr. Coustas has substantial experience in the container shipping industry and has worked with us and our manager for many years. He and others employed by us and our manager are crucial to the execution of our business strategies and to the growth and development of our business. In addition, under the terms of the Bank Agreement, Dr. Coustas ceasing to serve as our Chief Executive Officer, absent a successor acceptable to our lenders, would constitute an event of default under these agreements. If these certain individuals were no longer to be affiliated with us or our manager, or if we were to otherwise cease to receive advisory services from them, we may be unable to recruit other employees with equivalent talent and experience, and our business and financial condition may suffer as a result.

The provisions in our restrictive covenant agreement with our chief executive officer restricting his ability to compete with us, like restrictive covenants generally, may not be enforceable and, subject to certain limitations, will not apply to vessels acquired during the period existing restrictions in our Bank Agreement apply in their current form and companies affiliated with our Chief Executive Officer, Dr. Coustas, may acquire vessels that compete with our fleet.

Dr. Coustas, our chief executive officer, has entered into a restrictive covenant agreement with us under which he is precluded during the term of our management agreement with our manager, Danaos Shipping, and for one year thereafter from owning and operating drybulk ships or containerships larger than 2,500 TEUs and from acquiring or investing in a business that owns or operates such vessels. Courts generally do not favor the enforcement of such restrictions, particularly when they involve individuals and could be construed as infringing on their ability to be employed or to earn a livelihood. Our ability to enforce these restrictions, should it ever become necessary, will depend upon the circumstances that exist at the time enforcement is sought. We cannot be assured that a court would enforce the restrictions as written by way of an injunction or that we could necessarily establish a case for damages as a result of a violation of the restrictive covenants.

In connection with our investment in Gemini in 2015, these restrictions were waived, with the approval of our independent directors, with respect to vessels acquired by Gemini. In addition, a committee of independent directors previously determined that the restrictions in the restrictive covenant agreement will not apply, subject to certain limitations, until certain restrictions in the Bank Agreement cease to apply in their current form. Consequently, companies, other than Gemini, that are affiliated with our Chief Executive Officer, Dr. John Coustas, may directly or indirectly acquire, own and operate, and Danaos Shipping, our manager, may manage, vessels that compete directly with ours, subject to a chartering priority in favor of our containerships of similar TEU capacity instituted to protect our containerships from competition for chartering opportunities. In addition, our manager would be permitted to manage any such vessels acquired by entities affiliated with Dr. Coustas and Dr. Coustas and our other executive officers would be permitted to provide services with respect to such vessels and the entities owning, operating and managing such vessels. In such cases, these entities

and individuals could compete with our fleet and may face conflicts between their own interests and their obligations to us, and such individuals may not devote all of their time to our business.

We depend on our manager to operate our business.

Pursuant to the management agreement and the individual ship management agreements, our manager and its affiliates provides us with technical, administrative and certain commercial services (including vessel maintenance, crewing, purchasing, shipyard supervision, insurance, assistance with regulatory compliance and financial services). Our operational success will depend significantly upon our manager's satisfactory performance of these services. Our business would be harmed if our manager failed to perform these services satisfactorily. In addition, if the management agreement were to be terminated or if its terms were to be altered, our business could be adversely affected, as we may not be able to immediately replace such services, and even if replacement services were immediately available, the terms offered could be less favorable than the ones currently offered by our manager. Our management agreement with any new manager may not be as favorable.

Our ability to compete for and enter into new time charters and to expand our relationships with our existing charterers depends largely on our relationship with our manager and its reputation and relationships in the shipping industry. If our manager suffers material damage to its reputation or relationships, it may harm our ability to:

- renew existing charters upon their expiration;
- obtain new charters;
- successfully interact with shipyards during periods of shipyard construction constraints;
- obtain financing on commercially acceptable terms or at all;
- maintain satisfactory relationships with our charterers and suppliers; or
- successfully execute our business strategies.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our business and affect our profitability.

Our manager is a privately held company and there is little or no publicly available information about it.

The ability of our manager to continue providing services for our benefit will depend in part on its own financial strength. Circumstances beyond our control could impair our manager's financial strength, and because it is a privately held company, information about its financial strength is not available. As a result, our stockholders might have little advance warning of problems affecting our manager, even though these problems could have a material adverse effect on us. As part of our reporting obligations as a public company, we will disclose information regarding our manager that has a material impact on us to the extent that we become aware of such information.

We are a Marshall Islands corporation, and the Marshall Islands does not have a well-developed body of corporate law.

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act, or BCA. The provisions of the BCA are similar to provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Republic of The Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the law of the Republic of The Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Stockholder rights may differ as well. While the BCA does

specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public stockholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a U.S. jurisdiction.

It may be difficult to enforce service of process and enforcement of judgments against us and our officers and directors.

We are a Marshall Islands corporation, and our registered office is located outside of the United States in the Marshall Islands. A majority of our directors and officers reside outside of the United States, and a substantial portion of our assets and the assets of our officers and directors are located outside of the United States. As a result, you may have difficulty serving legal process within the United States upon us or any of these persons. You may also have difficulty enforcing, both in and outside of the United States, judgments you may obtain in the U.S. courts against us or these persons in any action, including actions based upon the civil liability provisions of U.S. federal or state securities laws.

There is also substantial doubt that the courts of the Marshall Islands would enter judgments in original actions brought in those courts predicated on U.S. federal or state securities laws. Even if you were successful in bringing an action of this kind, the laws of the Marshall Islands may prevent or restrict you from enforcing a judgment against our assets or our directors and officers.

We maintain cash with a limited number of financial institutions including financial institutions that may be located in Greece, which will subject us to credit risk.

We maintain all of our cash with a limited number of financial institutions, including institutions that are located in Greece. These financial institutions located in Greece may be subsidiaries of international banks or Greek financial institutions. Economic conditions in Greece have been, and continue to be, severely disrupted and volatile, and as a result of sovereign weakness, Moody's Investor Services Inc. has downgraded the bank financial strength ratings, as well as the deposit and debt ratings, of several Greek banks to reflect their weakening stand-alone financial strength and the anticipated additional pressures stemming from the country's challenged economic prospects. In addition, in 2015, Greece implemented capital controls restricting the transfer of funds out of Greece, which could restrict our uses of the limited amount of cash we hold in Greece.

We do not expect that any of our balances held with Greek financial institutions will be covered by insurance in the event of default by these financial institutions. The occurrence of such a default could therefore have a material adverse effect on our business, financial condition, results of operations and cash flows. If we are unable to fund our capital expenditures, we may not be able to continue to operate some of our vessels, which would have a material adverse effect on our business.

Risks Relating to Our Common Stock

The market price of our common stock has fluctuated widely and the market price of our common stock may fluctuate in the future.

The market price of our common stock has fluctuated widely since our initial public offering in October 2006, reaching a high of $40.26 per share in 2007 and a low of $1.25 per share, most recently in February 2018, and may continue to do so as a result of many factors, including our actual results of operations and perceived prospects, the prospects of our competition and of the shipping industry in general and in particular the containership sector, differences between our actual financial and operating results and those expected by investors and analysts, changes in analysts' recommendations or projections, changes in general valuations for companies in the shipping industry, particularly the containership sector, changes in general economic or market conditions and broad market fluctuations.

If the market price of our common stock remains below $5.00 per share our stockholders will not be able to use such shares as collateral for borrowing in margin accounts. This inability to use shares of our common stock as collateral may depress demand and certain institutional investors are restricted from investing in shares priced below $5.00, which may also lead to sales of such shares creating downward pressure on and increased volatility in the market price of our common stock.

Future issuances of equity, including upon exercise of outstanding warrants, or equity- linked securities, or future sales of our common stock by existing stockholders, may result in significant dilution and adversely affect the market price of our common stock.

We issued 15 million warrants, for no additional consideration, to our existing lenders participating in the Bank Agreement covering our then existing credit facilities and certain new credit facilities, entitling such lenders to purchase, solely on a cashless exercise basis, additional shares of our common stock, at an initial exercise price of $7.00 per share. We have also agreed to register the warrants and underlying common stock for resale under the Securities Act, and have registered 8,044,176 warrants and underlying shares.

We may have to attempt to sell additional shares in the future to satisfy our capital and operating needs, however, under our debt agreements we are prohibited from using a significant portion of the proceeds from equity issuances for purposes other than the repayment of indebtedness. In addition, lenders may be unwilling to provide future financing or may provide future financing only on unfavorable terms. In light of the restrictions on our use of cash from operations, debt financings, equity proceeds and asset sales contained in our Bank Agreement governing our credit facilities, to finance further growth we would likely have to issue additional shares of common stock or other equity securities. If we sell shares in the future, the prices at which we sell these future shares will vary, and these variations may be significant. If made at currently prevailing prices, these sales would be significantly dilutive of existing stockholders.

Subsequent resales of substantial numbers of such shares in the public market, moreover, could adversely affect the market price of our shares. We filed with the SEC a shelf registration statements on Form F-3 registering under the Securities Act an aggregate of 88,222,555 shares of our common stock for resale on behalf of selling stockholders, including our executive officers, and granted registration rights in respect of additional shares of our common stock held by certain other investors in our August 2010 equity offering. In the aggregate these 98,372,555 registered shares represent approximately 89.6% of our outstanding shares of common stock as of February 28, 2018. These shares may be sold in registered transactions and may also be resold subject to the requirements of Rule 144 under the Securities Act. Sales or the possibility of sales of substantial amounts of our common stock by these shareholders in the public markets could adversely affect the market price of our common stock.

We cannot predict the effect that future sales of our common stock or other equity related securities would have on the market price of our common stock.

The Coustas Family Trust, our principal existing stockholder, controls the outcome of matters on which our stockholders are entitled to vote and its interests may be different from yours.

The Coustas Family Trust, under which our chief executive officer is a beneficiary, together with other members of the Coustas Family, owned approximately 61.8% of our outstanding common stock as of February 28, 2018. This stockholder is able to control the outcome of matters on which our stockholders are entitled to vote, including the election of our entire board of directors and other significant corporate actions. The interests of this stockholder may be different from yours. Under the terms of the Bank Agreement governing our credit facilities, Dr. Coustas, together with the Coustas

Family Trust and his family, ceasing to own over one-third of our outstanding common stock will constitute an event of default in certain circumstances.

We are a "controlled company" under the New York Stock Exchange rules, and as such we are entitled to exemptions from certain New York Stock Exchange corporate governance standards, and you may not have the same protections afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

We are a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. Under the New York Stock Exchange rules, a company of which more than 50% of the voting power is held by another company or group is a "controlled company" and may elect not to comply with certain New York Stock Exchange corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the nominating committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee's purpose and responsibilities and (4) the requirement of an annual performance evaluation of the nominating and corporate governance and compensation committees. We may utilize these exemptions, and currently a non-independent director serves on our compensation committee and on our nominating and corporate governance committee. As a result, non-independent directors, including members of our management who also serve on our board of directors, may serve on the compensation or the nominating and corporate governance committees of our board of directors which, among other things, fix the compensation of our management, make stock and option awards and resolve governance issues regarding us. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the New York Stock Exchange corporate governance requirements.

Anti-takeover provisions in our organizational documents could make it difficult for our stockholders to replace or remove our current board of directors or could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of the shares of our common stock.

Several provisions of our articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them from changing the composition of our management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions:

- authorize our board of directors to issue "blank check" preferred stock without stockholder approval;
- provide for a classified board of directors with staggered, three- year terms;
- prohibit cumulative voting in the election of directors;
- authorize the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66⅔% of the outstanding stock entitled to vote for those directors;
- prohibit stockholder action by written consent unless the written consent is signed by all stockholders entitled to vote on the action;
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings; and
- restrict business combinations with interested stockholders.

We have adopted a stockholder rights plan pursuant to which our board of directors may cause the substantial dilution of the holdings of any person that attempts to acquire us without the approval of our board of directors. In addition, our respective lenders under our existing credit facilities covered by the Bank Agreement for the restructuring thereof and the new credit facilities will be entitled to require us to repay in full amounts outstanding under such credit facilities, if Dr. Coustas ceases to be our Chief Executive Officer or, together with members of his family and trusts for the benefit thereof, ceases to collectively own over one-third of the voting interest in our outstanding capital stock or any other person or group controls more than 20.0% of the voting power of our outstanding capital stock.

These anti-takeover provisions, including the provisions of our stockholder rights plan, could substantially impede the ability of public stockholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

Tax Risks

We may have to pay tax on U.S.-source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, as amended, or the Code, 50% of the gross shipping income of a ship owning or chartering corporation, such as ourselves, that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States is characterized as U.S.-source shipping income and as such is subject to a 4% U.S. federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder.

We believe that we and our subsidiaries currently qualify for this statutory tax exemption and we currently intend to take that position for U.S. federal income tax reporting purposes. However, there are factual circumstances beyond our control that could cause us or our subsidiaries to fail to qualify for the benefit of this tax exemption and thus to be subject to U.S. federal income tax on U.S.-source shipping income. There can be no assurance that we or any of our subsidiaries will qualify for this tax exemption for any year. For example, even assuming, as we expect will be the case, that our shares are regularly and primarily traded on an established securities market in the United States, if shareholders each of whom owns, actually or under applicable attribution rules, 5% or more of our shares own, in the aggregate, 50% or more of our shares, then we and our subsidiaries will generally not be eligible for the Section 883 exemption unless we can establish, in accordance with specified ownership certification procedures, either (i) that a sufficient number of the shares in the closely-held block are owned, directly or under the applicable attribution rules, by "qualified shareholders" (generally, individuals resident in certain non-U.S. jurisdictions) so that the shares in the closely-held block that are not so owned could not constitute 50% or more of our shares for more than half of the days in the relevant tax year or (ii) that qualified shareholders owned more than 50% of our shares for at least half of the days in the relevant taxable year. There can be no assurance that we will be able to establish such ownership by qualified shareholders for any tax year.

If we or our subsidiaries are not entitled to the exemption under Section 883 for any taxable year, we or our subsidiaries would be subject for those years to a 4% U.S. federal income tax on our gross U.S. source shipping income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our stockholders. A number of our charters contain provisions that obligate the charterers to reimburse us for the 4% gross basis tax on our U.S. source shipping income.

If we were treated as a "passive foreign investment company," certain adverse U.S. federal income tax consequences could result to U.S. stockholders.

A foreign corporation will be treated as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes if at least 75% of its gross income for any taxable year consists of certain types of "passive income," or at least 50% of the average value of the corporation's assets produce or are held for the production of those types of "passive income." For purposes of these tests, "passive income" includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute "passive income." In general, U.S. stockholders of a PFIC are subject to a disadvantageous U.S. federal income tax regime with respect to the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC. If we are treated as a PFIC for any taxable year, we will provide information to U.S. stockholders to enable them to make certain elections to alleviate certain of the adverse U.S. federal income tax consequences that would arise as a result of holding an interest in a PFIC.

While there are legal uncertainties involved in this determination, including as a result of a decision of the United States Court of Appeals for the Fifth Circuit in *Tidewater Inc. and Subsidiaries v. United States*, 565 F.3d 299 (5th Cir. 2009) which held that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of the foreign sales corporation rules under the U.S. Internal Revenue Code, we believe we should not be treated as a PFIC for the taxable year ended December 31, 2017. However, if the principles of the *Tidewater* decision were applicable to our time charters, we would likely be treated as a PFIC. Moreover, there is no assurance that the nature of our assets, income and operations will not change or that we can avoid being treated as a PFIC for subsequent years.

If we became subject to Liberian taxation, the net income and cash flows of our Liberian subsidiaries and therefore our net income and cash flows, would be materially reduced.

A number of our subsidiaries are incorporated under the laws of the Republic of Liberia. The Republic of Liberia enacted a new income tax act effective as of January 1, 2001 (the "New Act") which does not distinguish between the taxation of "non-resident" Liberian corporations, such as our Liberian subsidiaries, which conduct no business in Liberia and were wholly exempt from taxation under the income tax law previously in effect since 1977, and "resident" Liberian corporations which conduct business in Liberia and are, and were under the prior law, subject to taxation.

The New Act was amended by the Consolidated Tax Amendments Act of 2011, which was published and became effective on November 1, 2011 (the "Amended Act"). The Amended Act specifically exempts from taxation non-resident Liberian corporations such as our Liberian subsidiaries that engage in international shipping (and are not engaged in shipping exclusively within Liberia) and that do not engage in other business or activities in Liberia other than those specifically enumerated in the Amended Act. In addition, the Amended Act made such exemption from taxation retroactive to the effective date of the New Act.

If, however, our Liberian subsidiaries were subject to Liberian income tax under the Amended Act, they would be subject to tax at a rate of 35% on their worldwide income. As a result, their, and subsequently our, net income and cash flows would be materially reduced. In addition, as the ultimate stockholder of the Liberian subsidiaries, we would be subject to Liberian withholding tax on dividends paid by our Liberian subsidiaries at rates ranging from 15% to 20%, which would limit our access to funds generated by the operations of our subsidiaries and further reduce our income and cash flows.

Item 4. Information on the Company

History and Development of the Company

Danaos Corporation is an international owner of containerships, chartering its vessels to many of the world's largest liner companies. We are a corporation domesticated in the Republic of The Marshall Islands on October 7, 2005, under the Marshall Islands Business Corporations Act, after having been incorporated as a Liberian company in 1998 in connection with the consolidation of our assets under Danaos Holdings Limited. In connection with our domestication in the Marshall Islands we changed our name from Danaos Holdings Limited to Danaos Corporation. Our manager, Danaos Shipping Company Limited, or Danaos Shipping, was founded by Dimitris Coustas in 1972 and since that time it has continuously provided seaborne transportation services under the management of the Coustas family. Dr. John Coustas, our chief executive officer, assumed responsibility for our management in 1987. Dr. Coustas has focused our business on chartering containerships to liner companies and has overseen the expansion of our fleet from three multi-purpose vessels in 1987 to the 55 containerships comprising our fleet as of February 28, 2018. In 2015, we formed a joint venture, Gemini Shipholdings Corporation, in which we have 49% minority equity interest, with our largest stockholder, Danaos Investments Limited as Trustee of the 883 Trust, which we refer to as the Coustas Family Trust, to acquire, own and operate containerships. As of February 28, 2018, Gemini had acquired a fleet of four containerships aggregating 23,998 TEU in capacity.

In October 2006, we completed an initial public offering of our common stock in the United States and our common stock began trading on the New York Stock Exchange. In August 2010, we completed a common stock sale of 54,054,055 shares for $200 million and in 2011 we issued warrants to purchase 15 million shares of our common stock.

Our company operates through a number of subsidiaries incorporated in Liberia, Cyprus, Malta and the Republic of the Marshall Islands, all of which are wholly-owned by us and either directly or indirectly owns the vessels in our fleet. A list of our active subsidiaries as of February 28, 2018, and their jurisdictions of incorporation, is set forth in Exhibit 8 to this Annual Report on Form 20-F.

Our principal executive offices are c/o Danaos Shipping Co. Ltd., Athens Branch, 14 Akti Kondyli, 185 45 Piraeus, Greece. Our telephone number at that address is +30 210 419 6480.

Business Overview

We are an international owner of containerships, chartering our vessels to many of the world's largest liner companies. As of February 28, 2018, we had a fleet of 55 containerships aggregating 327,616 TEUs, making us among the largest containership charter owners in the world, based on total TEU capacity. Gemini, in which we have a 49% minority equity interest, had a fleet of four containerships of 23,998 TEU aggregate capacity as of February 28, 2018.

Our strategy is to charter our containerships under multi-year, fixed-rate period charters to a diverse group of liner companies, including many of the largest companies globally, as measured by TEU capacity. As of February 28, 2018, these customers included CMA-CGM, Yang Ming, COSCO, Hyundai Merchant Marine, ZIM Israel Integrated Shipping Services, Nippon Yusen Kaisha Line (NYK), Hapag Lloyd, Maersk, Evergreen and MSC; and for Gemini, NYK, Hapag Lloyd and MOL.

Our Fleet

General

Danaos is one of the largest containership operating lessors in the world. Since going public in 2006, we have almost tripled our TEU carrying capacity. Today, our fleet includes some of the largest containerships in the world, which are designed with certain technological advances and customized modifications that make them efficient with respect to both voyage speed and loading capability when compared to many existing vessels operating in the containership sector. On January 8, 2016 we completed the sale of the vessel *Federal,* which was held for sale as of December 31, 2015.

We deploy our containership fleet principally under multi-year charters with major liner companies that operate regularly scheduled routes between large commercial ports, although in weaker containership charter markets such as is currently prevailing we charter more of our vessels on shorter term charters so as to be available to take advantage of any increase in charter rates. As of February 28, 2018, our containership fleet was comprised of fifty-one containerships deployed on time charters, twenty of which are scheduled to expire in 2018, and four containerships deployed on bareboat charters. The average age (weighted by TEU) of the 55 vessels in our containership fleet was approximately 9.4 years as of February 28, 2018. As of February 28, 2018, the average remaining duration of the charters for our containership fleet was 5.6 years (weighted by aggregate contracted charter hire).

Characteristics

The table below provides additional information, as of February 28, 2018, about our fleet of 55 cellular containerships and the four cellular containerships owned by Gemini, in which we have a 49% equity interest.

Vessel Name	Year Built	Vessel Size (TEU)	Initial Time Charter Term(1)	Expiration of Charter(1)	Charterer
MSC Ambition (ex Hyundai Ambition)	2012	13,100	12 years	June 2024	Hyundai
Maersk Exeter (ex Hyundai Speed)	2012	13,100	12 years	June 2024	Hyundai
Maersk Enping (ex Hyundai Smart)	2012	13,100	12 years	May 2024	Hyundai
Hyundai Respect (ex Hyundai Tenacity)(2)	2012	13,100	12 years	March 2024	Hyundai
Hyundai Honour (ex Hyundai Together)(2)	2012	13,100	12 years	February 2024	Hyundai
Express Rome	2011	10,100	1 year	January 2019	Hapag Lloyd
Express Berlin	2011	10,100	2 years	September 2019	Yang Ming
Express Athens	2011	10,100	1 year	February 2019	Hapag Lloyd
CSCL Le Havre	2006	9,580	12 years	September 2018	COSCO
CSCL Pusan	2006	9,580	12 years	July 2018	COSCO
CMA CGM Melisande	2012	8,530	12 years	November 2023	CMA-CGM
CMA CGM Attila	2011	8,530	12 years	April 2023	CMA-CGM
CMA CGM Tancredi	2011	8,530	12 years	May 2023	CMA-CGM
CMA CGM Bianca	2011	8,530	12 years	July 2023	CMA-CGM
CMA CGM Samson	2011	8,530	12 years	September 2023	CMA-CGM
CSCL America	2004	8,468	0.8 year	March 2018	COSCO
Europe	2004	8,468	0.8 year	January 2019	COSCO
CMA CGM Moliere	2009	6,500	12 years	August 2021	CMA-CGM
CMA CGM Musset	2010	6,500	12 years	February 2022	CMA-CGM
CMA CGM Nerval	2010	6,500	12 years	April 2022	CMA-CGM
CMA CGM Rabelais	2010	6,500	12 years	June 2022	CMA-CGM
CMA CGM Racine	2010	6,500	12 years	July 2022	CMA-CGM
Priority	2002	6,402	1 year	March 2018	NYK
Performance	2002	6,402	1 year	May 2018	CMA-CGM
YM Seattle	2007	4,253	12 years	July 2019	Yang Ming
YM Vancouver	2007	4,253	12 years	September 2019	Yang Ming
ZIM Rio Grande	2008	4,253	12 years	May 2020	ZIM
ZIM Sao Paolo	2008	4,253	12 years	August 2020	ZIM
ZIM Kingston (ex OOCL Istanbul)	2008	4,253	12 years	September 2020	ZIM
ZIM Monaco	2009	4,253	12 years	November 2020	ZIM
ZIM Dalian (ex OOCL Novorossiysk)	2009	4,253	12 years	February 2021	ZIM

Vessel Name	Year Built	Vessel Size (TEU)	Initial Time Charter Term(1)	Expiration of Charter(1)	Charterer
ZIM Luanda	2009	4,253	12 years	May 2021	ZIM
Derby D	2004	4,253	0.9 year	March 2019	CMA-CGM
Deva	2004	4,253	0.9 year	March 2019	CMA-CGM
Dimitris C	2001	3,430	0.8 year	March 2018	CMA-CGM
Express Black Sea	2011	3,400	0.7 year	March 2018	NYK
Express Spain	2011	3,400	1 year	November 2018	Maersk
Express Argentina	2010	3,400	0.5 year	March 2018	Maersk
Express Brazil	2010	3,400	1 year	September 2018	CMA-CGM
Express France	2010	3,400	1 year	October 2018	CMA-CGM
Singapore (ex YM Singapore)	2004	3,314	12 years	October 2019	Yang Ming
Colombo	2004	3,314	12 years	March 2019	Yang Ming
Danae C	2001	2,524	2 years	January 2020	Hapag Lloyd
MSC Zebra	2001	2,602	4 years	October 2018	MSC
Amalia C	1998	2,452	2 years	August 2019	Yang Ming
Advance (ex Hyundai Advance)	1997	2,200	1 year	June 2018	Yang Ming
Future (ex Hyundai Future)	1997	2,200	0.5 year	March 2018	Maersk
Sprinter (ex Hyundai Sprinter)	1997	2,200	0.5 year	October 2018	Evergreen
Stride (ex Hyundai Stride)	1997	2,200	0.3 year	July 2018	Maersk
Hyundai Progress	1998	2,200	10 years	March 2018	Hyundai
Bridge (ex Hyundai Bridge)	1998	2,200	0.4 year	July 2018	Yang Ming
Highway (ex Hyundai Highway)	1998	2,200	0.2 year	May 2018	COSCO
Vladivostok (ex Hyundai Vladivostok)	1997	2,200	0.4 year	April 2018	Maersk
			Gemini Vessels		
NYK Lodestar(3)	2001	6,422	2 years	March 2018	NYK
NYK Leo(3)	2002	6,422	3 years	February 2019	NYK
Suez Canal(3)(4)	2002	5,610	0.1 year	March 2018	MOL
Genoa(3)(4)	2002	5,544	1 year	June 2018	Hapag Lloyd
			Bareboat Charter Term(1)		
YM Mandate	2010	6,500	18 years	January 2028	Yang Ming
YM Maturity	2010	6,500	18 years	April 2028	Yang Ming

(1) Earliest date charters could expire. Most charters include options for the charterers to extend their terms.

(2) Vessels' time charters were changed to bareboat charters from May 2017 to May 2020.

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

(4) A subsidiary of Gemini holds a leasehold bareboat charter interest in such vessel, which was financed by and is subject to a capital lease pursuant to which such subsidiary will acquire all rights to such vessel at the end of such lease.

Gemini Shipholdings Corporation

On August 5, 2015, we entered into a Shareholders Agreement (the "Gemini Shareholders Agreement"), with Gemini Shipholdings Corporation ("Gemini") and Virage International Ltd.

("Virage"), a company controlled by our largest stockholder Danaos Investments Limited as Trustee of the 883 Trust, in connection with the formation of Gemini to acquire and operate containerships. We and Virage own 49% and 51%, respectively, of Gemini's issued and outstanding share capital. Under the Gemini Shareholders Agreement, we and Virage have preemptive rights with respect to issuances of Gemini capital stock as well as tag-along rights, drag-along rights and certain rights of first refusal with respect to proposed transfers of Gemini equity interests. In addition, certain actions by Gemini, including acquisitions or dispositions of vessels and newbuilding contracts, require the unanimous approval of the Gemini board of directors including the director designated by the Company, who is currently our Chief Operating Officer Iraklis Prokopakis. Mr. Prokopakis also serves as Chief Operating Officer of Gemini, and our Chief Financial Officer, Evangelos Chatzis, serves as Chief Financial Officer of Gemini, for which services Messrs. Prokopakis and Chatzis do not receive any additional compensation. We also have the right to purchase all of the equity interests in Gemini that we do not own for fair market value at any time after December 31, 2018, or earlier if permitted under our credit facilities, provided that such fair market value is not below the net book value of such equity interests.

Charterers

As the container shipping industry has grown, the major liner companies have increasingly contracted for containership capacity. As of February 28, 2018, our diverse group of customers in the containership sector included CMA-CGM, Yang Ming, COSCO, Hyundai Merchant Marine, ZIM Israel Integrated Shipping Services, Nippon Yusen Kaisha Line (NYK), Hapag Lloyd, Maersk, Evergreen and MSC. Gemini has chartered two of its containerships to NYK, one to MOL and one to Hapag Lloyd.

The containerships in our fleet are primarily deployed under multi-year, fixed-rate time charters having initial terms that range from less than one to 18 years. These charters expire at staggered dates ranging from March 2018 to the second quarter of 2028. The staggered expiration of the multi-year, fixed-rate charters for our vessels is both a strategy pursued by our management and a result of the growth in our fleet. Under our time charters, the charterer pays voyage expenses such as port, canal and fuel costs, other than brokerage and address commissions paid by us, and we pay for vessel operating expenses, which include crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs. We are also responsible for each vessel's intermediate and special survey costs.

Under the time charters, when a vessel is "off-hire" or not available for service, the charterer is generally not required to pay the hire rate, and we are responsible for all costs. A vessel generally will be deemed to be off-hire if there is an occurrence preventing the full working of the vessel due to, among other things, operational deficiencies, drydockings for repairs, maintenance or inspection, equipment breakdown, delays due to accidents, crewing strikes, labor boycotts, noncompliance with government water pollution regulations or alleged oil spills, arrests or seizures by creditors or our failure to maintain the vessel in compliance with required specifications and standards. In addition, under our time charters, if any vessel is off-hire for more than a certain amount of time (generally between 10-20 days), the charterer has a right to terminate the charter agreement for that vessel. Charterers may also have the right to terminate the time charters in various other circumstances, including but not limited to, outbreaks of war or a change in ownership of the vessel's owner or manager without the charterer's approval.

Management of Our Fleet

Our chief executive officer, chief operating officer, chief financial officer and deputy chief operating officer provide strategic management for our company while these officers also supervise, in conjunction with our board of directors, the management of these operations by Danaos Shipping, our manager. We have a management agreement pursuant to which our manager and its affiliates provide

us and our subsidiaries with technical, administrative and certain commercial services for an initial term that expired on December 31, 2008, with automatic one year renewals for an additional 12 years at our option. Our manager reports to us and our board of directors through our chief executive officer, chief operating officer and chief financial officer, each of which is appointed by our board of directors.

Our manager is regarded as an innovator in operational and technological aspects in the international shipping community. Danaos Shipping's strong technological capabilities derive from employing highly educated professionals, its participation and assumption of a leading role in European Community research projects related to shipping, and its close affiliation to Danaos Management Consultants, a leading ship-management software and services company.

Danaos Shipping achieved early ISM certification of its container fleet in 1995, well ahead of the deadline, and was the first Greek company to receive such certification from Det Norske Veritas, a leading classification society. In 2004, Danaos Shipping received the Lloyd's List Technical Innovation Award for advances in internet-based telecommunication methods for vessels. In 2015, Danaos Shipping received the Lloyd's List Intelligence Big Data Award for their "Waves" fleet performance system, which provides advanced performance monitoring, close bunkers control, emissions monitoring, energy management, safety performance monitoring, risk management and advance superintendence for the vessels.

Danaos Shipping maintains the quality of its service by controlling directly the selection and employment of seafarers through its crewing offices in Piraeus, Greece, Russia, as well as in Odessa and Mariupol in Ukraine and in Zanzibar, Tanzania and we assume directly all related crewing, technical and other costs in our operating expenses. Investments in new facilities in Greece by Danaos Shipping enable enhanced training of seafarers and highly reliable infrastructure and services to the vessels.

Danaos Shipping provides vessel management services to Gemini at the same rates we pay under our management agreement with Danaos Shipping. Historically, Danaos Shipping only infrequently managed vessels other than those in our fleet and currently it does not actively manage any other company's vessels, other than vessels owned by Gemini. Danaos Shipping also does not arrange the employment of other vessels and has agreed that, during the term of our management agreement, it will not provide any management services to any other entity without our prior written approval, other than with respect to other entities controlled by Dr. Coustas, our chief executive officer, which do not operate within the containership (larger than 2,500 TEUs) or drybulk sectors of the shipping industry or in the circumstances described below. In connection with our investment in Gemini in 2015, these restrictions were waived, with the approval of our independent directors, with respect to containerships acquired by Gemini. Other than with respect to Gemini, Dr. Coustas does not currently have an interest in any such vessel-owning entity. We believe we have and will derive significant benefits from our relationship with Danaos Shipping.

Dr. Coustas has also personally agreed to the same restrictions on the provision, directly or indirectly, of management services during the term of our management agreement. In addition, our chief executive officer (other than in his capacities with us) and our manager have separately agreed not, during the term of our management agreement and for one year thereafter, to engage, directly or indirectly, in (i) the ownership or operation of containerships of larger than 2,500 TEUs or (ii) the ownership or operation of any drybulk carriers or (iii) the acquisition of or investment in any business involved in the ownership or operation of containerships of larger than 2,500 TEUs or any drybulk carriers. Notwithstanding these restrictions, if our independent directors decline the opportunity to acquire any such containerships or to acquire or invest in any such business, our chief executive officer will have the right to make, directly or indirectly, any such acquisition or investment during the four-month period following such decision by our independent directors, so long as such acquisition or investment is made on terms no more favorable than those offered to us. In this case, our chief

executive officer and our manager will be permitted to provide management services to such vessels. In connection with our investment in Gemini in 2015, these restrictions were waived, with the approval of our independent directors, with respect to containerships acquired by Gemini. The arrangement approved by a committee of independent directors in 2014, described in "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—Non-Competition", which lifted these restrictions, subject to certain limitations, while the restrictions in our Bank Agreement continue to apply to us in their current form, also remains in effect.

Danaos Shipping provides us with administrative, technical and certain commercial management services under a management agreement whose initial term expired at the end of 2008. The management agreement automatically renews for a one-year period if we do not provide 12 months' notice of termination and the fees payable for each renewal period are adjusted by agreement between us and our manager. For 2018, our manager will receive the following fees (i) a daily management fee of $850, (ii) a daily vessel management fee of $425 for vessels on bareboat charter, pro rated for the number of calendar days we own each vessel, (iii) a daily vessel management fee of $850 for vessels on time charter, pro rated for the number of calendar days we own each vessel, (iv) a fee of 1.25% on all freight, charter hire, ballast bonus and demurrage for each vessel, (v) a fee of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts, and (vi) a flat fee of $725,000 per newbuilding vessel, if any, which is capitalized, for the on premises supervision of any newbuilding contracts by selected engineers and others of its staff. In addition, from January 1, 2013 to April 30, 2015, our Manager provided us with the services of our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Deputy Chief Operating Officer for an annual fee. We have directly employed our executive officers from May 1, 2015 onwards.

Competition

We operate in markets that are highly competitive and based primarily on supply and demand. Generally, we compete for charters based upon price, customer relationships, operating expertise, professional reputation and size, age and condition of the vessel. Competition for providing containership services comes from a number of experienced shipping companies. In the containership sector, these companies include Zodiac Maritime, Seaspan Corporation and Costamare Inc. A number of our competitors in the containership sector have been financed by the German KG (Kommanditgesellschaft) system, which was based on tax benefits provided to private investors. While the German tax law has been amended to significantly restrict the tax benefits available to taxpayers who invest in such entities after November 10, 2005, the tax benefits afforded to all investors in the KG-financed entities will continue to be significant and such entities may continue to be attractive investments. These tax benefits allow these KG-financed entities to be more flexible in offering lower charter rates to liner companies.

The containership sector of the international shipping industry is characterized by the significant time necessary to develop the operating expertise and professional reputation necessary to obtain and retain customers and, in the past, a relative scarcity of secondhand containerships, which necessitated reliance on newbuildings which can take a number of years to complete. We focus on larger TEU capacity containerships, which we believe have fared better than smaller vessels during global downturns in the containership sector. We believe larger containerships, even older containerships if well maintained, provide us with increased flexibility and more stable cash flows than smaller TEU capacity containerships.

Crewing and Employees

Since May 1, 2015, we have directly employed our Chief Executive Officer, our Chief Operating Officer, our Chief Financial Officer and our Deputy Chief Operating Officer, whose services had been provided to us under our Management Agreement with our Manager, Danaos Shipping, from

January 1, 2013 to April 30, 2015. As of December 31, 2017, 1,145 people served on board the vessels in our fleet and Danaos Shipping, our manager, employed 143 people, all of whom were shore-based. In addition, our manager is responsible for recruiting, either directly or through a crewing agent, the senior officers and all other crew members for our vessels and is reimbursed by us for all crew wages and other crew relating expenses. We believe the streamlining of crewing arrangements through our manager ensures that all of our vessels will be crewed with experienced crews that have the qualifications and licenses required by international regulations and shipping conventions.

Permits and Authorizations

We are required by various governmental and other agencies to obtain certain permits, licenses and certificates with respect to our vessels. The kinds of permits, licenses and certificates required by governmental and other agencies depend upon several factors, including the commodity being transported, the waters in which the vessel operates, the nationality of the vessel's crew and the age of a vessel. All permits, licenses and certificates currently required to permit our vessels to operate have been obtained. Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of doing business.

Inspection by Classification Societies

Every seagoing vessel must be "classed" by a classification society. The classification society certifies that the vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel's country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull and machinery, including the electrical plant, and any special equipment classed are required to be performed as follows:

Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable, on special equipment classed at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out on the ship's hull and machinery, including the electrical plant, and on any special equipment classed at the intervals indicated by the character of classification for the hull. During the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant an one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period is granted, a shipowner has the option of arranging with the classification society for the vessel's hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At an owner's application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

The following table lists the next drydockings scheduled for the vessels in our current containership fleet for the next years:

	2018	2019	2020	2021	2022
Number of vessels	14	6	12	9	10

* Does not include vessels under bareboat charters and the vessels owned by Gemini.

All areas subject to surveys as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are otherwise prescribed. The period between two subsequent surveys of each area must not exceed five years. Vessels under bareboat charter, such as the *YM Mandate*, *YM Maturity*, *Hyundai Respect* and *Hyundai Honour*, are drydocked by their charterers.

Most vessels are also drydocked every 30 to 36 months for inspection of their underwater parts and for repairs related to such inspections. If any defects are found, the classification surveyor will issue a "recommendation" which must be rectified by the ship-owner within prescribed time limits.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as "in class" by a classification society which is a member of the International Association of Classification Societies. All of our vessels are certified as being "in class" by Lloyd's Register of Shipping, Bureau Veritas, NKK, Det Norske Veritas & Germanischer Lloyd and the Korean Register of Shipping.

Risk of Loss and Liability Insurance

General

The operation of any vessel includes risks such as mechanical failure, collision, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, and the liabilities arising from owning and operating vessels in international trade. The U.S. Oil Pollution Act of 1990, or OPA 90, which imposes virtually unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for shipowners and operators trading in the United States market.

While we maintain hull and machinery insurance, war risks insurance, protection and indemnity coverage for our containership fleet in amounts that we believe to be prudent to cover normal risks in our operations, we may not be able to maintain this level of coverage throughout a vessel's useful life. Furthermore, while we believe that our insurance coverage will be adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates.

Dr. John Coustas, our chief executive officer, is the Deputy Chairman of the Board of Directors of The Swedish Club, our primary provider of insurance, including a substantial portion of our hull & machinery, war risk and protection and indemnity insurance.

Hull & Machinery, Loss of Hire and War Risks Insurance

We maintain marine hull and machinery and war risks insurance, which covers the risk of particular average, general average, 4/4ths collision liability, contact with fixed and floating objects (FFO) and actual or constructive total loss in accordance with the Nordic Plan for all of our vessels. Our vessels will each be covered up to at least their fair market value after meeting certain deductibles per incident per vessel.

We carried a minimum loss of hire coverage with respect to the *CSCL America* and the *Europe*, to cover standard requirements of KEXIM until the repayment of our loan in 2016. We also carry minimum loss of hire coverage for the *CSCL Pusan* and *CSCL Le Havre*, to cover standard requirements of KEXIM and ABN Amro, the banks providing financing for our acquisition of these vessels. We do not and will not obtain loss of hire insurance covering the loss of revenue during extended off-hire periods for the other vessels in our fleet, other than with respect to any period during which our vessels are detained due to incidents of piracy, because we believe that this type of coverage is not economical and is of limited value to us, in part because historically our fleet has had a limited number of off-hire days.

Protection and Indemnity Insurance

Protection and indemnity ("P&I") insurance provides insurance cover to its Members in respect of liabilities, costs or expenses incurred by them in their capacity as owner or operator of the respective entered ship and arising out of an event during the period of insurance as a direct consequence of the operation of the ship. This includes third-party liability, crew liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, and except where the cover is provided in the hull and machinery policy, also third-party claims arising from collision with other vessels and damage to other third-party property. Indemnity cover is also provided for liability for the discharge or escape of oil or other substance, or threat of escape of such substances. Other liabilities which include salvage, towing, wreck removal and an omnibus provision are also included. Our protection and indemnity insurance, is provided by mutual protection and indemnity associations, or P&I associations entered in the International Group of P&I Associations, who together provide poolable cover to almost unlimited capacity (about US$4.3 billion per event) except where otherwise limited by International Convention or the relevant domestic law.

Our protection and indemnity insurance coverage in accordance with the International Group of P&I Club Agreement for pollution will be US$1.0 billion per event. Our P&I Excess war risk coverage limit is US$500.0 million and in respect of certain war and terrorist risks the liabilities arising from Bio-Chemical etc., the limit is US$30.0 million. For passengers and seaman risks, the limit is US$3.0 billion, with a sub- limit of US$2.0 billion for passenger claims only. The thirteen P&I associations that comprise the International Group insure approximately 90% of the world's commercial blue-water tonnage and have entered into a pooling agreement to reinsure each association's liabilities. As a member of a P&I association, that is a member of the International Group, we will be subject to calls payable to the associations based inter-alia on the International Group's claim records, as well as the individual claims' records of all other members of the analogous individual associations and their performance. If our insurance providers are not able to obtain reinsurance for port calls in Iran, due to continuing U.S. primary sanctions applicable to U.S. persons facilitating transactions involving Iran, we may have to pay additional premiums with respect to any port calls that our charterers direct our vessels to make in Iran.

Environmental and Other Regulations

Government regulation significantly affects the ownership and operation of our vessels. They are subject to international conventions, national, state and local laws, regulations and standards in force in international waters and the countries in which our vessels may operate or are registered, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, wastewater discharges and ballast water management. These laws and regulations include OPA, the U.S. Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), the U.S. Clean Water Act, the International Convention for Prevention of Pollution from Ships, regulations adopted by the IMO and the European Union, various volatile organic compound air emission requirements and various Safety of Life at Sea

("SOLAS") amendments, as well as other regulations described below. Compliance with these laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities (U.S. Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry), charterers and, particularly, terminal operators. Certain of these entities require us to obtain permits, licenses, certificates and financial assurances for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or result in the temporary suspension of operation of one or more of our vessels.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements on all vessels and may accelerate the scrapping of older vessels throughout the industry. Increasing environmental concerns have created a demand for vessels that conform to the stricter environmental standards. We are required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with U.S. and international regulations. We believe that the operation of our vessels is in substantial compliance with applicable environmental laws and regulations. Because such laws and regulations are frequently changed and may impose increasingly stricter requirements, any future requirements may limit our ability to do business, increase our operating costs, force the early retirement of some of our vessels, and/or affect their resale value, all of which could have a material adverse effect on our financial condition and results of operations. In addition, a future serious marine incident that causes significant adverse environmental impact, such as the 2010 *Deepwater Horizon* oil spill, could result in additional legislation or regulation that could negatively affect our profitability.

Environmental Regulation—International Maritime Organization ("IMO")

Our vessels are subject to standards imposed by the IMO (the United Nations agency for maritime safety and the prevention of pollution by ships). The IMO has adopted regulations that are designed to reduce pollution in international waters, both from accidents and from routine operations. These regulations address oil discharges, ballasting and unloading operations, sewage, garbage, and air emissions. For example, Annex III of the International Convention for the Prevention of Pollution from Ships, or MARPOL, regulates the transportation of marine pollutants, and imposes standards on packing, marking, labeling, documentation, stowage, quantity limitations and pollution prevention. These requirements have been expanded by the International Maritime Dangerous Goods Code, which imposes additional standards for all aspects of the transportation of dangerous goods and marine pollutants by sea.

In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships to address air pollution from vessels. Annex VI, which came into effect on May 19, 2005, set limits on sulfur oxide ("SOx") and NOx emissions from vessels and prohibited deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also included a global cap on the sulfur content of fuel oil and allowed for special areas to be established with more stringent controls on sulfur emissions. Annex VI has been ratified by some, but not all IMO member states, including the Marshall Islands. Pursuant to a Marine Notice issued by the Marshall Islands Maritime Administrator as revised in March 2005, vessels flagged by the Marshall Islands that are subject to Annex VI must, if built before the effective date, obtain an International Air Pollution Prevention Certificate evidencing compliance with Annex VI by the first dry docking after May 19, 2005, but no later than May 19, 2008. All vessels subject to Annex VI and built after May 19, 2005 must also have this Certificate. We have obtained International Air Pollution Prevention certificates for all of our vessels. Amendments to Annex VI regarding particulate matter, NOx and SOx

emission standards entered into force in July 2010. The amendments provide for a progressive reduction in SOx emissions from ships, with the global sulfur cap reduced initially to 3.50% (from the current 4.50%), effective from January 1, 2012; then progressively to 0.50%, effective from January 1, 2020. The IMO confirmed in October 2016 that a global 0.5% sulfur cap on marine fuels will come into force on January 1, 2020, as agreed in amendments adopted in 2008 for Annex VI to MARPOL. Annex VI sets progressively stricter regulations to control sulfur oxides (SOx) and nitrous oxides (NOx) emissions from ships, which present both environmental and health risks. The 0.5% sulfur cap marks a significant reduction from the current global sulfur cap of 3.5%, which had been implemented since January 1, 2012. When the 2020 sulfur cap was decided upon in 2008, it was also agreed that a review should be undertaken to assess whether there was sufficient compliant fuel available to meet the 2020 date, failing which, the date could be deferred to 2025. That review was completed in July 2016 by a consortium of consultants led by CE Delft and submitted to the IMO's Marine Environment Protection Committee (MEPC) during their 70th session. The review concluded that sufficient compliant fuel would be available to meet the new requirement. However, there have been competing studies, that hold the opposing view that refining capacity will not be sufficient in 2020, with an estimated 60-70% additional sulfur plant capacity required by 2020. There have also been questions as to how the sulfur cap will be enforced, as it is up to individual parties to MARPOL to enforce fines and sanctions. The Annex VI amendments also establish tiers of stringent NOx emissions standards for new marine engines, depending on their dates of installation. The United States ratified the amendments, and all vessels subject to Annex VI must comply with the amended requirements when entering U.S. ports or operating in U.S. waters. Additionally, more stringent emission standards apply in coastal areas designated by MEPC as Emission Control Areas (ECAs). The North American ECA, which includes the area extending 200 nautical miles from the Atlantic/Gulf and Pacific Coasts of the United States and Canada, the Hawaiian Islands, and the French territories of St. Pierre and Miquelon, has been enforceable since August 1, 2012. The North Sea and Baltic Sea were designated ECAs in 2017, and are expected to take effect in 2021. Fuel used by vessels operating in the ECA cannot contain more than 1.0% sulfur, dropping to no more than 0.1% sulfur in 2015. NOx after- treatment requirements became effective in 2016. The U.S. Caribbean ECA, which includes the waters of Puerto Rico and the Virgin Islands, became enforceable on January 1, 2014. We may incur costs to install control equipment on our engines in order to comply with the new requirements. Other ECAs may be designated, and the jurisdictions in which our vessels operate may adopt more stringent emission standards independent of IMO.

The operation of our vessels is also affected by the requirements set forth in the IMO's International Management Code for the Safe Operation of Ships and Pollution Prevention, or the ISM Code, which was adopted in July 1998. The ISM Code requires shipowners and bareboat charterers to develop and maintain an extensive "Safety Management System" that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe operation and describing procedures for dealing with emergencies. The ISM Code requires that vessel operators obtain a Safety Management Certificate for each vessel they operate. This certificate evidences compliance by a vessel's management with code requirements for a Safety Management System. No vessel can obtain a certificate unless its operator has been awarded a document of compliance, issued by each flag state, under the ISM Code. The failure of a shipowner or bareboat charterer to comply with the ISM Code may subject such party to increased liability, decrease available insurance coverage for the affected vessels or result in a denial of access to, or detention in, certain ports. Currently, each of the vessels in our fleet is ISM code-certified. However, there can be no assurance that such certifications will be maintained indefinitely.

In 2001, the IMO adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage, or the Bunker Convention, which imposes strict liability on ship owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker oil. The Bunker Convention also requires registered owners of ships over a certain size to maintain insurance for pollution damage

in an amount equal to the limits of liability under the applicable national or international limitation regime (but not exceeding the amount calculated in accordance with the Convention on Limitation of Liability for Maritime Claims of 1976, as amended). The Bunker Convention entered into force on November 21, 2008. Our entire fleet has been issued a certificate attesting that insurance is in force in accordance with the insurance provisions of the Convention. In jurisdictions where the Bunkers Convention has not been adopted, such as the United States, various legislative schemes or common law govern, and liability is either strict or imposed on the basis of fault.

Environmental Regulation—The U.S. Oil Pollution Act of 1990 ("OPA")

OPA established an extensive regulatory and liability regime for the protection and cleanup of the environment from oil spills. It applies to discharges of any oil from a vessel, including discharges of fuel oil and lubricants. OPA affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters, which include the United States' territorial sea and its two hundred nautical mile exclusive economic zone. While we do not carry oil as cargo, we do carry fuel oil (or bunkers) in our vessels, making our vessels subject to the OPA requirements.

Under OPA, vessel owners, operators and bareboat charterers are "responsible parties" and are jointly, severally and strictly liable (unless the discharge of oil results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges of oil from their vessels. OPA defines these other damages broadly to include:

- natural resources damage and the costs of assessment thereof;
- real and personal property damage;
- net loss of taxes, royalties, rents, fees and other lost revenues;
- lost profits or impairment of earning capacity due to property or natural resources damage; and
- net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA preserves the right to recover damages under existing law, including maritime tort law.

OPA liability is limited to the greater of $1,100 per gross ton or $939,800 for non-tank vessels, subject to periodic adjustment by the U.S. Coast Guard (USCG). These limits of liability do not apply if an incident was directly caused by violation of applicable U.S. federal safety, construction or operating regulations or by a responsible party's gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

OPA requires owners and operators of vessels to establish and maintain with the USCG evidence of financial responsibility sufficient to meet their potential liabilities under the OPA. Under the regulations, vessel owners and operators may evidence their financial responsibility by providing proof of insurance, surety bond, self-insurance, or guaranty, and an owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessels in the fleet having the greatest maximum liability under OPA. Under the self-insurance provisions, the shipowner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility. We have complied with the USCG regulations by providing a financial guaranty in the required amount.

OPA specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessels owners' responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

We currently maintain, for each of our vessels, oil pollution liability coverage insurance in the amount of $1 billion per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks of fire and explosion. Given the relatively small amount of bunkers our vessels carry, we believe that a spill of oil from the vessels would not be catastrophic. However, under certain circumstances, fire and explosion could result in a catastrophic loss. While we believe that our present insurance coverage is adequate, not all risks can be insured, and there can be no guarantee that any specific claim will be paid, or that we will always be able to obtain adequate insurance coverage at reasonable rates. If the damages from a catastrophic spill exceeded our insurance coverage, it would have a severe effect on us and could possibly result in our insolvency.

In response to the BP Deepwater Horizon oil spill, a number of bills that could potentially increase or even eliminate the limits of liability under OPA have been introduced in the U.S. Congress. Compliance with any new OPA requirements could substantially impact our costs of operation or require us to incur additional expenses.

Title VII of the Coast Guard and Maritime Transportation Act of 2004, or the CGMTA, amended OPA to require the owner or operator of any non-tank vessel of 400 gross tons or more, that carries oil of any kind as a fuel for main propulsion, including bunkers, to have an approved response plan for each vessel. The vessel response plans include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or substantial threat of such a discharge of oil from the vessel due to operational activities or casualties. We have approved response plans for each of our vessels.

Environmental Regulation—CERCLA

CERCLA governs spills or releases of hazardous substances other than petroleum or petroleum products. The owner or operator of a ship, vehicle or facility from which there has been a release is liable without regard to fault for the release, and along with other specified parties may be jointly and severally liable for remedial costs. Costs recoverable under CERCLA include cleanup and removal costs, natural resource damages and governmental oversight costs. Liability under CERCLA is generally limited to the greater of $300 per gross ton or $0.5 million per vessel carrying non-hazardous substances ($5.0 million for vessels carrying hazardous substances), unless the incident is caused by gross negligence, willful misconduct or a violation of certain regulations, in which case liability is unlimited. The USCG's financial responsibility regulations under OPA also require vessels to provide evidence of financial responsibility for CERCLA liability in the amount of $300 per gross ton. As noted above, we have provided a financial guaranty in the required amount to the USCG.

Environmental Regulation—The Clean Water Act

The U.S. Clean Water Act, or CWA, prohibits the discharge of oil or hazardous substances in navigable waters and imposes strict liability in the form of penalties for any unauthorized discharges. The CWA also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under the more recent OPA and CERCLA, discussed above. Under U.S. Environmental Protection Agency, or EPA, regulations we are required to obtain a CWA permit regulating and authorizing any discharges of ballast water or other wastewaters incidental to our normal vessel operations if we operate within the three-mile territorial waters or inland waters of the United States. The permit, which EPA has designated as the Vessel General Permit for Discharges

Incidental to the Normal Operation of Vessels, or VGP, incorporated the then-current U.S. Coast Guard requirements for ballast water management, as well as supplemental ballast water requirements and limits for 26 other specific discharges. Regulated vessels cannot operate in U.S. waters unless they are covered by the VGP. To do so, vessel owners must submit a Notice of Intent, or NOI, at least 30 days before the vessel operates in U.S. waters. To comply with the VGP vessel owners and operators may have to install equipment on their vessels to treat ballast water before it is discharged or implement port facility disposal arrangements or procedures at potentially substantial cost. The VGP also requires states to certify the permit, and certain states have imposed more stringent discharge standards as a condition of their certification. Many of the VGP requirements have already been addressed in our vessels' current ISM Code SMS Plan. As part of a settlement of a lawsuit challenging the VGP, EPA issued a new VGP (2013 VGP) that became effective on December 19, 2013. The 2013 VGP contains numeric effluent limits for ballast water discharges that are expressed as maximum concentrations of living organisms per unit of ballast water volume discharged. These requirements correspond with the IMO's requirements under the International Convention for the Control and Management of Ships' Ballast Water and Sediments, or the BWM Convention, discussed below, and are consistent with the USCG's 2012 ballast water discharge standards described below. The 2013 VGP also includes additional management requirements for non-ballast water discharges and requires the submission of annual reports by all vessels covered by the 2013 VGP. EPA is implementing the 2013 VGP on a staggered basis, depending on the size of a vessel and its first drydocking between January 1, 2014 and January 1, 2016. Vessels that are constructed after December 1, 2013 are immediately subject to the requirements of the 2013 VGP. The ballast water management standards of the 2013 VGP were challenged by the Canadian Shipowners' Association in the U.S. Second Circuit Court of Appeals. The U.S. Second Circuit Court of Appeals ruled on October 5, 2015 that EPA had acted arbitrarily and capriciously with respect to certain of the ballast water provisions in the 2013 VGP. The Court remanded the issue to EPA to either justify its approach in the 2013 VGP or redraft the ballast water sections of the VGP consistent with the Court's ruling. In the meantime, the 2013 VGP will remain in effect. As of the date of this report, there are six USCG-approved ballast water management systems, and EPA has refused to extend or waive the date for compliance with the ballast water management requirements in the 2013 VGP. Instead, EPA will consider why a vessel does not have compliant ballast water management technology if it takes action to enforce the new requirements. We have submitted NOIs for all of our vessels that operate or potentially operate in U.S. waters and have submitted annual reports for all of our covered vessels.

Environmental Regulation—The Clean Air Act

The Federal Clean Air Act (CAA) requires the EPA to promulgate standards applicable to emissions of volatile organic compounds and other air contaminants. Our vessels are subject to CAA vapor control and recovery standards for cleaning fuel tanks and conducting other operations in regulated port areas and emissions standards for so-called "Category 3" marine diesel engines operating in U.S. waters. The marine diesel engine emission standards are currently limited to new engines beginning with the 2004 model year. However, on April 30, 2010, EPA adopted more stringent standards for emissions of particulate matter, sulfur oxides, and nitrogen oxides and other related provisions for new Category 3 marine diesel engines installed on vessels registered or flagged in the U.S. We may incur costs to install control equipment on our vessels to comply with the new standards. Several states regulate emissions from vessel vapor control and recovery operations under federally-approved State Implementation Plans. The California Air Resources Board has adopted clean fuel regulations applicable to all vessels sailing within 24 miles of the California coast whose itineraries call for them to enter any California ports, terminal facilities or internal or estuarine waters. Only marine gas oil or marine diesel oil fuels with 0.1% sulfur will be allowed. If new or more stringent requirements relating to marine fuels or emissions from marine diesel engines or port operations by

vessels are adopted by EPA or the states, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

Environmental Regulation—Other Environmental Initiatives

The EU has also adopted legislation that: requires member states to impose criminal sanctions for certain pollution events, such as the unauthorized discharge of tank washings. The European Parliament recently endorsed a European Commission proposal to criminalize certain pollution discharges from ships. If the proposal becomes formal EU law, it will affect the operation of vessels and the liability of owners for oil and other pollutant discharges. It is difficult to predict what legislation, if any, may be promulgated by the European Union or any other country or authority.

The Paris Memorandum of Understanding on Port State Control (Paris MoU) to which 27 nations are party adopted the "New Inspection Regime" (NIR) to replace the existing Port State Control system, effective January 1, 2011. The NIR is a significant departure from the previous system, as it is a risk based targeting mechanism that will reward quality vessels with a smaller inspection burden and subject high-risk ships to more in-depth and frequent inspections. The inspection record of a vessel, its age and type, the Voluntary IMO Member State Audit Scheme, and the performance of the flag State and recognized organizations are used to develop the risk profile of a vessel.

The U.S. National Invasive Species Act, or NISA, was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. Under NISA, the USCG adopted regulations in July 2004 imposing mandatory ballast water management practices for all vessels equipped with ballast water tanks entering U.S. waters. These requirements can be met by performing mid-ocean ballast exchange, by retaining ballast water on board the ship, or by using environmentally sound alternative ballast water management methods approved by the USCG. (However, mid-ocean ballast exchange is mandatory for ships heading to the Great Lakes or Hudson Bay, or vessels engaged in the foreign export of Alaskan North Slope crude oil.) Mid-ocean ballast exchange is the primary method for compliance with the USCG regulations, since holding ballast water can prevent ships from performing cargo operations upon arrival in the United States, and alternative methods are still under development. Vessels that are unable to conduct mid-ocean ballast exchange due to voyage or safety concerns may discharge minimum amounts of ballast water (in areas other than the Great Lakes and the Hudson River), provided that they comply with record keeping requirements and document the reasons they could not follow the required ballast water management requirements. On March 23, 2012 the USCG adopted ballast water discharge standards that set maximum acceptable discharge limits for living organisms and established standards for ballast water management systems. The regulations became effective on June 21, 2012 and were phased in between January 1, 2014 and January 1, 2016 for existing vessels, depending on the size of their ballast water tanks and their next drydocking date. As of the date of this report, the USCG has approved six Ballast Water Treatment Systems. Our fleet has obtained extensions for the vessels drydocked in 2017 and due for drydocking in 2018 which are deferred to their next scheduled dry-docking date. The Coast Guard has not issued extension letters to the vessels with compliance dates on or after January 1, 2019. Now that a type approved system is available, the status of these applications will be changed from "received" to "held in abeyance" since the application's original criteria are no longer valid. In order to receive approval for an extension, additional information must be submitted including appropriate documentation as to why compliance with the requirements is not possible.

Although the USCG ballast water management requirements are consistent with the requirements in EPA's 2013 VGP, the USCG intends to review the practicability of implementing even more stringent ballast water discharge standards. In the past absence of federal standards, states enacted legislation or regulations to address invasive species through ballast water and hull cleaning management and permitting requirements. Michigan's ballast water management legislation was upheld by the Sixth

Circuit Court of Appeals and California enacted legislation extending its ballast water management program to regulate the management of "hull fouling" organisms attached to vessels and adopted regulations limiting the number of organisms in ballast water discharges. Other states may proceed with the enactment of requirements similar to those of California and Michigan or the adoption of requirements that are more stringent than the EPA and USCG requirements. We could incur additional costs to comply with additional USCG or state ballast water management requirements.

At the international level, the IMO adopted the BWM Convention in February 2004. The Convention's implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention took effect on September 8, 2017. Many of the implementation dates originally contained in the BWM Convention had already passed prior to its effectiveness, so that the period for installation of mandatory ballast water exchange requirements would be very short, with several thousand ships per year needing to install the systems. Consequently, the IMO Assembly passed a resolution in December 2013 revising the dates for implementation of the ballast water management requirements so that they are triggered by the entry into force date. In effect, this makes all vessels constructed before September 8, 2017 "existing" vessels, allowing for the installation of ballast water management systems on such vessels at the first renewal IOPP survey following entry into force of the BWM Convention. In July 2017, the implementation scheme was further changed to require vessels with International Oil Pollution Prevention ("IOPP") certificates expiring between September 8, 2017 and September 8, 2019 to comply at their second IOPP renewal.

If the mid-ocean ballast exchange is made mandatory throughout the United States or at the international level, or if ballast water treatment requirements or options are instituted, the cost of compliance could increase for ocean carriers. Although we do not believe that the costs of compliance with a mandatory mid-ocean ballast exchange would be material, it is difficult to predict the overall impact of such a requirement on our business.

The 2005 Kyoto Protocol to the United Nations Framework Convention on Climate Change required adopting countries to implement national programs to reduce emissions of certain greenhouse gases, but emissions from international shipping are not subject to the soon to expire Kyoto Protocol. The Paris Agreement adopted under the United Nations Framework Convention on Climate Change in December 2015, contemplates commitments from each nation party thereto to take action to reduce greenhouse gas emissions and limit increases in global temperatures but did not include any restrictions or other measures specific to shipping emissions. However, restrictions on shipping emissions are likely to continue to be considered and a new treaty may be adopted in the future that includes restrictions on shipping emissions. The IMO's MEPC adopted two new sets of mandatory requirements to address greenhouse gas emissions from vessels at its July 2011 meeting. The EEDI establishes a minimum energy efficiency level per capacity mile and will be applicable to new vessels. The Ship Energy Efficiency Management Plan is applicable to currently operating vessels of 400 metric tons and above and we are in compliance. These requirements entered into force in January 2013 and could cause us to incur additional compliance costs in the future. The IMO is also considering the development of market based mechanisms to reduce greenhouse gas emissions from vessels, as well as sustainable development goals for marine transportation, but it is impossible to predict the likelihood that such measures might be adopted or their potential impacts on our operations at this time. In 2015, the EU adopted a regulation requiring large vessels (over 5,000 gross tons) calling at EU ports to monitor, report and verify their carbon dioxide emissions, which went into effect in January 2018. The U.S. EPA Administrator issued a finding that greenhouse gases threaten the public health and safety and has adopted regulations relating to the control of greenhouse gas emissions from certain mobile sources and proposed regulations that would restrict greenhouse gas emissions from certain large stationary sources. Although the EPA findings and regulations do not extend to vessels and vessel engines, the EPA is separately considering a petition from the California Attorney General and environmental

groups to regulate greenhouse gas emissions from ocean-going vessels under the CAA. Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU or individual countries in which we operate or any international treaty adopted to succeed the Kyoto Protocol could require us to make significant financial expenditures or otherwise limit our operations that we cannot predict with certainty at this time.

On June 29, 2017, the Global Industry Alliance, or the GIA, was officially inaugurated. The GIA is a program, under the Global Environmental Facility-United Nations Development Program- IMO project, which supports shipping, and related industries, as they move towards a low carbon future. Organizations including, but not limited to, shipowners, operators, classification societies, and oil companies, signed to launch the GIA.

In addition, the United States is currently experiencing changes in its environmental policy, the results of which have yet to be fully determined. For example, in April 2017, the U.S. President signed an executive order regarding the environment that targets the United States' offshore energy strategy, which affects parts of the maritime industry and may affect our business operations.

Vessel Security Regulations

Since the terrorist attacks of September 11, 2001, there have been a variety of initiatives intended to enhance vessel security. On November 25, 2002, the U.S. Maritime Transportation Security Act of 2002 (MTSA) came into effect. To implement certain portions of the MTSA, in July 2003, the U.S. Coast Guard issued regulations requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. The new chapter went into effect in July 2004, and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security (ISPS) Code.

The ISPS Code is designed to protect ports and international shipping against terrorism. To trade internationally a vessel must obtain an International Ship Security Certificate, or ISSC, from a recognized security organization approved by the vessel's flag state. To obtain an ISSC a vessel must meet certain requirements, including:

- on-board installation of automatic identification systems to enhance vessel-to-vessel and vessel-to-shore communications;
- on-board installation of ship security alert systems that do not sound on the vessel but alert the authorities on shore;
- the development of vessel security plans;
- identification numbers to be permanently marked on a vessel's hull;
- a continuous synopsis record to be maintained on board showing the vessel's history, including the vessel ownership, flag state registration, and port registrations; and
- compliance with flag state security certification requirements.

In addition, as of January 1, 2009, every company and/or registered owner is required to have an identification number which conforms to the IMO Unique Company and Registered Owner Identification Number Scheme. Our Manager has also complied with this amendment to SOLAS XI-1/3-1.

The U.S. Coast Guard regulations are intended to align with international maritime security standards and exempt non-U.S. vessels that have a valid ISSC attesting to the vessel's compliance with SOLAS security requirements and the ISPS Code from the requirement to have a U.S. Coast Guard

approved vessel security plan. We have implemented the various security measures addressed by the MTSA, SOLAS and the ISPS Code and have ensured that our vessels are compliant with all applicable security requirements. Our fleet, as part of our continuous improvement cycle, is reviewing vessels SSPs and is maintaining best Management practices during passage through security risk areas.

Seasonality

Our containerships primarily operate under multi-year charters and therefore are not subject to the effect of seasonal variations in demand.

Properties

We have no freehold or leasehold interest in any real property. We occupy space at 3, Christaki Kompou Street, Peters House, 3300, Limassol, Cyprus and 14 Akti Kondyli, 185-45 Piraeus, Greece that is owned by our manager, Danaos Shipping, and which is provided to us as part of the services we receive under our management agreement.

Item 4A. Unresolved Staff Comments

Not applicable.

Item 5. Operating and Financial Review and Prospects

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this annual report. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under "Item 3. Key Information—Risk Factors" and elsewhere in this annual report, our actual results may differ materially from those anticipated in these forward-looking statements.

Overview

Our business is to provide international seaborne transportation services by operating vessels in the containership sector of the shipping industry. As of February 28, 2018, we had a fleet of 55 containerships aggregating 327,616 TEU, making us among the largest containership charter owners in the world, based on total TEU capacity. Gemini, in which we hold a 49% minority equity interest, owned four additional containerships aggregating 23,998 TEU in capacity, as of February 28, 2018. We do not consolidate Gemini's results of operations and account for our minority equity interest under the equity method of accounting, which is recorded under "Equity income/(loss) on investments" in our consolidated statements of operations.

We primarily deploy our containerships on multi-year, fixed-rate charters to take advantage of the stable cash flows and high utilization rates typically associated with multi-year charters, although in weaker containership charter markets such as is currently prevailing we charter more of our vessels on shorter term charters so as to be able to take advantage of any increase in charter rates. As of February 28, 2018, fifty-one containerships in our fleet were employed on time charters, out of which twenty expire in 2018, and four containerships were employed on bareboat charters. Gemini has employed all of its containerships on time charters. Our containerships are generally employed on multi-year charters to large liner companies that charter-in vessels on a multi-year basis as part of their business strategies. As of February 28, 2018, our diverse group of customers in the containership sector included CMA-CGM, Yang Ming, COSCO, Hyundai Merchant Marine, ZIM Israel Integrated Shipping Services, Nippon Yusen Kaisha Line (NYK), Hapag Lloyd, Maersk, Evergreen and MSC; and for Gemini, NYK, Hapag Lloyd and MOL.

The average number of containerships in our fleet for the years ended December 31, 2017, 2016 and 2015 was 55.0, 55.0 and 56.0, respectively.

Our Manager

Our operations are managed by Danaos Shipping, our manager, under the supervision of our officers and our board of directors. We believe our manager has built a strong reputation in the shipping community by providing customized, high-quality operational services in an efficient manner for both new and older vessels. We have a management agreement pursuant to which our manager and its affiliates provide us and our subsidiaries with technical, administrative and certain commercial services. The initial term of this agreement expired on December 31, 2008, and the agreement now renews each year for a one-year term for the next 12 years thereafter unless we give a one-year notice of non-renewal (subject to certain termination rights described in "Item 7. Major Shareholders and Related Party Transactions"). Our manager is ultimately owned by Danaos Investments Limited as Trustee of the 883 Trust, which we refer to as the Coustas Family Trust. Danaos Investments Limited is the trustee of the Coustas Family Trust, of which Dr. Coustas and other members of the Coustas family are beneficiaries. The Coustas Family Trust is also our largest stockholder.

Hanjin Shipping

On September 1, 2016, Hanjin Shipping, a charterer of eight of our vessels under long term, fixed rate charter party agreements, referred to the Seoul Central District Court, which issued an order to commence the rehabilitation proceedings of Hanjin Shipping. Hanjin Shipping cancelled all eight of its charter party agreements with us, which represented approximately $560 million of our $2.8 billion of contracted revenue as of June 30, 2016, and returned each of the vessels to us. On February 17, 2017 the Seoul Central District Court (Bankruptcy Division), declared the bankruptcy of Hanjin Shipping, converting the rehabilitation proceeding to a bankruptcy proceeding. The Seoul Central District Court (Bankruptcy Division) appointed a bankruptcy trustee to dispose of Hanjin Shipping's remaining assets and distribute the proceeds from the sale of such assets to Hanjin Shipping's creditors according to their priorities. We rechartered all eight vessels on short-term charters at market rates in the prevailing weak containership charter market. As a result of these events, we ceased recognizing revenue from Hanjin Shipping effective from July 1, 2016 onwards and recognized a bad debt expense amounting to $15.8 million relating to unpaid charter hire recorded as accounts receivable as of June 30, 2016 in our consolidated statements of operations in the year ended December 31, 2016. We have an unsecured claim for unpaid charter hire, charges, expenses and loss of profit against Hanjin Shipping totaling $597.9 million submitted to the Seoul Central District Court.

As a result of a decrease in our operating income and the charter attached market value of certain of our vessels caused principally by the cancellation of our eight charters with Hanjin Shipping in 2016, as well as the decline in containership market conditions we were in breach of certain covenants in our Bank Agreement and other credit facilities as of December 31, 2017 and December 31, 2016. We have therefore classified our long-term debt, net of deferred finance costs in accordance with the guidance related to the classification of obligations that are callable by the lenders, as current as of December 31, 2017 and December 31, 2016. We are currently in discussions with our lenders regarding our non-compliance with these covenants and restructuring our debt, substantially all of which matures in 2018. See "—Liquidity and Capital Resources" and "—Going Concern."

Factors Affecting Our Results of Operations

Our financial results are largely driven by the following factors:

- *Number of Vessels in Our Fleet.* The number of vessels in our fleet, and their TEU capacity, is the primary factor in determining the level of our revenues. Aggregate expenses also increase as the size of our fleet increases. Vessel acquisitions and dispositions will have a direct impact on the number of vessels in our fleet. From time to time we have sold, generally older, vessels in our fleet. For example, in January 2016 we sold one of our older vessels, the *Federal.*
- *Charter Rates.* Aside from the number of vessels in our fleet, the charter rates we obtain for these vessels are the principal drivers of our revenues. Charter rates are based primarily on demand for capacity as well as the available supply of containership capacity at the time we enter into the charters for our vessels. As a result of macroeconomic conditions affecting trade flow between ports served by liner companies and economic conditions in the industries which use liner shipping services, charter rates can fluctuate significantly. Although the multi-year charters on which we deploy many of our containerships make us less susceptible to cyclical containership charter rates than vessels operated on shorter-term charters, we are exposed to varying charter rate environments when our chartering arrangements expire or we lose a charter such as occurred with the charter cancellations by Hanjin Shipping in 2016, and we seek to deploy our containerships under new charters. The staggered maturities of our containership charters also reduce our exposure to any stage in the shipping cycle. As of February 28, 2018, the charters for twenty of our existing vessels are scheduled to expire between March 2018 and

November 2018. With the prevailing low charter rate levels, we expect that we will have to re-charter many of these vessels at the existing low spot charter rates.

- *Utilization of Our Fleet.* Due to the multi-year charters under which they are often operated, our containerships have consistently been deployed at high levels of utilization. During 2017, our fleet utilization was 96.4% compared to 94.6% in 2016. Both years were affected by Hanjin Shipping's filing for receivership and cancellation of long term charters for eight of our vessels. In addition, the amount of time our vessels spend in drydock undergoing repairs or undergoing maintenance and upgrade work affects our results of operations. Historically, our fleet has had a limited number of off-hire days. For example, there were 684 total off-hire days for our entire fleet during 2017 other than for scheduled drydockings and special surveys and excluding laid up vessels compared to 1,005 total off-hire days for our entire fleet during 2016 other than for scheduled drydockings and special surveys and excluding laid up vessels. The off-hire days in 2017 and 2016 were mainly due to the redelivery of eight of our vessels in the second half of 2016 from Hanjin Shipping due to its filing for court receivership. An increase in annual off-hire days could reduce our utilization. The efficiency with which suitable employment is secured, the ability to minimize off-hire days and the amount of time spent positioning vessels also affects our results of operations. If the utilization patterns of our containership fleet changes our financial results would be affected.
- *Expenses.* Our ability to control our fixed and variable expenses, including those for commission expenses, crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses also affects our financial results. In addition, factors beyond our control, such as developments relating to market premiums for insurance and the value of the U.S. dollar compared to currencies in which certain of our expenses, primarily crew wages, are denominated can cause our vessel operating expenses to increase.

In addition to those factors described above affecting our operating results, our net income is significantly affected by our financing arrangements, including any interest rate swap arrangements, and, accordingly, prevailing interest rates and the interest rates and other financing terms we may obtain in the future.

The following table presents the contracted utilization of our operating fleet as of December 31, 2017.

	2018	2019 - 2020	2021 - 2022	2023 - 2027	2028	Total
Contracted revenue (in millions)(1)	$ 366.9	$ 593.4	$ 489.6	$ 284.7	$ 3.4	**$1,738.0**
Number of vessels whose charters are set to expire in the respective period(2)	24	12	7	10	2	**55**
TEUs on expiring charters in the respective period	108,138	57,322	41,006	108,150	13,000	**327,616**
Contracted Operating(3) days	13,527	17,818	11,103	7,071	127	**49,646**
Total Operating(3) days	19,805	39,749	39,765	97,701	16,803	**213,823**
Contracted Operating days/Total Operating days	68.3%	44.8%	27.9%	7.2%	0.8%	**23.2%**

(1) Annual revenue calculations are based on an assumed 364 revenue days per annum, based on contracted charter rates from our current charter agreements. Additionally, the revenues above reflect an estimate of off-hire days to perform periodic maintenance. If actual off-hire days are greater than estimated, these would decrease the level of revenues above. Although these revenues are based on contractual charter rates, any contract is subject to performance by our

counterparties and us. See "—Operating Revenues," including the contracted revenue table presented therein, for more information regarding our contracted revenues.

(2) Refers to the incremental number of vessels with charters expiring within the respective period.

(3) Operating days calculations are based on an assumed 364 operating days per annum. Additionally, the operating days above reflect an estimate of off-hire days to perform periodic maintenance. If actual off-hire days are greater than estimated, these would decrease the amount of operating days above.

Operating Revenues

Our operating revenues are driven primarily by the number of vessels in our fleet, the number of operating days during which our vessels generate revenues and the amount of daily charter hire that our vessels earn under time charters which, in turn, are affected by a number of factors, including our decisions relating to vessel acquisitions and dispositions, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend in drydock undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels and the levels of supply and demand in the containership charter market. Vessels operating in the spot market generate revenues that are less predictable but can allow increased profit margins to be captured during periods of improving charter rates.

Revenues from multi-year period charters comprised a substantial portion of our revenues for the years ended December 31, 2017, 2016 and 2015. The revenues relating to our multi-year charters will be affected by any additional vessels subject to multi-year charters we may acquire in the future, as well as by the disposition of any such vessel in our fleet. Our revenues will also be affected if any of our charterers cancel a multi-year charter or fail to perform at existing contracted rates. Our multi-year charter agreements have been contracted in varying rate environments and expire at different times. Generally, we do not employ our vessels under voyage charters under which a shipowner, in return for a fixed sum, agrees to transport cargo from one or more loading ports to one or more destinations and assumes all vessel operating costs and voyage expenses.

Our expected revenues as of December 31, 2017, based on contracted charter rates, from our charter arrangements for our containerships is shown in the table below. Although these expected revenues are based on contracted charter rates, any contract is subject to performance by the counterparties. If the charterers, some of which are currently facing substantial financial pressure, are unable or unwilling to make charter payments to us, our results of operations and financial condition will be materially adversely affected, as was the case with the cancellation of long-term, fixed rate charters for eight of our vessels by Hanjin Shipping in 2016. See "Item 3. Key Information—Risk Factors—We are dependent on the ability and willingness of our charterers to honor their commitments to us for all of our revenues and the failure of our counterparties to meet their obligations under our charter agreements could cause us to suffer losses or otherwise adversely affect our business."

Contracted Revenue from Multi-Year Charters as of December 31, 2017(1)
(Amounts in millions of U.S. dollars)

Number of Vessels	2018	2019 - 2020	2021 - 2022	2023 - 2027	2028	Total
55	$366.9	$593.4	$489.6	$284.7	$3.4	**$1,738.0**

(1) Annual revenue calculations are based on an assumed 364 revenue days per annum representing contracted revenues, based on contracted charter rates from our current charter agreements. Although these revenues are based on contractual charter rates, any contract is subject to performance by the counter parties and us. Additionally, the revenues above reflect an estimate of

off-hire days to perform periodic maintenance. If actual off-hire days are greater than estimated, these would decrease the level of revenues above.

Due to the Hanjin Shipping charter cancellations and weak charter market conditions we currently have twenty vessels employed on short term time charters in the spot market. Vessels operating in the spot market generate revenues that are less predictable than vessels on period charters, although this chartering strategy can enable vessel owners to capture increased profit margins during periods of improvements in charter rates. Deployment of vessels in the spot market creates exposure, however, to the risk of declining charter rates, as spot rates may be higher or lower than those rates at which a vessel could have been time chartered for a longer period.

Voyage Expenses

Voyage expenses include port and canal charges, bunker (fuel) expenses (bunker costs are normally covered by our charterers, except in certain cases such as vessel re-positioning), address commissions and brokerage commissions. Under time charters and bareboat charters, such as those on which we charter our containerships, the charterers bear the voyage expenses other than brokerage and address commissions and fees. As such, voyage expenses represent a relatively small portion of our vessels' overall expenses.

From time to time, in accordance with industry practice and in respect of the charters for our containerships we pay brokerage commissions of approximately 0.75% to 2.5% of the total daily charter hire rate under the charters to unaffiliated ship brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. We also pay address commissions of 1.25% up to 3.5% to a limited number of our charterers. Our manager will also receive a fee of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts. In 2017, 2016 and 2015 we paid a fee to our manager of 1.25% on all freight, charter hire, ballast bonus and demurrage for each vessel. In 2018, this fee will remain at 1.25%.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Aggregate expenses increase as the size of our fleet increases. Factors beyond our control, some of which may affect the shipping industry in general, including, for instance, developments relating to market premiums for insurance, may also cause these expenses to increase. In addition, a substantial portion of our vessel operating expenses, primarily crew wages, are in currencies other than the U.S. dollar and any gain or loss we incur as a result of the U.S. dollar fluctuating in value against these currencies is included in vessel operating expenses. We fund our manager in advance with amounts it will need to pay our fleet's vessel operating expenses.

Under time charters, such as those on which we charter all but four of the containerships in our fleet as of February 28, 2018, we pay for vessel operating expenses. Under bareboat charters, such as those on which we chartered the remaining four containerships in our fleet, our charterers bear substantially all vessel operating expenses, including the costs of crewing, insurance, surveys, drydockings, maintenance and repairs.

Amortization of Deferred Drydocking and Special Survey Costs

We follow the deferral method of accounting for special survey and drydocking costs, whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period until the next scheduled survey and drydocking, 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. The amortization periods reflect the estimated useful economic life of the deferred charge, which is the period between each special survey and drydocking.

Major overhaul performed during drydocking is differentiated from normal operating repairs and maintenance. The related costs for inspections that are required for the vessel's certification under the requirement of the classification society are categorized as drydock costs. A vessel at drydock performs certain assessments, inspections, refurbishments, replacements and alterations within a safe non-operational environment that allows for complete shutdown of certain machinery and equipment, navigational, ballast (keep the vessel upright) and safety systems, access to major underwater components of vessel (rudder, propeller, thrusters and anti-corrosion systems), which are not accessible during vessel operations, as well as hull treatment and paints. In addition, specialized equipment is required to access and maneuver vessel components, which are not available at regular ports.

Repairs and maintenance normally performed during operation either at port or at sea have the purpose of minimizing wear and tear to the vessel caused by a particular incident or normal wear and tear. Repair and maintenance costs are expensed as incurred.

Impairment Loss

There was no impairment loss as of December 31, 2017. We have recognized an impairment loss of $415.1 million in relation to 25 of our vessels as of December 31, 2016 compared to an impairment loss of $41.1 million in relation to 13 of our vessels as of December 31, 2015. The impairment loss as of December 31, 2016 was (i) due to the impairment loss of $205.2 million recognized for five 3,400 TEU vessels formerly chartered to Hanjin Shipping, and (ii) the impairment loss of $209.9 million recognized for 18 of our vessels of 4,300 TEU or less capacity and for two 6,400 TEU vessels as a result of the continued weakness of containership market and the other than temporary nature of the decline in these vessels' values. See "Critical Accounting Policies—Impairment of Long-lived Assets."

Depreciation

We depreciate our containerships on a straight-line basis over their estimated remaining useful economic lives. We estimated the useful lives of our containerships to be 30 years from the year built. Depreciation is based on cost, less the estimated scrap value of $300 per ton for all vessels.

General and Administrative Expenses

We paid our manager the following fees for 2017, 2016 and 2015: (i) a daily management fee of $850, (ii) a daily vessel management fee of $425 for vessels on bareboat charter, pro rated for the number of calendar days we own each vessel, (iii) a daily vessel management fee of $850 for vessels on time charter, pro rated for the number of calendar days we own each vessel and (iv) a fee of €0.5 million ($0.6 million) for the services of our executive officers for the period from January 1, 2015 to April 30, 2015, after which date we have directly employed our executive officers. Our executive officers received an aggregate of €1.5 million ($1.8 million), €1.5 million ($1.7 million) and €1.0 million ($1.1 million) in compensation for the years ended December 31, 2017, December 31, 2016 and for the period from May 1, 2015 to December 31, 2015, respectively.

For 2018, we will pay a fee of $850 per day, a fee of $425 per vessel per day for vessels on bareboat charter and a fee of $850 per vessel per day for vessels on time charter.

Furthermore, general and administrative expenses include audit fees, legal fees, board remuneration, executive officers compensation, directors & officers insurance, stock exchange fees and other general and administrative expenses.

Bad Debt Expense

At each balance sheet date, all potentially uncollectible accounts receivable are assessed individually for purposes of determining the appropriate provision for doubtful accounts based on our history of write-offs, level of past due accounts based on the contractual term of the receivables and current relationship with and economic status of our customers. We recorded bad debt expense of $15.8 million in the year ended December 31, 2016 related to unpaid charter hire recorded as accounts receivable from Hanjin Shipping prior to its filing for court receivership in September 2016. There were no bad debt expenses in the years ended December 31, 2017 and December 31, 2015.

Other Income/(Expenses), Net

In 2017, we recorded other expenses of $16.2 million mainly related to professional fees due to the refinancing discussions with our lenders of $14.3 million and a $2.4 million realized loss on sale of HMM securities. In 2016, we recorded other expenses of $41.6 million mainly consisting of $29.4 million impairment loss on ZIM securities and a $12.9 million loss on sale of HMM equity securities. In 2015, we recorded income of $0.1 million for various non-operating items.

Interest Expense, Interest Income and Other finance expenses

We have incurred interest expense on outstanding indebtedness under our credit facilities which we included in interest expense. We also incurred financing costs in connection with establishing those facilities, which is included in other finance expenses. Further, we earn interest on cash deposits in interest bearing accounts and on interest bearing securities, which we include in interest income. We will incur additional interest expense in the future on our outstanding borrowings and under future borrowings.

Unrealized Gain/(Loss) and Realized Loss on Derivatives

We currently have no outstanding interest rate swaps agreements. In the past years, we had interest rate swaps agreements generally based on the forecasted delivery of vessels we contracted for and our debt financing needs associated therewith. All changes in the fair value of our cash flow interest rate swap agreements were recorded in earnings under "Net Unrealized and Realized Losses on Derivatives". Recognition of non-cash fair value movements of our interest rate swaps directly in our earnings creates potential volatility in our reported earnings. We recorded in our earnings gross unrealized gains from changes in the fair value of the cash flow interest rate swaps of nil, $4.5 million and $48.9 million for the years ended December 31, 2017, 2016 and 2015, respectively.

We evaluated whether it is probable that the previously hedged forecasted interest payments prior to June 30, 2012 are probable to not occur in the originally specified time period. We have concluded that the previously hedged forecasted interest payments are probable of occurring. Therefore, unrealized gains or losses in accumulated other comprehensive loss associated with the previously designated cash flow interest rate swaps will remain frozen in accumulated other comprehensive loss and recognized in earnings when the interest payments will be recognized. If such interest payments were to be identified as being probable of not occurring, the accumulated other comprehensive loss balance pertaining to these amounts would be reversed through earnings immediately. We reclassified from Accumulated Other Comprehensive Loss to our earnings unrealized losses of $0.2 million and recognized accelerated amortization of accumulated other comprehensive loss of $7.7 million in connection with the impairment losses recognized on the respective vessels, resulting in net unrealized losses of $3.1 million for the year ended December 31, 2016. Additionally, an amount of $3.7 million, $4.0 million and $4.0 million was reclassified from Accumulated Other Comprehensive Loss into earnings for the years ended December 31, 2017, December 31, 2016 and December 31, 2015,

respectively, representing amortization of deferred realized losses on cash flow hedges over the depreciable life of the vessels.

As of December 31, 2016, all of our cash flow interest rate swap arrangements have expired.

Results of Operations

Year ended December 31, 2017 compared to the year ended December 31, 2016

During the years ended December 31, 2017 and December 31, 2016 we had an average of 55 containerships. Our fleet utilization in the year ended December 31, 2017 was 96.4%, while fleet utilization for the vessels under employment, excluding the off charter days of the vessels that were previously chartered to Hanjin, increased to 97.9% in the year ended December 31, 2017 compared to 97.3% in the year ended December 31, 2016.

Operating Revenues

Operating revenues decreased by 9.4%, or $46.6 million, to $451.7 million in the year ended December 31, 2017 from $498.3 million in the year ended December 31, 2016.

Operating revenues for the year ended December 31, 2017 reflect:

- $41.3 million decrease in revenues during the first half of the year due to loss of revenue from cancelled charters with Hanjin for eight of our vessels due to Hanjin's bankruptcy. These vessels were re-chartered at lower rates and in some cases experienced off hire time in the 2017 period.
- $11.2 million increase in revenues during the second half of 2017 due to the recorded charter income of $12.7 million from eight of our vessels previously chartered to Hanjin that earned operating revenues of $1.5 million during the second half of 2016.
- $15.5 million decrease in revenues in the year ended December 31, 2017 compared to the year ended December 31, 2016 due to the re-chartering of certain of our vessels at lower rates.
- $1.0 million decrease in revenues due to lower fleet utilization for vessels other than the eight vessels previously chartered to Hanjin in the year ended December 31, 2017 compared to the year ended December 31, 2016.

Voyage Expenses

Voyage expenses decreased by $1.3 million to $12.6 million in the year ended December 31, 2017 compared to $13.9 million in the year ended December 31, 2016. The decrease is mainly due to decreased commissions.

Vessel Operating Expenses

Vessel operating expenses decreased by 2.2%, or $2.4 million, to $107.0 million in the year ended December 31, 2017 from $109.4 million in the year ended December 31, 2016. The average daily operating cost per vessel for vessels on time charter was $5,661 per day for the year ended December 31, 2017 compared to $5,637 per day for the year ended December 31, 2016. Management believes that our daily operating cost ranks as one of the most competitive in the industry.

Depreciation

Depreciation expense decreased by 10.7%, or $13.8 million, to $115.2 million in the year ended December 31, 2017 from $129.0 million in the year ended December 31, 2016, mainly due to decreased depreciation expense for twenty-five vessels for which we recorded an impairment charge on December 31, 2016.

Amortization of Deferred Drydocking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs increased by $1.2 million, to $6.7 million in the year ended December 31, 2017 from $5.5 million in the year ended December 31, 2016. The increase was mainly due to the increased payments for dry-docking and special survey costs related to certain vessels over the last year.

General and Administrative Expenses

General and administrative expenses increased by $0.6 million, to $22.7 million in the year ended December 31, 2017, from $22.1 million in the year ended December 31, 2016.

Bad Debt Expense

Bad debt expense of $15.8 million in the year ended December 31, 2016 compared to nil in the year ended December 31, 2017 relates to receivables from Hanjin, which were written-off.

Impairment Loss

We have recognized an impairment loss of $415.1 million in relation to 25 of our vessels as of December 31, 2016 compared to nil in the year ended December 31, 2017.

Interest Expense, Interest Income and Other Finance Expenses

Interest expense increased by 4.3%, or $3.6 million, to $86.6 million in the year ended December 31, 2017 from $83.0 million in the year ended December 31, 2016. The increase in interest expense was mainly due to the increase in average cost of debt due to the increase in US$ Libor by about 50 bps between the two periods, which was partially offset by a decrease in our average debt by $243.1 million, to $2,409.1 million in the year ended December 31, 2017, from $2,652.2 million in the year ended December 31, 2016 and a $1.8 million decrease in the amortization of deferred finance costs.

As of December 31, 2017, the debt outstanding gross of deferred finance costs was $2,340.8 million compared to $2,527.3 million as of December 31, 2016.

Interest income increased by $0.9 million to $5.6 million in the year ended December 31, 2017 compared to $4.7 million in the year ended December 31, 2016. The increase was mainly attributed to the interest income recognized on HMM notes receivable.

Other finance expenses, net decreased by $0.8 million, to $4.1 million in the year ended December 31, 2017 from $4.9 million in the year ended December 31, 2016.

Equity loss on investments

Equity income on investments amounted to $1.0 million in the year ended December 31, 2017 compared to the equity loss on investments of $16.2 million (mainly attributed to our share of impairment loss for Gemini vessels amounting to $14.6 million) in the year ended December 31, 2016 and relates to the improved operating performance of Gemini, in which the Company has a 49% shareholding interest.

Unrealized Gain/(Loss) and Realized Loss on Derivatives

Unrealized loss on interest rate swaps amounted to nil in the year ended December 31, 2017 compared to a loss of $3.1 million in the year ended December 31, 2016. The unrealized loss in the year ended December 31, 2016 was attributable to the accelerated amortization of accumulated other

comprehensive loss of $7.7 million, which was partially offset by the unrealized gains of $4.6 million attributable to mark to market valuation of our swaps, which all expired by December 31, 2016.

Realized loss on interest rate swaps decreased to $3.7 million in the year ended December 31, 2017 from a loss of $9.4 million in the year ended December 31, 2016. This decrease is attributable to swap expirations. As of December 31, 2016, all of our interest rate swaps have expired.

The table below provides an analysis of the items discussed above, and which were recorded in the years ended December 31, 2017 and 2016:

	Year ended December 31, 2017	Year ended December 31, 2016
	(in millions)	
Cash flow interest rate swaps		
Realized losses expensed in consolidated Statements of Operations	—	$ (5.5)
Unrealized gains	—	4.3
Amortization of deferred realized losses	$(3.7)	(4.0)
Accelerated amortization of deferred realized losses	—	(7.7)
Unrealized and realized losses on cash flow interest rate swaps	**$(3.7)**	**$(12.9)**
Fair value interest rate swaps		
Unrealized losses on swap asset	—	$ (0.1)
Reclassification of fair value hedged debt to Statements of Operations	—	0.4
Realized gains	—	0.1
Unrealized and realized gains on fair value interest rate swaps	**—**	**$ 0.4**
Unrealized and realized losses on derivatives	**$(3.7)**	**$(12.5)**

Other income/(expenses), net

Other expenses, net amounted to $15.8 million related mainly to a $14.3 million increase in professional fees due to the refinancing discussions with our lenders and a $2.4 million realized loss on sale of HMM securities in the year ended December 31, 2017 compared to other expenses, net of $41.6 million mainly due to a $29.4 million impairment loss in Zim equity and debt securities and a $12.9 million loss on sale of HMM equity securities recognized in the year ended December 31, 2016.

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

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

Operating Revenues

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

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

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

Voyage Expenses

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

Vessel Operating Expenses

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

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

Depreciation

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

Amortization of Deferred Drydocking and Special Survey Costs

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

General and Administrative Expenses

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

Bad Debt Expense

Bad debt expense of $15.8 million in the year ended December 31, 2016 relates to unpaid charter hire recorded as accounts receivable from Hanjin Shipping prior to its bankruptcy, which were written-off. There were no bad debt expenses in the year ended December 31, 2015.

Impairment Loss

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

Interest Expense, Interest Income and Other Finance Expenses

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

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

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

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

Equity loss on investments

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

Unrealized Gain/(Loss) and Realized Loss on Derivatives

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

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

notional amount of swaps during the year ended December 31, 2016 compared to the year ended December 31, 2015 as a result of swap expirations.

The table below provides an analysis of the items discussed above, and which were recorded in the years ended December 31, 2016 and 2015:

	Year ended December 31, 2016	Year ended December 31, 2015
	(in millions)	
Cash flow interest rate swaps		
Realized losses expensed in consolidated Statements of Operations	$ (5.5)	$(52.7)
Unrealized gains	4.3	16.2
Amortization of deferred realized losses	(4.0)	(4.0)
Accelerated amortization of deferred realized losses	(7.7)	—
Unrealized and realized losses on cash flow interest rate swaps	**$(12.9)**	**$(40.5)**
Fair value interest rate swaps		
Unrealized losses on swap asset	$ (0.1)	$ (0.5)
Reclassification of fair value hedged debt to Statements of Operations	0.4	0.6
Realized gains	0.1	0.5
Unrealized and realized gains on fair value interest rate swaps	**$ 0.4**	**$ 0.6**
Unrealized and realized losses on derivatives	**$(12.5)**	**$(39.9)**

Other income/(expenses), net

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

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 and common stock sale in August 2010. 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.

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 debt repayment, with over $2.3 billion of debt scheduled to mature by December 2018, which we will need to refinance or restructure by then as discussed below.

We anticipate that our primary sources of funds will be cash from operations and equity or debt financings, subject to restrictions on uses of such funds contained in our Bank Agreement.

Under our existing multi-year charters as of December 31, 2017, we had contracted revenues of $366.9 million for 2018, $307.7 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. See "Risk Factors."

As of December 31, 2017, we had cash and cash equivalents of $66.9 million and restricted cash of $2.8 million. As of December 31, 2017, we had no remaining borrowing availability under our credit facilities. As of December 31, 2017, we had $2,340.8 million of outstanding indebtedness gross of deferred finance costs. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk."

The principal amount of our debt amounting to $2,258.7 million is due for repayment by December 31, 2018, which was not refinanced as of February 28, 2018. As a result of a decrease in our operating income and the charter attached market value of certain of our vessels caused principally by the cancellation of our eight charters with Hanjin Shipping in 2016, as well as the decline in containership market conditions we were in breach of certain covenants in our Bank Agreement and other credit facilities as of December 31, 2017 and December 31, 2016. We do not have sufficient cash or other resources, or the ability to obtain sufficient financing, to fund the December 2018 balloon payments under our debt agreements. We have been in extensive discussions with our lenders regarding restructuring our indebtedness, which substantially exceeds the current market value of our containerships and associated charters. We will need to reach an agreement with our lenders to restructure our debt by December 31, 2018 to avoid defaulting on our obligations thereunder, which would have a material adverse effect on our business operations, financial condition and liquidity. Any such agreement, or the failure to reach such an agreement, could involve proceedings under court-supervision and is likely to involve substantial losses and dilution to our stakeholders. (See discussion under "—Going Concern" and "—Credit Facilities" below).

Under the Bank Agreement, from May 15, 2013, we are required to apply a substantial portion of our cash from operations to the repayment of principal under our debt agreements. We currently expect that the remaining portion of our cash from operations will be sufficient to fund all of our other obligations, provided that our lenders do not exercise their right to accelerate the debt due to our non-compliance with the covenants in our debt agreements and our charter counterparties perform their contractual obligations, up to but excluding the maturity of our Bank Agreement and other credit facilities in 2018 which we will need to refinance or restructure as discussed above. See "—Going Concern" below. The Bank Agreement also contains requirements for the application of proceeds from any future vessel sales or financings, as well as other transactions. See "—Bank Agreement" and "—Credit Facilities" below.

Our board of directors determined in 2009 to suspend the payment of further cash dividends as a result of market conditions in the international shipping industry and in order to conserve cash to be applied toward the financing of our extensive new building program. In addition, under the Bank Agreement relating to our existing credit facilities and various new financing arrangements and the Sinosure-CEXIM credit facility, we are not permitted to pay cash dividends or repurchase shares of our capital stock unless (i) our consolidated net leverage is below 6:1 for four consecutive quarters and (ii) the ratio of the aggregate market value of our vessels to our outstanding indebtedness exceeds 125% for four consecutive quarters and provided that an event of default has not occurred and we are not, and after giving effect to the payment of the dividend, in breach of any covenant.

We will not receive any cash upon any exercise of the 15 million warrants to purchase shares of our common stock issued to our lenders participating in our comprehensive financing plan contemplated by our Bank Agreement described herein, as such 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 on substantially the same terms as the agreement in principle previously announced by ZIM in January 2014. The terms of the restructuring include 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 include 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. ZIM's charter-owner creditors designated two of the nine members of ZIM's initial Board of Directors following the restructuring, including one director nominated by us, Dimitris Chatzis, the father of our Chief Financial Officer.

In July 2016, we entered into a charter restructuring agreement with Hyundai Merchant Marine ("HMM") which provides for a 20% reduction, for the period until December 31, 2019 (or earlier charter expiration in the case of eight vessels), in the charter hire rates payable for thirteen of our vessels at that time 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. In 2017, we sold $13.0 million principal amount of unsecured Loan Notes 1.

Going Concern

The principal amount of our debt amounting to $2,258.7 million is due for repayment by December 31, 2018. Additionally, as a result of a decrease in our operating income and the charter attached market value of certain of our vessels caused principally by the cancellation of eight charters, in 2016, with Hanjin Shipping, which is currently under bankruptcy proceedings with the Seoul Central District Court, we were in breach of certain financial covenants under our Bank Agreement and our other credit facilities as of December 31, 2017 and December 31, 2016. Although none of our lenders have exercised their right to do so, as a result of these covenant breaches our lenders have the right to call the debt. Refer to Note 11 "Long-Term Debt, net" to our consolidated financial statements for further details. We have therefore classified our long-term debt, net of deferred finance costs as current, resulting in total current liabilities amounting to $2,379.8 million substantially exceeding our total current assets amounting to $126.0 million as of December 31, 2017. We are currently in discussions with our lenders regarding the non-compliance with these covenants and restructuring our indebtedness, substantially all of which matures in 2018. We will need to reach agreements with our lenders to restructure our debt by December 31, 2018 to avoid defaulting on such obligations, which would have a material adverse effect on our business operations, financial condition and liquidity. Any such agreement, or the failure to reach such an agreement, could involve proceedings under court-supervision. These conditions and events raise substantial doubt about our ability to continue as a going concern and the ability to meet our obligations as they become due within one year after these consolidated financial statements are issued.

The consolidated financial statements included in this report were prepared assuming that we will continue as a going concern based on our intention to complete the restructuring of our debt before December 31, 2018. Until an agreement with our lenders is reached and completed, there will be substantial doubt over our ability to continue as a going concern. In the meantime, we continue to generate positive cash flows from our operations and currently have sufficient liquidity to service all our operational obligations as well as all scheduled principal amortization and interest payments under the

original terms of our debt agreements leading up to, but not including, the December 31, 2018 maturity date, and assuming none of our lenders exercise their right to call the debt prior to its scheduled maturity. Therefore, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities, other than the reclassification of long-term debt to current liabilities as described above, or any other adjustments that might result in the event we are unable to continue as a going concern.

Cash Flows

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
		(In thousands)	
Net cash provided by operating activities	$ 181,073	$ 261,967	$ 271,676
Net cash provided by/(used in) investing activities	$ 1,758	$ (9,379)	$ (13,292)
Net cash used in financing activities	$(189,653)	$(251,124)	$(243,861)

Net Cash Provided by Operating Activities

Net cash flows provided by operating activities decreased by 30.9%, or $80.9 million, to $181.1 million in the year ended December 31, 2017 compared to $262.0 million in the year ended December 31, 2016. The decrease was the result of a decrease of $46.6 million in operating revenue, a $26.5 million change in working capital (mainly due to $38.1 million cash proceeds from sale of HMM securities in the year ended December 31, 2016), a $14.1 million increase in other expenses mainly due to refinancing-related professional fees and a $3.7 million increase in net finance costs, which were partially offset by a reduction in realized losses from derivatives by $5.4 million, a $3.1 million decrease in operating expenses and lower payments for drydocking and special survey costs by $1.5 million in the year ended December 31, 2017 compared to the year ended December 31, 2016.

Net cash flows provided by operating activities decreased by 3.6%, or $9.7 million, to $262.0 million in the year ended December 31, 2016 compared to $271.7 million in the year ended December 31, 2015. The decrease was primarily the result of a decrease of $69.6 million in operating revenue, higher payments for drydocking and special survey costs by $6.6 million and a change in working capital of $21.2 million, which were partially offset by a decrease in realized losses from derivatives of $46.7 million, cash proceeds from sale of HMM securities of $38.1 million and a decrease in total expense of $2.1 million in the year ended December 31, 2016 compared to the year ended December 31, 2015.

Net Cash Provided by/(Used in) Investing Activities

Net cash flows provided by/(used in) investing activities increased by $11.2 million, to $1.8 million provided by investing activities in the year ended December 31, 2017 compared to $9.4 million used in investing activities in the year ended December 31, 2016. The increase reflects mainly $6.2 million of net proceeds from sale of securities in the year ended December 31, 2017 compared to $5.1 million net proceeds from sale of vessels in the year ended December 31, 2016 and nil cash used for investments in affiliates in the year ended December 31, 2017 compared to $10.0 million cash used for investments in affiliates in the year ended December 31, 2016.

Net cash flows used in investing activities decreased by $3.9 million, to $9.4 million in the year ended December 31, 2016 compared to $13.3 million in the year ended December 31, 2015. The difference is attributed to a $3.2 million decrease in cash used in investments in affiliates and $4.1 million increase in net proceeds from sale of vessels, which were partially offset by an $3.4 million

increase in amounts used in vessel additions and other related capital expenditures in the year ended December 31, 2016 compared to the year ended December 31, 2015.

Net Cash Used in Financing Activities

Net cash flows used in financing activities decreased by $61.4 million, to $189.7 million in the year ended December 31, 2017 compared to $251.1 million in the year ended December 31, 2016, as a result of a decrease in repayments of long-term debt.

Net cash flows used in financing activities increased by $7.2 million, to $251.1 million in the year ended December 31, 2016 compared to $243.9 million in the year ended December 31, 2015, as a result of a $7.9 million increase in repayments of long-term debt, which amounted to $251.1 million in the year ended December 31, 2016 compared to $243.2 million in the year ended December 31, 2015. Additionally, the increase was partially offset by a $0.7 million decrease in deferred finance costs.

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 deferred 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 deferred finance costs and finance costs accrued, impairment losses, stock based compensation, (gain)/loss on sale of vessels, unrealized (gain)/loss on derivatives, realized loss on derivatives, bad debt expense, refinancing professional fees, loss on sale of securities and accelerated amortization of accumulated other comprehensive loss. 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.

Net Income/(loss) Reconciliation to EBITDA and Adjusted EBITDA

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
		(In thousands)	
Net income/(loss)	$ 83,905	$(366,195)	$117,016
Depreciation	115,228	129,045	131,783
Amortization of deferred drydocking & special survey costs	6,748	5,528	3,845
Amortization of deferred realized losses of cash flow interest rate swaps	3,694	4,028	4,017
Amortization of finance costs	11,153	12,652	14,038
Finance costs accrued (Exit Fees under our Bank Agreement)	3,169	3,447	3,639
Interest income	(5,576)	(4,682)	(3,419)
Interest expense	75,403	70,314	70,397
EBITDA	**293,724**	**(145,863)**	**341,316**
(Gain)/loss on sale of vessels	—	36	—
Refinancing professional fees	14,297	—	—
Loss on sale of securities	2,357	12,906	—
Impairment loss	—	415,118	41,080
Impairment loss on securities	—	29,384	—
Impairment loss component of equity loss on investments	—	14,642	—
Bad debt expense	—	15,834	—
Accelerated amortization of accumulated other comprehensive loss	—	7,706	—
Stock based compensation	—	76	88
Realized loss on derivatives	—	5,397	52,125
Unrealized gain on derivatives	—	(4,649)	(16,285)
Adjusted EBITDA	**$310,378**	**$ 350,587**	**$418,324**

EBITDA increased by $439.6 million, to $293.7 million in the year ended December 31, 2017, from $(145.9) million in the year ended December 31, 2016. The increase was attributable to a decrease in impairment losses by $459.1 million, a $15.8 million decrease in bad debt expense, a $10.5 million decrease in loss on sale of securities, a $8.5 million decrease in unrealized and realized losses on derivatives, a $3.1 million decrease in operating expenses, an $2.6 million operating performance improvement on equity investments and a $0.7 million decrease in other expenses in the year ended December 31, 2017 compared to the year ended December 31, 2016. This increase was partially offset by a $46.6 million decrease in operating revenues and an $14.1 million increase in other expenses mainly due to refinancing professional fees in the year ended December 31, 2017 compared to the year ended December 31, 2016.

Adjusted EBITDA decreased by $40.2 million, to $310.4 million in the year ended December 31, 2017 from $350.6 million in the year ended December 31, 2016. The decrease was attributable to a $46.6 million decrease in operating revenues, which was partially offset by a $3.1 million decrease in operating expenses, a $2.6 million operating performance improvement on equity investments and a $0.7 million decrease in other expenses in the year ended December 31, 2017 compared to the year ended December 31, 2016.

EBITDA decreased by $487.2 million, to $(145.9) million in the year ended December 31, 2016, from $341.3 million in the year ended December 31, 2015. The decrease was mainly attributable to an increase in impairment losses by $418.1 million, a $69.6 million decrease in operating revenues, an $15.8 million increase in bad debt expense and an $12.9 million increase in loss on sale of securities in the year ended December 31, 2016 compared to the year ended December 31, 2015. This decrease was partially offset by a $27.4 million decrease in unrealized and realized losses on derivatives, a $2.1 million decrease in total expenses and a $0.3 million operating performance improvement on equity investments before impairment loss in the year ended December 31, 2016 compared to the year ended December 31, 2015.

Adjusted EBITDA decreased by $67.7 million, to $350.6 million in the year ended December 31, 2016 from $418.3 million in the year ended December 31, 2015. The decrease was attributed to a $69.6 million decrease in operating revenues, which was partially offset by a $2.1 million decrease in total expenses and a $0.3 million operating performance improvement on equity investments before impairment loss in the year ended December 31, 2016 compared to the year ended December 31, 2015.

Bank Agreement

As noted above, on January 24, 2011, we entered into an agreement, which is referred to as the Bank Agreement, that, upon its effectiveness on March 4, 2011, superseded, amended and supplemented the terms of each of our then- existing credit facilities (“pre-existing Credit Facilities”) (other than our credit facilities with KEXIM and KEXIM-ABN Amro which are not covered thereby), and provides for, among other things, revised amortization schedules, maturities, interest rates, financial covenants, events of defaults, guarantee and security packages. As of February 28, 2018, we have not yet refinanced $2.1 billion of our debt falling due on December 31, 2018. Additionally, as of December 31, 2017 and December 31, 2016, we were in breach of the minimum security cover, consolidated net leverage and consolidated net worth financial covenants of the Bank Agreement. As a result of these covenant breaches, the lenders have the right to call our debt. For additional details, please see Note 11, Long-term Debt, to our consolidated financial statements included elsewhere herein.

Interest

Under the terms of the Bank Agreement, borrowings under each of our pre-existing Credit Facilities, which excludes the KEXIM-ABN Amro credit facility, which is not covered by the Bank Agreement, bears interest at an annual interest rate of LIBOR plus a margin of 1.85%.

Scheduled Principal Payments

Under the terms of the Bank Agreement we are required to make quarterly principal payments in fixed amounts, in relation to our total debt commitments from our lenders under the Bank Agreement

and the January 2011 Credit Facilities (see "January 2011 Credit Facilities" below), as specified in the table below (in thousands):

	February 15,	May 15,	August 15,	November 15,	December 31,	Total
2018	$32,586	$37,589	$44,403	$45,337	$2,055,295	**$2,215,210**

* These principal payments represent originally scheduled maturities and assume debt will not be called by the lenders earlier due to the breaches of financial covenants. The Company may elect to make the scheduled payments shown in the above table three months earlier.

Furthermore, an additional variable payment in such amount that, together with the fixed principal payment (as disclosed above), equals 92.5% of Actual Free Cash Flow for such quarter until the earlier of (x) the date on which our consolidated net leverage is below 6:1 and (y) May 15, 2015; and thereafter through maturity, which will be December 31, 2018 for each covered credit facility, we will be required to make quarterly principal payments in fixed amounts as specified in the Bank Agreement and described above plus an additional payment in such amount that, together with the fixed principal payment, equals 89.5% of Actual Free Cash Flow for such quarter. In addition, any additional amounts of cash and cash equivalents from January 1, 2015 until maturity in excess of the greater of (1) $50 million of accumulated unrestricted cash and cash equivalents and (2) 2% of our consolidated debt), would be applied first to the prepayment of the January 2011 Credit Facilities and after the January 2011 Credit Facilities are repaid, to the pre-existing Credit Facilities. Under the Bank Agreement, "Actual Free Cash Flow" with respect to each credit facility covered thereby would be equal to revenue from the vessels collateralizing such facility, less the sum of (a) interest expense under such credit facility, (b) pro-rata portion of payments under our interest rate swap arrangements and (c) per vessel operating expenses and pro-rata per vessel allocation of general and administrative expenses (which are not permitted to exceed the relevant budget by more than 20%), plus the pro-rata share of operating cash flow of any Applicable Second Lien Vessel (which will mean, with respect to a pre-existing Credit Facility, a vessel with respect to which the participating lenders under such credit facility have a second lien security interest and the first lien credit facility has been repaid in full). The last payment due on December 31, 2018, will also include the unamortized remaining principal debt balances, as such amounts will be determinable following the fixed and variable amortization.

Under the terms of the Bank Agreement, we will continue to be required to make any mandatory prepayments provided for under the terms of our existing credit facilities and will be required to make additional prepayments as follows:

- 50% of the first $300 million of net equity proceeds, including convertible debt and hybrid instruments (excluding the $200 million of net equity proceeds which were a condition to the Bank Agreement and which were received in August 2010), after entering into the Bank Agreement and 25% of any additional net equity proceeds thereafter until December 31, 2018; and
- any debt proceeds (after repayment of any underlying secured debt covered by vessels collateralizing the new borrowings) (excluding the January 2011 Credit Facilities, the Sinosure-CEXIM Credit Facility and the Hyundai Samho Vendor Financing), which amounts would first be applied to repayment of amounts outstanding under the January 2011 Credit Facilities and then to the pre- existing Credit Facilities.

Any equity proceeds retained by us and not used within 12 months for certain specified purposes would be applied for prepayment of the January 2011 Credit Facilities and then to the pre-existing Credit Facilities. We would also be required to prepay the portion of a credit facility attributable to a particular vessel upon the sale or total loss of such vessel; the termination or loss of an existing charter for a vessel, unless replaced within a specified period by a similar charter acceptable to the lenders; or

the termination of a newbuilding contract. Our respective lenders under our pre-existing Credit Facilities covered by the Bank Agreement and the January 2011 Credit Facilities may, at their option, require us to repay in full amounts outstanding under such respective credit facilities, upon a "Change of Control" of the Company, which for these purposes is defined as (i) Dr. Coustas ceasing to be our Chief Executive Officer, (ii) our common stock ceasing to be listed on the NYSE (or other recognized stock exchange), (iii) a change in the ultimate beneficial ownership of the capital stock of any of our subsidiaries or ultimate control of the voting rights of those shares, (iv) Dr. Coustas and members of his family ceasing to collectively own over one-third of the voting interest in our outstanding capital stock or (v) any other person or group controlling more than 20% of the voting power of our outstanding capital stock.

Covenants and Events of Defaults

Under the Bank Agreement, the financial covenants under each of our credit facilities (other than under the KEXIM-ABN Amro credit facility which is not covered thereby, but which, respectively, has been aligned with those covenants below through November 20, 2018 (the maturity of the respective credit facility) under the supplemental letter signed on September 12, 2013, amendment thereto and the KEXIM credit facility, which contains only a collateral coverage covenant of 130%), have been reset to require us to:

- maintain a ratio of (i) the market value of all of the vessels in our fleet, on a charter-inclusive basis, plus the net realizable value of any additional collateral, to (ii) our consolidated total debt above specified minimum levels gradually increasing from 90% through December 31, 2011 to 130% from September 30, 2017 through September 30, 2018;
- maintain a minimum ratio of (i) the market value of the nine vessels (*Maersk Enping (ex Hyundai Smart), Maersk Exeter (ex Hyundai Speed), MSC Ambition (ex Hyundai Ambition), Hyundai Honour (ex Hyundai Together), Hyundai Respect (ex Hyundai Tenacity), Express Athens, Express Rome, Express Berlin* and the *CMA CGM Rabelais*) collateralizing the 2011 January Credit Facilities, calculated on a charter-free basis, plus the net realizable value of any additional collateral, to (ii) our aggregate debt outstanding under the January 2011 Credit Facilities of 100% from September 30, 2012 through September 30, 2018;
- maintain minimum free consolidated unrestricted cash and cash equivalents, less the amount of the aggregate variable principal amortization amounts, described above, of $30.0 million at the end of each calendar quarter;
- ensure that our (i) consolidated total debt less unrestricted cash and cash equivalents to (ii) consolidated EBITDA (defined as net income before interest, gains or losses under any hedging arrangements, tax, depreciation, amortization and any other non-cash item, capital gains or losses realized from the sale of any vessel, finance charges and capital losses on vessel cancellations and before any non-recurring items and excluding any accrued interest due to us but not received on or before the end of the relevant period; provided that non-recurring items excluded from this calculation shall not exceed 5% of EBITDA calculated in this manner) for the last twelve months does not exceed a maximum ratio gradually decreasing from 12:1 on December 31, 2010 to 4.75:1 on September 30, 2018;
- ensure that the ratio of our (i) consolidated EBITDA for the last twelve months to (ii) net interest expense (defined as interest expense (excluding capitalized interest), less interest income, less realized gains on interest rate swaps (excluding capitalized gains) and plus realized losses on interest rate swaps (excluding capitalized losses)) exceeds a minimum level of 1.50:1 through September 30, 2013 and thereafter gradually increasing to 2.80:1 by September 30, 2018; and

- maintain a consolidated market value adjusted net worth (defined as the amount by which our total consolidated assets adjusted for the market value of our vessels in the water less cash and cash equivalents in excess of our debt service requirements exceeds our total consolidated liabilities after excluding the net asset or liability relating to the fair value of derivatives as reflected in our financial statements for the relevant period) of at least $400 million.

As a result of a decrease in our operating income and a related decrease in charter attached market value of certain of our vessels caused mainly by the loss of contractual revenue from Hanjin Shipping in 2016, we were in breach of the minimum security cover, consolidated net leverage and consolidated net worth financial covenants related to our loan facilities as of December 31, 2017 and December 31, 2016. Although none of our lenders have exercised their right to do so, as a result of these covenant breaches, our lenders have the right to call the debt. We have therefore classified our long-term debt, net of deferred finance costs as current as of December 31, 2017 and December 31, 2016.

For the purpose of these covenants, the market value of our vessels will be calculated, except as otherwise indicated above, on a charter-inclusive basis (using the present value of the "bareboat-equivalent" time charter income from such charter) so long as a vessel's charter has a remaining duration at the time of valuation of more than 12 months plus the present value of the residual value of the relevant vessel (generally equivalent to the charter free value of an equivalent a vessel today at the age such vessel would be at the expiration of the existing time charter). The market value of any newbuilding vessels would equal the lesser of such amount and the newbuilding vessel's book value.

Under the terms of the Bank Agreement, the covered credit facilities also contain customary events of default, including those relating to cross-defaults to other indebtedness, defaults under our swap agreements, non-compliance with security documents, material adverse changes to our business, a Change of Control as described above, a change in our Chief Executive Officer, our common stock ceasing to be listed on the NYSE (or another recognized stock exchange), a change in any material respect, or breach of the management agreement by, the manager for the vessels securing the respective credit facilities and cancellation or amendment of the time charters (unless replaced with a similar time charter with a charterer acceptable to the lenders) for the vessels securing the respective credit facilities.

Under the terms of the Bank Agreement, we generally will not be permitted to incur any further financial indebtedness or provide any new liens or security interests, unless such security is provided for the equal and ratable benefit of each of the lenders party to the intercreditor agreement we entered into with each of the lenders participating under the Bank Agreement, other than security arising by operation of law or in connection with the refinancing of outstanding indebtedness, with the consent, not to be unreasonably withheld, of all lenders with a lien on the security pledged against such outstanding indebtedness. In addition, we would not be permitted to pay cash dividends or repurchase shares of our capital stock unless (i) our consolidated net leverage is below 6:1 for four consecutive quarters and (ii) the ratio of the aggregate market value of our vessels to our outstanding indebtedness exceeds 125% for four consecutive quarters and provided that an event of default has not occurred and we are not, and after giving effect to the payment of the dividend, in breach of any covenant.

Collateral and Guarantees

Each of our pre-existing Credit Facilities and swap arrangements, to the extent applicable, covered by the Bank Agreement continued to be secured by their previous collateral on the same basis, and received, to the extent not previously provided, pledges of the shares of our subsidiaries owning the vessels collateralizing the applicable facilities, cross-guarantees from each subsidiary owning the vessels collateralizing such facilities, assignment of the refund guarantees in relation to any newbuildings funded by such facilities and other customary shipping industry collateral.

January 2011 Credit Facilities (HSH Nordbank—Aegean Baltic Bank—Piraeus Bank, RBS, ABN Amro Club facility, Club Facility and Citibank-Eurobank)

On January 24, 2011, as contemplated by the Bank Agreement, we entered into agreements for the following new term loan credit facilities ("January 2011 Credit Facilities") to finance newbuildings which were delivered in 2011 and 2012:

(i) a $123.8 million credit facility provided by HSH, which is secured by the *Maersk Exeter (ex Hyundai Speed)*, the *Express Rome* and the *CMA CGM Rabelais* and customary shipping industry collateral related thereto;

(ii) a $100.0 million credit facility provided by RBS, which is secured by the *Maersk Enping (ex Hyundai Smart)* and the *Express Berlin* and customary shipping industry collateral related thereto;

(iii) a $37.1 million credit facility with ABN Amro and lenders participating under the Bank Agreement which is secured by the *Express Athens* and customary shipping industry collateral related thereto;

(iv) a $83.9 million new club credit facility provided, on a pro- rata basis, by the other existing lenders participating under the Bank Agreement, which is secured by the *Hyundai Honour (ex Hyundai Together)* and *Hyundai Respect (ex Hyundai Tenacity)* and customary shipping industry collateral related thereto. This facility was fully repaid in the year ended December 31, 2017; and

(v) a $80.0 million credit facility with Citibank and Eurobank, which is secured by the *MSC Ambition (ex Hyundai Ambition)* and customary shipping industry collateral related thereto ((i)-(v), collectively, the "New Credit Facilities").

Interest

Borrowings under each of the January 2011 Credit Facilities bear interest at an annual interest rate of LIBOR plus a margin of 1.85%, subject, on and after January 1, 2013, to increases in the applicable margin to: (i) 2.50% if the outstanding indebtedness thereunder exceeds $276 million, (ii) 3.00% if the outstanding indebtedness thereunder exceeds $326 million and (iii) 3.50% if the outstanding indebtedness thereunder exceeds $376 million.

Principal Payments

Under the Bank Agreement, we were not required to repay any outstanding principal amounts under our January 2011 Credit Facilities until May 15, 2013 and thereafter we are required to make quarterly principal payments in fixed amounts as specified in the Bank Agreement plus an additional quarterly variable amortization payment, all as described above under "—Bank Agreement—Principal Payments."

Covenants, Events of Default and Other Terms

The January 2011 Credit Facilities contain substantially the same financial and operating covenants, events of default, dividend restrictions and other terms and conditions as applicable to our pre-existing Credit Facilities as revised under the Bank Agreement described above.

Collateral and Guarantees

Lenders participating in the $83.9 million club credit facility described above received a lien on *Hyundai Honour (ex Hyundai Together)* and *Hyundai Respect (ex Hyundai Tenacity)* as additional security in respect of the pre-existing credit facilities the Company had with such lenders. The lenders under

the other January 2011 Credit Facilities also received a lien on the respective vessels securing such January 2011 Credit Facilities as additional collateral in respect of its pre-existing credit facilities and interest rate swap arrangements with such lenders and Citibank and Eurobank also received a second lien on *MSC Ambition (ex Hyundai Ambition)* as collateral in respect of its previously unsecured interest rate arrangements with them.

In addition, HSH Nordbank—Aegean Baltic—Piraeus Bank also received a second lien on the *Deva*, the *Europe* and the *CSCL Pusan* as collateral in respect of all borrowings from HSH Nordbank—Aegean Baltic—Piraeus Bank. RBS also received a second lien on the *Derby D,* the *CSCL America* and the *CSCL Le Havre* as collateral in respect of all borrowings from RBS. In 2016, following the repayment of the KEXIM loan, the second lien on the *CSCL America* became a first lien on RBS loan and the second lien on the *Europe* became a first lien on HSH Nordbank—Aegean Baltic—Piraeus Bank loan.

Our obligations under the January 2011 Credit Facilities are guaranteed by our subsidiaries owning the vessels collateralizing the respective credit facilities. Our Manager has also provided an undertaking to continue to provide us with management services and to subordinate its rights to the rights of its lenders, the security trustee and applicable hedge counterparties.

Sinosure-CEXIM-Citibank-ABN Amro Credit Facility

On February 21, 2011, we entered into a bank agreement with Citibank, acting as agent, ABN Amro and the Export-Import Bank of China ("CEXIM") for a senior secured credit facility (the "Sinosure-CEXIM Credit Facility") of $203.4 million for the newbuilding vessels, the *CMA CGM Tancredi*, the *CMA CGM Bianca* and the *CMA CGM Samson*, securing such tranche for post-delivery financing of these vessels. We took delivery of the respective vessels in 2011. The China Export & Credit Insurance Corporation, or Sinosure, covers a number of political and commercial risks associated with each tranche of the credit facility.

Principal and Interest Payments

Borrowings under the Sinosure-CEXIM Credit Facility bear interest at an annual interest rate of LIBOR plus a margin of 2.85% payable semi-annually in arrears. We are required to repay principal amounts drawn in consecutive semi-annual installments over a ten-year period commencing from the delivery of the respective newbuilding.

Covenants, Events of Default and Other Terms

The Sinosure-CEXIM credit facility was amended and restated, effective on June 30, 2013, to align its financial covenants with our Bank Agreement (except for the minimum ratio of the charter free market value of certain vessels, as described in the Bank Agreement, which is not applicable) described above and continues to require us to maintain a minimum ratio of the market value of the vessel collateralizing a tranche of the facility to debt outstanding under such tranche of 125%.

The Sinosure-CEXIM credit facility also contains customary events of default, including those relating to cross-defaults to other indebtedness, defaults under its swap agreements, non-compliance with security documents, material adverse changes to its business, a Change of Control as described above, a change in our Chief Executive Officer, its common stock ceasing to be listed on the NYSE (or Nasdaq or another recognized stock exchange), a change in any material respect, or breach of the management agreement by, the manager for the mortgaged vessels and cancellation or amendment of the time charters (unless replaced with a similar time charter with a charterer acceptable to the lenders) for the mortgaged vessels.

We will not be permitted to pay cash dividends or repurchase shares of our capital stock unless (i) our consolidated net leverage is below 6:1 for four consecutive quarters and (ii) the ratio of the aggregate market value of our vessels to our outstanding indebtedness exceeds 125% for four consecutive quarters and provided that an event of default has not occurred and we are not, and after giving effect to the payment of the dividend are not, in breach of any covenant.

Collateral

The Sinosure-CEXIM Credit Facility is secured by customary shipping industry collateral relating to the financed vessels, the *CMA CGM Tancredi*, the *CMA CGM Bianca* and the *CMA CGM Samson*, securing the respective tranche.

Exit Fees

We are required to pay an Initial Exit Fee of $15.0 million. Furthermore, we are required to pay an Additional Exit Fee of $10.0 million, as we did not repay at least $150.0 million in the aggregate with equity proceeds by December 31, 2013. Both Exit Fees, in the respective proportion to Existing Facilities and New Money Facilities, are payable the earlier of (a) December 31, 2018 and (b) the date on which the respective facilities are repaid in full. In the year ended December 31, 2017 we have paid $1.0 million of Exit Fees on loan facilities fully repaid within the year. The Exit Fees accrete in the consolidated Statements of Operations over the life of the respective facilities (with the effective interest method) and are reported under "Long-term debt, net" in the consolidated Balance Sheets. We had recognized under "Current portion of long-term debt, net" an amount of accrued exit fees of $21.1 million and $18.9 million as of December 31, 2017 and December 31, 2016, respectively. Exit fees of $3.2 million, $3.4 million and $3.6 million were accrued in the years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively.

Warrants

In 2011, we issued an aggregate of 15,000,000 warrants to our lenders under the Bank Agreement and the January 2011 Credit Facilities to purchase, solely on a cash-less exercise basis, an aggregate of 15,000,000 shares of our common stock, which warrants have an exercise price of $7.00 per share. All of these warrants will expire on January 31, 2019.

Credit Facilities

We, as borrower, and certain of our subsidiaries, as guarantors, have entered into a number of credit facilities in connection with financing the acquisition of certain vessels in our fleet, which are

described in Note 11 to our consolidated financial statements included in this annual report. The following summarizes certain terms of our credit facilities:

Credit Facility	Outstanding Principal Amount (in millions)(1)	Collateral Vessels
The Royal Bank of Scotland(2) . .	$634.9	The *Hyundai Progress*, the *Highway (ex Hyundai Highway)*, the *Bridge (ex Hyundai Bridge)*, the *Zim Monaco*, the *Express Argentina*, the *Express France*, the *Express Spain*, the *CMA CGM Racine,* the *CSCL America* and the *CMA CGM Melisande*
HSH Nordbank—Aegean Baltic Bank—Piraeus Bank(3)	$622.9	The *Vladivostok (ex Hyundai Vladivostok)*, the *Advance (ex Hyundai Advance)*, the *Stride (ex Hyundai Stride)*, the *Future (ex Hyundai Future)*, the *Sprinter (ex Hyundai Sprinter)*, the *Amalia C*, the *MSC Zebra*, the *Danae C*, the *Dimitris C,* the *Performance,* the *Europe* and the *Priority*
Citibank	$117.3	The *CMA CGM Moliere*, the *CMA CGM Musset* , *the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
Deutsche Bank	$156.1	The *Zim Rio Grande*, the *Zim Sao Paolo* and the *Zim Kingston (ex OOCL Istanbul), the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
Credit Suisse	$176.2	The *Zim Luanda*, the *CMA CGM Nerval* and the *YM Mandate the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
ABN Amro—Bank of America Merrill Lynch—Burlington—National Bank of Greece	$199.3	The *Colombo*, the *YM Seattle*, the *YM Vancouver* and the *Singapore (ex YM Singapore)*
EnTrustPermal—Credit Suisse—CitiGroup	$220.7	The *Zim Dalian* (ex *OOCL Novorossiysk)*, the *Express Brazil,* the *YM Maturity*, the *Express Black Sea*, the *CMA CGM Attila, the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
KEXIM-ABN Amro	$ 23.1	The *CSCL Pusan* and the *CSCL Le Havre*
	January 2011 Credit Facilities	
HSH Nordbank—Aegean Baltic Bank—Piraeus Bank(3)	$ 17.2	The *Maersk Exeter (*ex *Hyundai Speed)*, the *Express Rome* and the *CMA CGM Rabelais*
RBS(2)	$ 24.3	The *Maersk Enping (ex Hyundai Smart)* and the *Express Berlin*
ABN Amro Club Facility	$ 8.8	The *Express Athens*
Citibank-Eurobank	$ 37.6	The *MSC Ambition (ex Hyundai Ambition)*
Sinosure-CEXIM-Citibank-ABN Amro	$ 81.3	The *CMA CGM Tancredi*, the *CMA CGM Bianca* and the *CMA CGM Samson*

(1) As of December 31, 2017.

(2) Pursuant to the Bank Agreement, this credit facility is also secured by a second priority lien on the *Derby D* and the *CSCL Le Havre*.

(3) Pursuant to the Bank Agreement, this credit facility is also secured by a second priority lien on the *Deva* and the *CSCL Pusan*.

As of December 31, 2017, there was no remaining borrowing availability under any of the Company's credit facilities.

The weighted average interest rate on our borrowings for the years ended December 31, 2017, 2016 and 2015 was 3.1%, 2.6% and 2.4%, respectively.

As described above, the interest rate, amortization profile and certain other terms of each of our previously existing credit facilities were adjusted to provide for consistent terms under each facility pursuant to the terms of the Bank Agreement, other than with respect to our KEXIM-ABN Amro credit facility, which is not covered by the Bank Agreement, but was amended through a separate supplemental agreement signed on September 12, 2013. Our KEXIM-ABN Amro credit facility, under which $14.1 million of the outstanding indebtedness, as of December 31, 2017, bears interest at a fixed rate of 5.52% and $9.0 million of the outstanding indebtedness, as of December 31, 2017, bears interest at a rate of LIBOR plus a margin, have maturity dates of November 2018 and September 2018 (in respect of the fixed rate tranche) and November 2018 and September 2018 (in respect of the floating rate tranche), respectively.

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. See "Item 11. Quantitative and Qualitative Disclosures About Market Risk" and "—Factors Affecting our Results of Operations—Unrealized and realized loss on derivatives."

Contractual Obligations

Our contractual obligations as of December 31, 2017 were:

	Payments Due by Period			
	Total	Less than 1 year (2018)	1 - 3 years (2019 - 2020)	3 - 5 years (2021 - 2023)
	in thousands of Dollars			
Long-term debt obligations of contractual fixed debt principal repayments(1)	$2,319,679	$2,258,659	$40,680	$20,340
Long-term debt obligations including both contractual fixed and estimated variable debt principal repayments(2)	$2,319,679	$2,258,659	$40,680	$20,340
Interest on long-term debt obligations(3)	$ 87,047	82,322	4,146	579
Payments to our manager(4)	$ 22,062	22,062	—	—
Total	$2,428,788	$2,363,043	$44,826	$20,919

(1) These long-term debt obligations reflect our existing debt obligations as of December 31, 2017 giving effect to the Bank Agreement under which we are required to make quarterly principal payments in fixed amounts and additional principal payments in such amounts that, together with the fixed principal payment, equals a certain percentage of our Actual Free Cash Flow each quarter (refer to "—Bank Agreement—Principal Payments" above). These amounts include only the contractually fixed principal payments, and no variable amortization amounts and assume debt will not be called by the lenders earlier due to the breaches of financial covenants. The last payment, due on December 31, 2018, will also include the unamortized remaining principal debt balances, as such amounts will be determinable following the fixed and variable amortization.

These long-term debt obligations also include contractual amortization payments of our Sinosure-CEXIM and KEXIM-ABN Amro credit facilities.

(2) These long-term debt obligations reflect our existing debt obligations as of December 31, 2017 giving effect to the Bank Agreement under which we are required to make quarterly principal payments in fixed amounts and additional principal payments in such amounts that, together with the fixed principal payment, equals a certain percentage of our Actual Free Cash Flow each quarter (refer to "—Bank Agreement—Principal Payments" above). These amounts include both the contractually fixed principal payments, as well as management's estimate of the future Actual Free Cash Flows and resulting variable amortization. The last payment due on December 31, 2018, will also include the unamortized remaining principal debt balances, as such amounts will be determinable following the fixed and variable amortization. These long-term debt obligations also include contractual amortization payments of our Sinosure-CEXIM and KEXIM-ABN Amro credit facilities.

(3) The interest payments in this table reflect our existing debt obligations as of December 31, 2017 giving effect to the Bank Agreement under which we are required to make quarterly principal payments in fixed amounts and additional principal payments in such amounts that, together with the fixed principal payment, equals a certain percentage of our Actual Free Cash Flow each quarter. The calculation of interest is based on outstanding debt balances as of December 31, 2017 amortized by both the contractual fixed and variable amortization payments, with such variable amortization payments based on management estimates as described in footnote 2 to this table above. The interest payments in this table are based on an assumed LIBOR rate of 1.79% in 2018, 1.98% in 2019 and up to a maximum of 2.21% thereafter. The actual variable amortization we pay may differ from management's estimates, which would result in different interest payment obligations.

(4) Under our management agreement with Danaos Shipping, effective January 1, 2015, the management fees are a fee of $850 per day, a fee of $425 per vessel per day for vessels on bareboat charter and $850 per vessel per day for vessels on time charter. As of December 31, 2017, we had a fleet of 55 containerships, out of which 51 are on time charter and 4 on bareboat charter. These management fees will be adjusted annually by agreement between us and our manager. In addition, we also will pay our manager a fee of 1.25% of the gross freight, demurrage and charter hire collected from the employment of our ships, 0.5% of the contract price of any vessels bought or sold on our behalf and $725,000 per newbuilding vessel, if any, for the supervision of any newbuilding contracts. We expect to be obligated to make the payments set forth in the above table under our management agreement in the year ending December 31, 2018, based on our revenue, as reflected above under "—Factors Affecting Our Results of Operations—Operating Revenues," and our currently anticipated vessel acquisitions and dispositions and chartering arrangements described in this annual report. No interest is payable with respect to these obligations if paid on a timely basis, therefore no interest payments are included in these amounts.

Research and Development, Patents and Licenses

We incur from time to time expenditures relating to inspections for acquiring new vessels that meet our standards. Such expenditures are insignificant and they are expensed as they are incurred.

Trend Information

Our results of operations depend primarily on the charter hire rates that we are able to realize. Charter hire rates paid for containerships are primarily a function of the underlying balance between

vessel supply and demand and respective charter-party details. The demand for containerships is determined by the underlying demand for goods which are transported in containerships.

After a sharp decrease in charter rates for containerships in the middle of 2015, in many cases to a level below operating costs, the charter rates for containerships generally improved in 2017 relative to 2016. The global demand for seaborne transportation of containerized cargoes is estimated to have increased modestly overall in 2017 due to growth on the North-South, intra-regional trades and mainlane trades and is expected to continue to rise in 2018 supported by improving world economic conditions. Containerships fleet capacity is however also expected to grow significantly due to new deliveries in 2018 with an increasing proportion accounted for by very large containerships. As such, container freight rates and containership charter rates are expected to remain under pressure. Overall, the global containership demand is expected to slightly exceed supply growth in 2018, while differing across different trade lanes and vessel sizes. In particular, the relative weakness of the main trade lanes, which utilize larger vessels, has resulted in cascading of larger containerships for use on shorter trades, with such cascading expected to continue.

The idle containership fleet at the end of 2017 stood at approximately 1.8% of global fleet capacity. This represents a significant decrease compared to the 7% idle capacity at the end of 2016. Earnings improved with the guideline rate for a 4,400 TEU Panamax reaching $8,000 per day at the end of 2017 compared to $4,150 per day at the end of 2016. Containership newbuilding orders totaled 0.7 million TEU in 2017 compared to 0.3 million TEU ordered in 2016, although still representing a subdued annual level compared to that seen in 2015. The size of the order book compared to global fleet capacity was approximately 13% as of the end of 2017 compared to approximately 16% as of the end of 2016, down from record high levels in 2008 but still relatively high compared to historical averages. In particular, larger containerships of greater than 10,000 TEU represent a significant majority of the order book with approximately 2.2 million TEU of vessels of over 10,000 TEU scheduled to be delivered between 2018 and 2020. The "slow-steaming" of services since 2009, particularly on longer trade routes, enabled containership operators to both moderate the impact of high bunker costs, while absorbing additional capacity. This has proved to be an effective approach and it currently appears likely that this will remain in place in the coming year. A number of liner companies, including some of our customers, reported substantial losses in recent years, with Hanjin Shipping filing for bankruptcy in 2016, as well as many entered into consolidating mergers or form cooperative alliances as part of efforts to reduce the size of their fleets to better align fleet capacity with the demand for marine transportation of containerized cargo, all of which may decrease the demand for chartered-in containership tonnage.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates in the application of our accounting policies based on our best assumptions, judgments and opinions. We base these estimates on the information currently available to us and on various other assumptions we believe are reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Following is a discussion of the accounting policies that involve a high degree of judgment and the methods of their application. For a further description of our material accounting policies, please refer to Note 2, Significant Accounting Policies, to our consolidated financial statements included elsewhere in this annual report.

Purchase of Vessels

Vessels are stated at cost, which consists of the contract purchase price and any material expenses incurred upon acquisition (improvements and delivery expenses), less accumulated depreciation. Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Otherwise we charge these expenditures to expenses as incurred. Our financing costs incurred during the construction period of the vessels are included in vessels' cost.

We acquired certain vessels in the secondhand market in prior years, all of which were considered to be acquisitions of assets. Certain vessels in our fleet that were purchased in the secondhand market were acquired with existing charters. We determined that the existing charter contracts for these vessels did not have a material separate fair value and, therefore, we recorded such vessels at their fair value, which equaled the consideration paid. Following adoption of ASU 2017-01 "Business Combinations (Topic 805)" on January 1, 2018, we will evaluate if any vessel acquisition in secondhand market will constitute as a business or not. When substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. The following assets will be considered as a single asset for the purposes of the evaluation (i) a tangible asset that is attached to and cannot be physically removed and used separately from another tangible assets (or an intangible asset representing the right to use a tangible asset); (ii) in place lease intangibles, including favorable and unfavorable intangible assets or liabilities, and the related leased assets.

The determination of the fair value of acquired assets and assumed liabilities requires us to make significant assumptions and estimates of many variables, including market charter rates, expected future charter rates, future vessel operating expenses, the level of utilization of our vessels and our weighted average cost of capital. The use of different assumptions could result in a material change in the fair value of these items, which could have a material impact on our financial position and results of operations.

Revenue Recognition

Our revenues and expenses are recognized on the accrual basis. Revenues are generated from bareboat hire and time charters. Bareboat hire revenues are recorded over the term of the hire on a straight-line basis. Time charter revenues are recorded over the term of the charter as service is provided. Unearned revenue includes revenue received in advance, and the amount recorded for an existing time charter acquired in conjunction with an asset purchase.

Special Survey and Drydocking Costs

We follow the deferral method of accounting for special survey and drydocking costs. Actual costs incurred are deferred and are 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.

Major overhauls performed during drydocking are differentiated from normal operating repairs and maintenance. The related costs for inspections that are required for the vessel's certification under the requirement of the classification society are categorized as drydock costs. A vessel at drydock performs certain assessments, inspections, refurbishments, replacements and alterations within a safe non-operational environment that allows for complete shutdown of certain machinery and equipment, navigational, ballast (keep the vessel upright) and safety systems, access to major underwater components of vessel (rudder, propeller, thrusters anti-corrosion systems), which are not accessible during vessel operations, as well as hull treatment and paints. In addition, specialized equipment is required to access and maneuver vessel components, which are not available at regular ports.

Vessel Lives and Estimated Scrap Values

Our vessels represent our most significant assets and we state them at our historical cost, which includes capitalized interest during construction and other construction, design, supervision and predelivery costs, less accumulated depreciation. We depreciate our containerships, and for the periods prior to their sale, our drybulk carriers, on a straight-line basis over their estimated remaining useful economic lives. We estimate the useful lives of our containerships to be 30 years in line with the industry practice. Depreciation is based on cost less the estimated scrap value of the vessels. Should certain factors or circumstances cause us to revise our estimate of vessel service lives in the future or of estimated scrap values, depreciation expense could be materially lower or higher. Such factors include, but are not limited to, the extent of cash flows generated from future charter arrangements, changes in international shipping requirements, and other factors many of which are outside of our control.

We have calculated the residual value of the vessels taking into consideration the 10 year average and the five year average of the scrap. We have applied uniformly the scrap value of $300 per ton for all vessels. We believe 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 we believe 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.

Impairment of Securities

With regard to our equity securities in ZIM, which were initially recognized at cost of $28.7 million, we evaluate if any event or change in circumstances has occurred in the reporting period that may have a significant adverse effect on the fair value of our investment. If an event or change that causes an adverse effect on the fair value of our investment occurs, as evidenced by the presence of an impairment indicator, the fair value of our investment should be estimated. In 2016, ZIM experienced significant deterioration of its financial results, reported significant operating losses, negative equity and negative working capital mainly as a result of the adverse change in the general containership market conditions. As a result of these adverse conditions, we estimated the fair value of our equity investment in ZIM at nil, therefore we recorded an impairment loss amounting to $28.7 million as of December 31, 2016, which was recognized under "Other income/(expenses), net" in the Consolidated Statements of Operations.

With regard to our debt securities in ZIM and HMM, we originally recognized these securities as held to maturity based on our positive intent and ability to hold these securities to maturity. These securities were initially recognized at amortized costs, net of other than temporary impairment losses. We evaluate these securities for other than temporary impairment at each reporting date. Debt securities are considered impaired if the fair value of the investment is less than its amortized costs. In our evaluation we consider the following (i) if we intend to sell these debt securities, (ii) it is more likely than not that we will be required to sell these securities before the recovery of their entire amortized cost basis or (iii) if a credit loss exists, which means that we do not expect to recover the entire amortized cost basis of these securities. With regard to ZIM debt securities, as a result of the deterioration of ZIM's financial results in 2016, as described above, we do not expect the present value of future cash flows to be collected to exceed their amortized cost basis due to a change in the timing of these expected cash flows. Thus other than temporary impairment, a credit loss, has occurred as of December 31, 2016 amounting to $0.7 million, which was recognized under "Other income/(expenses), net" in the Consolidated Statements of Operations.

On March 28, 2017, we sold $13.0 million principal amount of HMM notes carried at amortized costs of $8.6 million for gross cash proceeds on sale of $6.2 million, which were used to repay related outstanding debt obligations. The loss on sale of $2.4 million was recognized under "Other income/(expenses), net" in the Consolidated Statements of Operations for the year ended December 31, 2017.

The sale of these notes resulted in a transfer of all remaining held to maturity HMM notes and ZIM notes into the available for sale securities at fair value and unrealized losses amounting to $26.6 million as of December 31, 2017 were recognized in other comprehensive loss. As of December 31, 2017, we do not intend to sell these debt securities and we evaluate that it is not more likely than not that we will be required to sell these debt securities before the recovery of their amortized cost basis. No other than temporary impairment loss was identified with regard to HMM and ZIM debt securities as of December 31, 2017.

Impairment of Vessels

We evaluate the net carrying value of our vessels for possible impairment when events or conditions exist that cause us to question whether the carrying value of the vessels will be recovered from future undiscounted net cash flows. An impairment charge would be recognized in a period if the fair value of the vessels was less than their carrying value and the carrying value was not recoverable from future undiscounted cash flows. Considerations in making such an impairment evaluation would include comparison of current carrying value to anticipated future operating cash flows, expectations with respect to future operations, and other relevant factors.

As of December 31, 2017, we concluded that there are no events and circumstances, which may trigger the existence of potential impairment of our vessels. The indicators which we considered were mainly the current improved charter market conditions and the improved vessel's market value compared to the prior year, as well as the potential impact the current marketplace may have on our future operations. Additionally, we have not lost any significant charterer in 2017 as was the case in 2016 and the current improved market rates and the improved charter market supply demand conditions contributed to a better operating results reported by our charterers in 2017 compared to 2016. Refer also to the section "Trend Information" above. Based on our current assessment, two vessels with long-term bareboat charters expiring in 2028 and twenty-five of our vessels, which were impaired as of December 31, 2016 to their fair value (see the table presented below), have their estimated market value higher than their carrying value as of December 31, 2017. We believe that it can be reasonable anticipated that each of these twenty-seven vessels will recover their carrying values through the end of their useful lives. The remaining twenty-eight vessels in our fleet may have current aggregate estimated market values below their aggregate carrying values by approximately $590.5 million as of December 31, 2017. As of December 31, 2016, the aggregate carrying values of 23 vessels exceeded their aggregate estimated fair value by approximately $637.9 million. However, we believe that each of these twenty-eight vessels, twenty-five of which are currently under long-term time charters expiring from July 2018 through June 2024 and three of which are currently under short-term time charters, will recover their carrying values through the end of their useful lives, given the remaining average estimated useful life of these twenty-eight vessels is 22 years as of December 31, 2017 and given the current estimated future time charter rates anticipated following the termination of their current time charters or bareboat charters compared to the prior year when these vessels were tested for impairment, based on publications by independent third party maritime research services that provide such forecasts.

As of December 31, 2016, we concluded that events occurred and circumstances had changed, which may trigger the existence of potential impairment of our vessels. These indicators included loss of a charterer in 2016, volatility in the charter market and decline in the vessels' market values, as well as the potential impact the current marketplace may have on our future operations. As a result, we performed an impairment assessment of our vessels by comparing the undiscounted projected net operating cash flows for each vessel to their carrying value. Our strategy is to charter our vessels under multi- year, fixed rate period charters that range from less than one to 18 years for our current vessels, providing us with contracted stable cash flows. The significant factors and assumptions we used in our

undiscounted projected net operating cash flow analysis included operating revenues, off-hire revenues, dry docking costs, operating expenses and management fees estimates.

As of December 31, 2016, our revenue assumptions were based on contracted time charter rates up to the end of life of the current contract of each vessel as well as the estimated average time charter equivalent rates for the remaining life of the vessel after the completion of its current contract. The estimated daily time charter equivalent rates used for non-contracted revenue days are based on a combination of (i) recent charter market rates, (ii) conditions existing in the containership market as of December 31, 2016, (iii) historical average time charter rates, based on publications by independent third party maritime research services, and (iv) estimated future time charter rates, based on publications by independent third party maritime research services that provide such forecasts. We had five 2012-built 13,100 TEU vessels employed on 12-year charters, with breakeven rechartering rates of about $14,922 per day on average. Vessels of this size are recent entrants into the containership market and, accordingly, historical data as to their re-chartering rates was episodic. We estimated rechartering rates for these 13,100 TEU vessels for step one of the impairment analysis based on forecasts of independent third party maritime research services, which took into account recent chartering rates for newbuilding vessels of this size and estimates based on historical charter rates for other larger sized containerships. Recognizing that the container transportation is cyclical and subject to significant volatility based on factors beyond our control we believe that the appropriate historical average time charter rates to use as a benchmark for impairment testing of our vessels are the most recent 10 to 15 year averages, to the extent available, as such averages take into account the volatility and cyclicality of the market. Management believes the use of revenue estimates, based on the combination of factors (i) to (iv) above, to be reasonable as of the reporting date.

In addition, we used annual operating expenses escalation factors and estimations of scheduled and unscheduled off-hire revenues based on historical experience. All estimates used and assumptions made were in accordance with our internal budgets and historical experience of the shipping industry.

The more significant factors that could impact management's assumptions regarding time charter equivalent rates include (i) loss or reduction in business from significant customers, (ii) unanticipated changes in demand for transportation of containers, (iii) greater than anticipated levels of containership newbuilding orders or lower than anticipated levels of containership scrappings, and (iv) changes in rules and regulations applicable to the shipping industry, including legislation adopted by international organizations such as IMO and the EU or by individual countries. Although management believes that the assumptions used to evaluate potential impairment were reasonable and appropriate at the time they were made, such assumptions are highly subjective and likely to change, possibly materially, in the future. There can be no assurance as to how long charter rates and vessel values will remain at their low levels or whether they will improve by a significant degree.

As of December 31, 2016, our assessment concluded that step two of the impairment analysis was required for twenty-five of our vessels held and used, as their undiscounted projected net operating cash flows did not exceed their carrying value. The fair values of these vessels were determined with assistance from valuations obtained from third party independent shipbrokers. As of December 31, 2016 we recorded an impairment loss of $415.1 million for twenty-five of our vessels held and used.

While the Company intends to hold and operate its vessels, the following table presents information with respect to the carrying amount of the Company's vessels. The carrying value of each of the Company's vessels does not represent its market value or the amount that could be obtained if the vessel were sold. The Company's estimates of market values are based on an internal analysis, which used a discounted cash flow model utilizing inputs and assumptions based on market observations, and is also in accordance with its vessels' market valuation, determined as of the dates indicated, following the methodology as described in its credit facilities and accepted by its lenders. In addition, because vessel values are highly volatile, these estimates may not be indicative of either the

current or future prices that the Company could achieve if it were to sell any of the vessels. The Company would not record a loss for any of the vessels for which the market value is below its carrying value unless and until the Company either determines to sell the vessel for a loss or determines that the vessel's carrying value is not recoverable as discussed above.

Vessel	TEU	Year Built	Net Book Value December 31, 2017 (In thousands of Dollars)	Net Book Value December 31, 2016 (In thousands of Dollars)
Hyundai Honour (ex Hyundai Together)(2)	13,100	2012	146,915	152,464
Hyundai Respect (ex Hyundai Tenacity)(2)	13,100	2012	146,786	152,316
Maersk Exeter (ex Hyundai Speed)(2)	13,100	2012	148,889	154,445
Maersk Enping (ex Hyundai Smart)(2)	13,100	2012	148,319	153,874
MSC Ambition (ex Hyundai Ambition)(2)	13,100	2012	149,430	154,992
Express Berlin(2)	10,100	2011	123,076	127,464
Express Rome(2)	10,100	2011	123,518	127,918
Express Athens(2)	10,100	2011	123,695	128,079
CSCL Le Havre(2)	9,580	2006	56,063	58,467
CSCL Pusan(2)	9,580	2006	55,026	57,399
CMA CGM Melisande(2)	8,530	2012	102,003	105,666
CMA CGM Attila(2)	8,530	2011	96,992	100,516
CMA CGM Tancredi(2)	8,530	2011	98,981	102,688
CMA CGM Bianca(2)	8,530	2011	99,598	103,117
CMA CGM Samson(2)	8,530	2011	99,685	103,249
CSCL America(2)	8,468	2004	45,134	47,189
Europe(2)	8,468	2004	44,344	46,367
CMA CGM Moliere(2)	6,500	2009	73,112	76,095
CMA CGM Musset(2)	6,500	2010	74,456	77,443
CMA CGM Nerval(2)	6,500	2010	74,967	77,952
CMA CGM Rabelais(2)	6,500	2010	75,726	78,728
CMA CGM Racine(2)	6,500	2010	75,656	78,638
YM Mandate	6,500	2010	79,507	82,728
YM Maturity	6,500	2010	80,514	83,746
Performance(1)	6,402	2002	8,457	8,350
Priority(1)	6,402	2002	8,348	8,350
YM Seattle(1)	4,253	2007	16,417	17,000
YM Vancouver(1)	4,253	2007	17,256	17,875
ZIM Rio Grande(2)	4,253	2008	46,168	48,175
ZIM Sao Paolo(2)	4,253	2008	46,747	48,764
ZIM Kingston (ex OOCL Istanbul)(2)	4,253	2008	46,983	48,999
ZIM Monaco(2)	4,253	2009	47,593	49,622
ZIM Dalian (ex OOCL Novorossiysk)(2)	4,253	2009	47,766	49,773
ZIM Luanda(2)	4,253	2009	48,481	50,501
Derby D(1)	4,253	2004	5,218	5,225
Deva(1)	4,253	2004	5,211	5,225
Dimitris C(1)	3,430	2001	4,994	5,025
Express Brazil(1)	3,400	2010	7,107	7,250
Express France(1)	3,400	2010	7,114	7,250
Express Spain(1)	3,400	2011	7,494	7,650
Express Argentina(1)	3,400	2010	7,110	7,250

Vessel	TEU	Year Built	Net Book Value December 31, 2017 (In thousands of Dollars)	Net Book Value December 31, 2016 (In thousands of Dollars)
Express Black Sea(1)	3,400	2011	7,495	7,650
Colombo(1)	3,314	2004	15,947	15,609
Singapore (ex YM Singapore)(1)	3,314	2004	18,640	18,406
MSC Zebra(1)	2,602	2001	4,012	4,050
Danae C(1)	2,524	2001	3,552	3,575
Amalia C(1)	2,452	1998	3,318	3,350
Advance (ex Hyundai Advance)(1)	2,200	1997	2,684	3,511
Future (ex Hyundai Future)(1)	2,200	1997	2,677	3,647
Sprinter (ex Hyundai Sprinter)(1)	2,200	1997	2,687	3,689
Stride (ex Hyundai Stride)(1)	2,200	1997	2,684	3,562
Hyundai Progress(1)	2,200	1998	2,830	4,066
Bridge (ex Hyundai Bridge)(1)	2,200	1998	2,952	4,183
Highway (ex Hyundai Highway)(1)	2,200	1998	2,949	4,177
Vladivostok (ex Hyundai Vladivostok)(1)	2,200	1997	2,687	3,422
Total			**$2,795,971**	**$2,906,721**

(1) As of December 31, 2016, we recorded an impairment loss of $415.1 million in aggregate for these twenty-five vessels, with each vessel written down to its fair value.

(2) Indicates vessels for which, as of December 31, 2017, the estimated market value is lower than the vessel's carrying value. The aggregate carrying values of these twenty-eight vessels exceeded their current aggregate estimated market value by approximately $590.5 million as of December 31, 2017 and by approximately $637.9 million as of December 31, 2016 in relation to twenty-three vessels. We believe, however, that each of these twenty-eight vessels, twenty-five of which are currently under long-term time charters expiring from July 2018 through June 2024 and three of which are currently under short-term time charters, will recover their carrying values through the end of their useful lives, given the remaining average estimated useful life of these twenty-eight vessels is 22 years as of December 31, 2017 and given the current estimated future time charter rates anticipated following the termination of their current time charters or bareboat charters compared to the prior year when these vessels were tested for impairment, based on publications by independent third party maritime research services that provide such forecasts. We currently do not expect to sell any of these vessels, or otherwise dispose of them, significantly before the end of their estimated useful life. Other than twenty-three vessels which had aggregate carrying values that were $637.9 million in excess of their aggregate estimated market values as of December 31, 2016, no other vessels had carrying values in excess of their estimated market values as of December 31, 2016.

In connection with the impairment testing of our vessels as of December 31, 2016, for the twenty-three vessels that our internal analysis suggests that may have current market values below their carrying values, we performed a sensitivity analysis on the most sensitive and/or subjective assumption that has the potential to affect the outcome of the test, the projected charter rate used to forecast future cash flows for non-contracted days. The following table summarizes information about these

twenty-three vessels, including the breakeven charter rates and the one-year charter rate historical average for the last 1, 3, 5, 10 and 15 years, respectively.

Vessel/Year Built	Break Even re-chartering rate(7) ($ per day)	Assumed Rechartering Rate(8)/Percentage difference between break even and assumed re-chartering rates(9) ($ per day)/(%)	1 year charter rate historical average of last 1 year ($ per day)	1 year charter rate historical average of last 3 years ($ per day)	1 year charter rate historical average of last 5 years ($ per day)	1 year charter rate historical average of last 10 years ($ per day)	1 year charter rate historical average of last 15 years ($ per day)
3 × 10,100 TEU vessels (2011)(1)	$25,488	$40,000 / 36.3%	$10,067	$22,694	$27,790	$33,845	$42,578
2 × 9,580 TEU vessels (2006)(2)	$15,109	$32,750 / 53.9%	$ 9,751	$21,983	$26,919	$32,789	$41,248
5 × 8,530 TEU vessels (2011 - 2012)(3)	$12,414	$35,000 / 64.5%	$ 9,114	$20,548	$25,164	$30,644	$38,550
2 × 8,468 TEU vessels (2004)(4)	$15,925	$30,500 / 47.8%	$ 9,077	$20,463	$25,062	$30,521	$38,394
5 × 6,500 TEU vessels (2009 - 2010)(5)	$13,222	$25,000 / 47.1%	$ 6,575	$12,525	$15,965	$21,955	$29,435
6 × 4,253 TEU vessels (2008 - 2009)(6)	$14,349	$15,760 / 9.0%	$ 5,064	$ 8,459	$ 8,832	$14,803	$20,939

(1) Our three 10,100 TEU vessels out of which two are under short-term time charter contracts with OOCL and one with Yang Ming with the earliest expiration dates of the charters being as follows: the *Express Rome,* on August 30, 2017, the *Express Athens,* on August 30, 2017 and the *Express Berlin,* on June 22, 2017.

(2) Our two 9,580 TEU vessels are under long-term time charter contracts with CSCL with the earliest expiration dates of the charters being as follows: the *CSCL Pusan,* on July 8, 2018 and the *CSCL Le Havre,* on September 20, 2018.

(3) Our five 8,530 TEU vessels are under long-term time charter contracts with CMA-CGM with the earliest expiration dates of the charters being as follows: the *CMA CGM Attila*, on April 8, 2023, the *CMA CGM Tancredi*, on May 22, 2023, the *CMA CGM Bianca*, on July 26, 2023, the *CMA CGM Samson*, on September 15, 2023 and the *CMA CGM Melisande*, on November 28, 2023.

(4) Our two 8,468 TEU vessels are under long-term time charter contracts, which will expire within the next twelve months with CSCL with the earliest expiration dates of the charters being as follows: the *Europe*, on June 5, 2017 and the *CSCL America*, on July 24, 2017.

(5) Our five 6,500 TEU vessels are under long-term time charter contracts with CMA CGM with the earliest expiration dates of the charters being as follows: the *CMA CGM Moliere*, on August 28, 2021, the *CMA CGM Musset*, on February 12, 2022, the *CMA CGM Nerval*, on April 17, 2022, the *CMA CGM Rabelais*, on June 2, 2022 and the *CMA CGM Racine,* on July 16, 2022.

(6) Six of our 4,253 TEU vessels are under long-term time charter contracts with ZIM Integrated Shipping Services with the earliest expiration dates of the charters being as follows: the *ZIM Rio Grande*, on May 20, 2020, the *ZIM Sao Paolo*, on August 8, 2020, the *OOCL Istanbul*, on September 19, 2020, the *ZIM Monaco*, on November 18, 2020, the *OOCL Novorossiysk*, on February 14, 2021 and the *ZIM Luanda*, on May 12, 2021.

(7) The breakeven re-chartering rate is the charter rate that if used in step one of the impairment testing will result in the undiscounted total cash flows being equal to the carrying value of the vessel. The use of charter rates below the breakeven re-chartering rate would trigger step two of the impairment testing that would result in the recording of an aggregate impairment loss of $637.9 million as of December 31, 2016.

(8) Re-chartering rate used in our impairment testing as of December 31, 2016, to estimate the revenues for the remaining life of the respective vessels after the expiration of their existing charter contracts.

(9) The variance in percentage points of the breakeven re-chartering rate per day compared to the per day re-chartering assumption used in Step 1 of the Company's impairment testing analysis.

As discussed above, we believe that the appropriate historical period to use as a benchmark for impairment testing of our vessels is the most recent 10 to 15 years, to the extent available, as such averages take into account the volatility and cyclicality of the market. Charter rates are, however,

subject to change based on a variety of factors that we cannot control and we note that charter rates over the last few years have been, on average, below their ten to fifteen year historical average.

If we had used the historical average one-year charter rates for the last 10 or 15 years, the results of our 2016 impairment testing on all vessel categories discussed on the above table would not have been impacted, as the cash flow forecasts would still result in each vessel's carrying cost being recovered. If, however, historical average one-year charter rates for the last 1, 3, or 5 years had been used in the cash flow forecasts of our three 10,100 TEU vessels, two 9,580 TEU vessels, five 8,530 TEU vessels, two 8,486 TEU vessels, five 6,500 TEU vessels and six 4,253 TEU vessels, then the carrying values of the respective vessels as of December 31, 2016, which were under time charters expiring from June 2017 through November 2023 would not have been recovered. As noted above, we believe that the appropriate historical period to be used as a reference for the purposes of impairment testing of these vessels should be from 10 to 15 years as such averages take into account the volatility and cyclicality of the market. Additionally, on the premise of a 30 year useful life, given that these vessels will have a remaining life above 15 years when they come off charter, the historical 10 to 15 year average is considered by the management as the most reasonable reference point when assessing the earnings generation potential of these vessels during their remaining life after expiry of their current charters.

We also performed a sensitivity analysis on the other 7 vessels identified as having current market values exceeding their carrying values as of December 31, 2016, which indicated that if we had used the historical average one-year charter rates for corresponding size vessels (for our five 13,100 TEU vessels, rates for 9,500 to 10,100 TEU vessels were used for purposes of this sensitivity analysis) for the most recent 1, 3 or 5 year periods, the cash flow forecasts would still have resulted in each vessel's carrying cost being recovered for all vessels. The breakeven re-chartering rates for all 7 vessels ranged from zero, in two cases, and otherwise $14,922 per day. We believe that each of these 7 vessels, which had an average remaining useful life of about 25 years, an average remaining charter duration of about 8 years and an average useful life after the end of their current charters of about 17 years as of December 31, 2016, can be reasonably anticipated to recover their carrying values through the end of their useful lives. Furthermore, as discussed above, the Company's internal analysis suggested that each of these vessels had a market value in excess of its carrying value as of December 31, 2016.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-9 "Revenue from Contracts with Customers" ("ASU 2014-09"), which will supersede the current revenue recognition guidance and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The ASU 2014-09 was amended by ASU 2015-14 "Revenue from Contracts with Customers: Deferral of the Effective Date" ("ASU 2015-014"), which was issued in August 2015. Public entities can now elect to defer implementation of ASU 2014-09 to interim and annual periods beginning after December 15, 2017. Additionally, ASU 2015-14 permits early adoption of the standard but not before the original effective date, i.e. annual period beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. 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. The amendments in ASU 2016-8 affect the guidance in the ASU 2014-09, which is not yet effective. ASU 2016-08 is effective for fiscal years beginning after December 15, 2017, and interim reporting periods within those years. 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. We will adopt these standards as of January 1, 2018 and are currently evaluating the impact that the adoption of the new

standard will have on our consolidated financial statements. The adoption of these standards is not expected to have a material impact on our operating revenue since virtually all of our operating revenues are generated from time charter and bareboat charter agreements.

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 fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement for 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 amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Early application is not permitted. The adoption of the standard is not expected to have a material impact on our consolidated financial statements and notes disclosures.

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 January 2018, the FASB issued 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. If adopted, this practical expedient will allow lessors to elect a combined single lease component presentation if (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the related lease component and, the combined single lease component would be classified as an operating lease. 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. We plan to adopt the standard on January 1, 2019 and expect to elect the use of practical expedients. We have not completed our analysis of this ASU. Based on a preliminary assessment, we are expecting that the adoption will not have a material effect on our 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. We are currently evaluating the impact of the new standard on our consolidated financial statements.

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 FASB issued ASU 2016-15 to decrease the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update provide guidance on eight specific cash flow issues. Additionally, in November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash—a consensus of the FASB Emerging Issues Task Force" ("ASU 2016-18"), which requires that amounts 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. These revised standards are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The restricted cash balance of $2,812 thousand as of December 31, 2017 and December 31, 2016 would be subject to the change in the presentation in the consolidated statements of cash flows and notes disclosures.

Item 6. Directors, Senior Management and Employees

The following table sets forth, as of February 28, 2018, information for each of our directors and executive officers.

Name	Age	Position
Dr. John Coustas	62	President and CEO and Class I Director
Iraklis Prokopakis	67	Senior Vice President, Chief Operating Officer and Treasurer and Class II Director
Evangelos Chatzis	44	Chief Financial Officer and Secretary
Dimitris Vastarouchas	50	Deputy Chief Operating Officer
George Economou	65	Class II Director
Myles R. Itkin	70	Class I Director
Miklós Konkoly-Thege	75	Class III Director
William Repko	68	Class III Director

The term of our Class I directors expires in 2018, the term of our Class II directors expires in 2020 and the term of our Class III directors expires in 2019. Certain biographical information about each of these individuals is set forth below.

Dr. John Coustas is our President, Chief Executive Officer and a member of our board of directors. Dr. Coustas has over 30 years of experience in the shipping industry. Dr. Coustas assumed management of our company in 1987 from his father, Dimitris Coustas, who founded Danaos Shipping in 1972, and has been responsible for our corporate strategy and the management of our affairs since that time. Dr. Coustas is also a member of the board of directors of the Union of Greek Shipowners and the Cyprus Union of Shipowners, member of the board of directors of HELMEPA (Hellenic Maritime Protection Agency), as well as Deputy Chairman of the board of directors of The Swedish Club. Dr. Coustas holds a degree in Marine Engineering from the National Technical University of Athens as well as a Master's degree in Computer Science and a Ph.D. in Computer Controls from Imperial College, London.

Iraklis Prokopakis is our Senior Vice President, Treasurer, Chief Operating Officer and a member of our board of directors. Mr. Prokopakis joined us in 1998 and has over 40 years of experience in the shipping industry. Prior to entering the shipping industry, Mr. Prokopakis was a captain in the Hellenic Navy. He holds a Bachelor of Science in Mechanical Engineering from Portsmouth University in the United Kingdom, a Master's degree in Naval Architecture and a Ship Risk Management Diploma from the Massachusetts Institute of Technology in the United States and a post-graduate diploma in business studies from the London School of Economics. Mr. Prokopakis also has a Certificate in Operational Audit of Banks from the Management Center Europe in Brussels and a Safety Risk Management Certificate from Det Norske Veritas. He is a member of the Board of the Hellenic Chamber of Shipping and the Owners' Committee of the Korean Register of Shipping.

Evangelos Chatzis is our Chief Financial Officer and Secretary. Mr. Chatzis has been with Danaos Corporation since 2005 and has over 22 years of experience in corporate finance and the shipping industry. During his years with Danaos he has been actively engaged in the company's initial public offering in the United States and has led the finance function of the company. Throughout his career he has developed considerable experience in operations, corporate finance, treasury and risk management and international business structuring. Prior to joining Danaos, Evangelos was the Chief Financial Officer of Globe Group of Companies, a public company in Greece engaged in a diverse scope of activities including dry bulk shipping, the textile industry, food production & distribution and real estate. During his years with Globe Group, he was involved in mergers and acquisitions, corporate restructurings and privatizations. He holds a Bachelor of Science degree in Economics from the London School of Economics, a Master's of Science degree in Shipping & Finance from City University Cass Business School, as well as a post-graduate diploma in Shipping Risk Management from IMD Business School.

Dimitris Vastarouchas is our Deputy Chief Operating Officer. Mr. Vastarouchas has been the Technical Manager of our Manager since 2005 and has over 20 years of experience in the shipping industry. Mr. Vastarouchas initially joined our Manager in 1995 and prior to becoming Technical Manager he was the New Buildings Projects and Site Manager, under which capacity he supervised newbuilding projects in Korea for 4,250, 5,500 and 8,500 TEU containerships. He holds a degree in Naval Architecture & Marine Engineering from the National Technical University of Athens, Certificates & Licenses of expertise in the fields of Aerodynamics (C.I.T.), Welding (CSWIP), Marine Coating (FROSIO) and Insurance (North of England P&I). He is also a qualified auditor by Det Norske Veritas and Certified Negotiator by Schranner Negotiations Institute (SNI).

George Economou has been a member of our board of directors since 2010. Mr. Economou has over 40 years of experience in the maritime industry. Mr. Economou began his career in 1976 and worked in shipping companies mostly in New York before starting his own company in 1986. Between 1986 and 1991, he invested and participated in the formation of numerous individual shipping companies. He has served as Chairman and Chief Executive Officer of Dryships Inc. since its incorporation in 2004 and as President until 2016. He successfully took the company public in February 2005 on NASDAQ under the trading symbol: DRYS. Mr. Economou oversaw the company's growth into the largest US listed dry bulk company in fleet size and revenue and the second largest Panamax owner in the world. The company subsequently invested and developed Ocean Rig UDW, an owner of rigs and ships involved in ultra deep water drilling, which is also trading on NASDAQ under the trading symbol: ORIG. Mr. Economou is also the Chairman of Ocean Rig UDW Inc. and served as Ocean Rig UDW Inc.'s Chief Executive Officer from 2010 to 2017. On March 23, 2017, Ocean Rig UDW Inc., its subsidiaries and certain initial supporting creditors entered into a restructuring agreement to be implemented by schemes of arrangement under Cayman Islands law and ancillary proceedings under Chapter 15 of the U.S. Bankruptcy Code. Mr. Economou is a graduate of the Massachusetts Institute of Technology and holds both a Bachelor of Science and a Master of Science

degree in Naval Architecture and Marine Engineering and a Master of Science in Shipping and Shipbuilding Management.

Myles R. Itkin has been a member of our board of directors since 2006. Mr. Itkin was the Executive Vice President, Chief Financial Officer and Treasurer of Overseas Shipholding Group, Inc. ("OSG"), in which capacities he served, with the exception of a promotion from Senior Vice President to Executive Vice President in 2006, from 1995 to 2013. Prior to joining OSG in June 1995, Mr. Itkin was employed by Alliance Capital Management L.P. as Senior Vice President of Finance. Prior to that, he was Vice President of Finance at Northwest Airlines, Inc. Mr. Itkin served on the board of directors of the U.K. P&I Club from 2006 to 2013. Mr. Itkin holds a Bachelor's degree from Cornell University and an MBA from New York University.

On November 14, 2012, OSG filed voluntary petitions for reorganization for itself and 180 of its subsidiaries under Chapter 11 of Title 11 of the United States Code in the U.S. Bankruptcy Court for the District of Delaware. On January 23, 2017, Mr. Itkin, and OSG, consented to an SEC order finding they violated or caused the violation of, among other provisions, the negligence-based antifraud provisions as well as reporting, books-and-records, and internal controls provisions of the federal securities laws, in relation to the failure to recognize tax liabilities in OSG's financial statements resulting from its controlled foreign subsidiary guaranteeing OSG's debt. Mr. Itkin agreed to pay a $75,000 penalty and OSG agreed to pay a $5 million penalty subject to bankruptcy court approval.

Miklós Konkoly-Thege has been a member of our board of directors since 2006. Mr. Konkoly-Thege began at Det Norske Veritas ("DNV"), a ship classification society, in 1984. From 1984 through 2002, Mr. Konkoly-Thege served in various capacities with DNV including Chief Operating Officer, Chief Financial Officer and Corporate Controller, Head of Corporate Management Staff and Head of Business Areas. Mr. Konkoly-Thege became President and Chairman of the Executive Board of DNV in 2002 and served in that capacity until his retirement in May 2006. Mr. Konkoly-Thege is a member of the board of directors of Wilhelmsen Technical Solutions AS, Callenberg Technology Group AB and Stena Hungary Holding KFT. Mr. Konkoly-Thege holds a Master of Science degree in civil engineering from Technische Universität Hannover, Germany and an MBA from the University of Minnesota.

William Repko has been a member of our board of directors since July 2014. Mr. Repko has nearly 40 years of investing, finance and restructuring experience. Mr. Repko retired from Evercore Partners in February 2014 where he had served as a senior advisor, senior managing director and was a co-founder of the firm's Restructuring and Debt Capital Markets Group since September 2005. Prior to joining Evercore Partners Inc., Mr. Repko served as chairman and head of the Restructuring Group at J.P. Morgan Chase, a leading investment banking firm, where he focused on providing comprehensive solutions to clients' liquidity and reorganization challenges. In 1973, Mr. Repko joined Manufacturers Hanover Trust Company, a commercial bank, which after a series of mergers became part of J.P. Morgan Chase. Mr. Repko has been named to the Turnaround Management Association (TMA)-sponsored Turnaround, Restructuring and Distressed Investing Industry Hall of Fame. Mr. Repko has served on the Board of Directors of Stellus Capital Investment Corporation (SCM:NYSE) since 2012 and is Chairman of its Compensation Committee and serves on the Audit Committee. Mr. Repko received his B.S. in Finance from Lehigh University.

Compensation of Directors and Senior Management

Non-executive directors receive annual fees of $70,000 per annum beginning January 1, 2015 (previously $62,500 per annum), plus reimbursement for their out-of-pocket expenses, which amounts are payable at the election of each non-executive director in cash or stock as described below under "—Equity Compensation Plan." We do not have service contracts with any of our non-employee directors. We have employment agreements with two directors who are also executive officers of our company, as well as with our other two executive officers.

Since May 1, 2015, we have directly employed our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Deputy Chief Operating Officer, who received aggregate compensation of €1.0 million ($1.1 million) for the period from May 1, 2015 to December 31, 2015, €1.5 million ($1.7 million) for the year ended December 31, 2016 and €1.5 million ($1.8 million) for the year ended December 31, 2017. From January 1, 2014 to April 30, 2015, our manager provided us with the services of these officers. In 2015 (for the period from January 1, 2015 to April 30, 2015) we paid our manager a fee of €0.51 million ($0.56 million) for such services. Our executive officers are eligible, in the discretion of our board of directors and compensation committee, for incentive compensation and restricted stock, stock options or other awards under our equity compensation plan, which is described below under "—Equity Compensation Plan."

Our executive officers are entitled to severance payments for termination without "cause" or for "good reason" generally equal to (i) (x) the greater of (A) the remaining term of the agreements, which expire in December 2023, and (B) three times (y) the executive officer's annual salary plus bonus (based on an average of the prior three years), including the value on the date of grant of any equity grants made under our equity compensation plan during that three-year period (which, for stock options, will be the Black- Scholes value), as well as continued benefits, if any, for 36 months or (ii) if such termination without cause or for good reason occurs within two years of a "change of control" of our company the greater of (a) the amount calculated as described in clause (i) and (b) a specified dollar amount for each executive officer (approximately €4.6 million in the aggregate for all executive officers), as well as continued benefits, if any, for 36 months.

Employees

From May 1, 2015, we directly employ our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Deputy Chief Operating Officer, whose services had been provided to us under our Management Agreement from January 1, 2013 to April 30, 2015. Approximately 1,145 officers and crew members served on board the vessels we own as of December 31, 2017, but are employed by our manager. Crew wages and other related expenses are paid by our manager and our manager is reimbursed by us.

Share Ownership

The common stock beneficially owned by our directors and executive officers and/or companies affiliated with these individuals is disclosed in "Item 7. Major Shareholders and Related Party Transactions" below.

Board of Directors

At December 31, 2017 and February 28, 2018, we had six members on our board of directors. The board of directors may change the number of directors to not less than two, nor more than 15, by a vote of a majority of the entire board. Each director is elected to serve until the third succeeding annual meeting of stockholders and until his or her successor shall have been duly elected and qualified, except in the event of death, resignation or removal. A vacancy on the board created by death, resignation, removal (which may only be for cause), or failure of the stockholders to elect the entire class of directors to be elected at any election of directors or for any other reason, may be filled only by an affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, at any special meeting called for that purpose or at any regular meeting of the board of directors.

In accordance with the terms of the August 6, 2010 common stock subscription agreement between Sphinx Investments Corp. and us, we have agreed to nominate Mr. Economou or such other person, in each case who shall be acceptable to us, designated by Sphinx Investments Corp., for election by our

stockholders to the Board of Directors at each annual meeting of stockholders at which the term of Mr. Economou or such other director so designated expires, so long as such investor beneficially owns a specified minimum amount of our common stock. We have been informed that our largest stockholder, a family trust established by Dr. John Coustas, and Dr. John Coustas have agreed to vote all of the shares of common stock they own, or over which they have voting control, in favor of any such nominee standing for election.

During the year ended December 31, 2017, the board of directors held ten meetings. Each director attended all of the meetings of the board of directors and of the committees of which the director was a member, other than Mr. Economou who did not attend any of the meetings of the Board. Our board of directors has determined that each of Messrs. Economou, Itkin, Konkoly-Thege, and Repko were independent within the requirements of the NYSE.

To promote open discussion among the independent directors, those directors met, in 2017, ten times in regularly scheduled and ad hoc executive session without participation of our company's management and will continue to do so in 2018. Mr. Myles Itkin served as the presiding director for purposes of these meetings. Stockholders who wish to send communications on any topic to the board of directors or to the independent directors as a group, or to the presiding director, Mr. Myles Itkin, may do so by writing to our Secretary, Mr. Evangelos Chatzis, Danaos Corporation, c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece.

Corporate Governance

The board of directors and our company's management has engaged in an ongoing review of our corporate governance practices in order to oversee our compliance with the applicable corporate governance rules of the New York Stock Exchange and the SEC.

We have adopted a number of key documents that are the foundation of its corporate governance, including:

- a Code of Business Conduct and Ethics for officers and employees;
- a Code of Conduct for the chief executive officer and senior financial officers;
- a Code of Ethics for directors;
- a Nominating and Corporate Governance Committee Charter;
- a Compensation Committee Charter; and
- an Audit Committee Charter.

These documents and other important information on our governance, including the board of director's Corporate Governance Guidelines, are posted on the Danaos Corporation website, and may be viewed at *http://www.danaos.com*. We will also provide a paper copy of any of these documents upon the written request of a stockholder. Stockholders may direct their requests to the attention of our Secretary, Mr. Evangelos Chatzis, Danaos Corporation, c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece.

Committees of the Board of Directors

We are a "controlled company" within the meaning of the New York Stock Exchange corporate governance standards. Pursuant to certain exceptions for foreign private issuers and controlled companies, we are not required to comply with certain of the corporate governance practices followed by U.S. and non-controlled companies under the New York Stock Exchange listing standards. We comply fully with the New York Stock Exchange corporate governance rules applicable to both U.S. and foreign private issuers that are "controlled companies," however, as permitted for controlled

companies, one member of the compensation committee and one member of the nominating and corporate governance committee is a non-independent director and, in accordance with Marshall Islands law, we obtained board of director approval but not shareholder approval for our August 2010 common stock sale and the extension of the termination date of our equity compensation plan in 2016 to September 2019. See "Item 16G. Corporate Governance."

Audit Committee

Our audit committee consists of Myles R. Itkin (chairman), Miklós Konkoly-Thege and William Repko, each of whom our Board has determined is independent within the requirements of the NYSE and SEC. Our board of directors has determined that Mr. Itkin qualifies as an audit committee "financial expert," as such term is defined in Regulation S-K. The audit committee is responsible for (1) the hiring, termination and compensation of the independent auditors and approving any non-audit work performed by such auditor, (2) approving the overall scope of the audit, (3) assisting the board in monitoring the integrity of our financial statements, the independent accountant's qualifications and independence, the performance of the independent accountants and our internal audit function and our compliance with legal and regulatory requirements, (4) annually reviewing an independent auditors' report describing the auditing firms' internal quality-control procedures, any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, (5) discussing the annual audited financial and quarterly statements with management and the independent auditor, (6) discussing earnings press releases, as well as financial information and earning guidance, (7) discussing policies with respect to risk assessment and risk management, (8) meeting separately, periodically, with management, internal auditors and the independent auditor, (9) reviewing with the independent auditor any audit problems or difficulties and management's response, (10) setting clear hiring policies for employees or former employees of the independent auditors, (11) annually reviewing the adequacy of the audit committee's written charter, (12) handling such other matters that are specifically delegated to the audit committee by the board of directors from time to time, (13) reporting regularly to the full board of directors and (14) evaluating the board of directors' performance. During 2017, there were six meetings of the audit committee.

Compensation Committee

Our compensation committee consists of Miklós Konkoly-Thege (chairman), Iraklis Prokopakis and William Repko. The compensation committee is responsible for (1) reviewing key employee compensation policies, plans and programs, (2) reviewing and approving the compensation of our chief executive officer and other executive officers, (3) developing and recommending to the board of directors compensation for board members, (4) reviewing and approving employment contracts and other similar arrangements between us and our executive officers, (5) reviewing and consulting with the chief executive officer on the selection of officers and evaluation of executive performance and other related matters, (6) administration of stock plans and other incentive compensation plans, (7) overseeing compliance with any applicable compensation reporting requirements of the SEC, (8) retaining consultants to advise the committee on executive compensation practices and policies and (9) handling such other matters that are specifically delegated to the compensation committee by the board of directors from time to time. During 2017, there were five meetings of the compensation committee.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee consists of William Repko (chairman), Iraklis Prokopakis and Myles R. Itkin. The nominating and corporate governance committee is responsible for (1) developing and recommending criteria for selecting new directors, (2) screening and recommending to the board of directors individuals qualified to become executive officers,

(3) overseeing evaluations of the board of directors, its members and committees of the board of directors and (4) handling such other matters that are specifically delegated to the nominating and corporate governance committee by the board of directors from time to time. During 2017, there were six meetings of the nominating and corporate governance committee.

Equity Compensation Plan

We have adopted an equity compensation plan, which we refer to as the Plan. The Plan is generally administered by the compensation committee of our board of directors, except that the full board may act at any time to administer the Plan, and authority to administer any aspect of the Plan may be delegated by our board of directors or by the compensation committee to an executive officer or to any other person. The Plan allows the plan administrator to grant awards of shares of our common stock or the right to receive or purchase shares of our common stock (including options to purchase common stock, restricted stock and stock units, bonus stock, performance stock, and stock appreciation rights) to our employees, directors or other persons or entities providing significant services to us or our subsidiaries, including employees of our manager, and also provides the plan administrator with the authority to reprice outstanding stock options or other awards. The actual terms of an award, including the number of shares of common stock relating to the award, any exercise or purchase price, any vesting, forfeiture or transfer restrictions, the time or times of exercisability for, or delivery of, shares of common stock, will be determined by the plan administrator and set forth in a written award agreement with the participant. Any options granted under the Plan will be accounted for in accordance with accounting guidance for share-based compensation.

The aggregate number of shares of our common stock for which awards may be granted under the Plan cannot exceed 6% of the number of shares of our common stock issued and outstanding at the time any award is granted. Awards made under the Plan that have been forfeited (including our repurchase of shares of common stock subject to an award for the price, if any, paid to us for such shares of common stock, or for their par value) or cancelled or have expired, will not be treated as having been granted for purposes of the preceding sentence.

The Plan requires that the plan administrator make an equitable adjustment to the number, kind and exercise price per share of awards in the event of our recapitalization, reorganization, merger, spin-off, share exchange, dividend of common stock, liquidation, dissolution or other similar transaction or event. In addition, the plan administrator will be permitted to make adjustments to the terms and conditions of any awards in recognition of any unusual or nonrecurring events. Unless otherwise set forth in an award agreement, any awards outstanding under the Plan will vest upon a "change of control," as defined in the Plan. Our board of directors may, at any time, alter, amend, suspend, discontinue or terminate the Plan, except that any amendment will be subject to the approval of our stockholders if required by applicable law, regulation or stock exchange rule and that, without the consent of the affected participant under the Plan, no action may materially impair the rights of such participant under any awards outstanding under the Plan. The Plan will terminate on September 17, 2019.

As of April 18, 2008, the Board of Directors and the Compensation Committee approved incentive compensation of the 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 under its 2006 equity compensation plan 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 2017, no shares of common stock were granted. As of December 15, 2016, the Company granted 25,000 shares and recorded an expense of $0.1 million, representing the fair value of the stock granted as at the date of the grant. This grant was cancelled on December 14, 2017. As of December 11, 2015, the Company granted 15,879 shares, to be distributed to the employees of the Manager and recorded an expense of $0.1 million, representing the fair value of the stock granted as at the date of the grant. During 2016, the Company issued 17,608 shares of common stock in partial settlement of 2015 and 2014 grants. As of December 10, 2014, the Company granted 115,185 shares to certain employees of the Manager, out of which 112,315 shares were issued and distributed to the employees of the Manager in 2015 and recorded in "General and Administrative Expenses" an expense of $0.6 million representing the fair value of the stock granted as at the date of grant. Refer to Note 18, Stock Based Compensation, in the notes to our consolidated financial statements included elsewhere herein.

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. During 2017, 2016 and 2015, none of the directors elected to receive in Company shares his compensation. Refer to Note 18, Stock Based Compensation, in the notes to our consolidated financial statements included elsewhere herein.

Item 7. Major Shareholders and Related Party Transactions

Related Party Transactions

Management Affiliations

Danaos Shipping Co. Ltd., which we refer to as our Manager, is ultimately owned by Danaos Investments Limited as Trustee of the 883 Trust, which we refer to as the Coustas Family Trust. Danaos Investments Limited is the trustee of the Coustas Family Trust, of which Dr. Coustas and other members of the Coustas family are beneficiaries. Dr. Coustas has certain powers to remove and replace Danaos Investments Limited as Trustee of the 883 Trust. The Coustas Family Trust is also our largest stockholder, owning approximately 61.8% of our outstanding common stock as of February 28, 2018. Our Manager has provided services to our vessels since 1972 and continues to provide technical, administrative and certain commercial services which support our business, as well as comprehensive ship management services such as technical supervision and commercial management, including chartering our vessels pursuant to a management agreement which was amended and restated as of May 1, 2015. From January 1, 2014 to April 30, 2015, when we resumed directly employing our executive officers, our Manager also provided us with the services of our executive officers.

Management fees in respect of continuing operations under our management agreement amounted to approximately $16.9 million in 2017, $17.1 million in 2016 and $17.4 million in 2015. The related expenses are presented under "General and administrative expenses" on the Consolidated Statement of Operations. We pay monthly advances in regard to the next month vessels' operating expenses. These prepaid monthly expenses are presented in our consolidated balance sheet under "Due from related parties" and totaled $34.0 million and $32.6 million as of December 31, 2017 and 2016, respectively.

Management Agreement

Under our management agreement, our Manager is responsible for providing us with technical, administrative and certain commercial services, which include the following:

- *technical services*, which include managing day-to-day vessel operations, performing general vessel maintenance, ensuring regulatory compliance and compliance with the law of the flag of each vessel and of the places where the vessel operates, ensuring classification society compliance, supervising the maintenance and general efficiency of vessels, arranging the hire of qualified officers and crew, training, transportation, insurance of the crew (including processing all claims), performing normally scheduled drydocking and general and routine repairs, arranging insurance for vessels (including marine hull and machinery, protection and indemnity and war risks insurance), purchasing stores, supplies, spares, lubricating oil and maintenance capital expenditures for vessels, appointing supervisors and technical consultants and providing technical support, shoreside support, shipyard supervision, and attending to all other technical matters necessary to run our business;
- *administrative services*, which include, in each direction of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, assistance with the maintenance of our corporate books and records, payroll services, assistance with the preparation of our tax returns and financial statements, assistance with corporate and regulatory compliance matters not related to our vessels, procuring legal and accounting services (including the preparation of all necessary budgets for submission to us), assistance in complying with United States and other relevant securities laws, human resources, cash management and bookkeeping services, development and monitoring of internal audit controls, disclosure controls and information technology, assistance with all regulatory and reporting functions and obligations, furnishing any reports or financial information that might be requested by us and other non-vessel related administrative services, assistance with office space, providing legal and financial compliance services, overseeing banking services (including the opening, closing, operation and management of all of our accounts including making deposits and withdrawals reasonably necessary for the management of our business and day-to-day operations), arranging general insurance and director and officer liability insurance (at our expense), providing all administrative services required for subsequent debt and equity financings and attending to all other administrative matters necessary to ensure the professional management of our business; and
- *commercial services*, which include chartering our vessels, assisting in our chartering, locating, purchasing, financing and negotiating the purchase and sale of our vessels, supervising the design and construction of newbuildings, and such other commercial services as we may reasonably request from time to time.

Reporting Structure

Our Manager reports to us and our Board of Directors through our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, each of which is appointed by our board of directors. Under our management agreement, our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer may direct the Manager to remove and replace any officer or any person who serves as the head of a business unit of our Manager. Furthermore, our Manager will not remove any person serving as an officer or senior manager without the prior written consent of our Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.

Compensation of Our Manager

The fees payable to our manager for each renewal period under our management agreement are adjusted by agreement between us and our manager. For 2018 we will pay our manager the following

fees: (i) a daily management fee of $850, (ii) a daily vessel management fee of $425 for vessels on bareboat charter, pro rated for the number of calendar days we own each vessel, (iii) a daily vessel management fee of $850 for vessels on time charter, pro rated for the number of calendar days we own each vessel, (iv) a fee of 1.25% on all freight, charter hire, ballast bonus and demurrage for each vessel, (v) a fee of 0.5% based on the contract price of any vessel bought or sold by it on our behalf, excluding newbuilding contracts, and (vi) a flat fee of $725,000 per newbuilding vessel, if any, which we capitalize, for the on premises supervision of any newbuilding contracts by selected engineers and others of its staff. We believe these fees are no more than the rates we would need to pay an unaffiliated third party to provide us with these management services.

In addition, from January 1, 2015 to April 30, 2015 our manager provided us with the services of our Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and Deputy Chief Operating Officer. We paid our manager fees of €0.5 million ($0.6 million), for the period from January 1, 2015 to April 30, 2015. From May 1, 2015, we have directly employed our executive officers.

We also advance all technical vessel operating expenses with respect to each vessel in our fleet to enable our Manager to arrange for the payment of such expenses on our behalf. To the extent the amounts advanced are greater or less than the actual vessel operating expenses of our fleet for a quarter, our Manager or us, as the case may be, will pay the other the difference at the end of such quarter, although our Manager may instead choose to credit such amount against future vessel operating expenses to be advanced for future quarters.

Term and Termination Rights

The initial term of the management agreement expired on December 31, 2008. The management agreement now automatically renews for one-year periods and will be extended, unless we give 12-months' written notice of non-renewal and subject to the termination rights described below, in additional one-year increments until December 31, 2020, at which point the agreement will expire.

Our Manager's Termination Rights. Our Manager may terminate the management agreement prior to the end of its term in the two following circumstances:

- if any moneys payable by us shall not have been paid within 60 business days of payment having been demanded in writing; or
- if at any time we materially breach the agreement and the matter is unresolved within 60 days after we are given written notice from our Manager.

Our Termination Rights. We may terminate the management agreement prior to the end of its term in the two following circumstances upon providing the respective notice:

- if at any time our Manager neglects or fails to perform its principal duties and obligations in any material respect and the matter is unresolved within 20 days after our Manager receives written notice of such neglect or failure from us; or
- if any moneys payable by the Manager under or pursuant to the management agreement are not promptly paid or accounted for in full within 10 business days by the Manager in accordance with the provisions of the management agreement.

We also may terminate the management agreement immediately under any of the following circumstances:

- if either we or our Manager ceases to conduct business, or all or substantially all of the properties or assets of either such party is sold, seized or appropriated;
- if either we or our Manager files a petition under any bankruptcy law, makes an assignment for the benefit of its creditors, seeks relief under any law for the protection of debtors or adopts a

plan of liquidation, or if a petition is filed against us or our Manager seeking to declare us or it an insolvent or bankrupt and such petition is not dismissed or stayed within 40 business days of its filing, or if our Company or the Manager admits in writing its insolvency or its inability to pay its debts as they mature, or if an order is made for the appointment of a liquidator, manager, receiver or trustee of our Company or the Manager of all or a substantial part of its assets, or if an encumbrancer takes possession of or a receiver or trustee is appointed over the whole or any part of the Manager's or our Company's undertaking, property or assets or if an order is made or a resolution is passed for our Manager's or our winding up;

- if a distress, execution, sequestration or other process is levied or enforced upon or sued out against our Manager's property which is not discharged within 20 business days;
- if the Manager ceases or threatens to cease wholly or substantially to carry on its business otherwise than for the purpose of a reconstruction or amalgamation without insolvency previously approved by us; or
- if either our Manager or we are prevented from performing any obligations under the management agreement by any cause whatsoever of any nature or kind beyond the reasonable control of us or our Manager respectively for a period of two consecutive months or more.

In addition, we may terminate any applicable ship management agreement in any of the following circumstances:

- if we or any subsidiary of ours ceases to be the owner of the vessel covered by such ship management agreement by reason of a sale thereof, or if we or any subsidiary of ours ceases to be registered as the owner of the vessel covered by such ship management agreement;
- if a vessel becomes an actual or constructive or compromised or arranged total loss or an agreement has been reached with the insurance underwriters in respect of the vessel's constructive, compromised or arranged total loss or if such agreement with the insurance underwriters is not reached or it is adjudged by a competent tribunal that a constructive loss of the vessel has occurred;
- if the vessel covered by such ship management agreement is requisitioned for title or any other compulsory acquisition of the vessel occurs, otherwise than by requisition by hire; or
- if the vessel covered by such ship management agreement is captured, seized, detained or confiscated by any government or persons acting or purporting to act on behalf of any government and is not released from such capture, seizure, detention or confiscation within 20 business days.

Non-competition

Our Manager has agreed that, during the term of the management agreement, it will not provide any management services to any other entity without our prior written approval, other than with respect to entities controlled by Dr. Coustas, our Chief Executive Officer, which do not operate within the containership (larger than 2,500 twenty foot equivalent units, or TEUs) or drybulk sectors of the shipping industry or in the circumstances described below. Dr. Coustas does not currently control any such vessel-owning entity or have an equity interest in any such entity. Dr. Coustas has also personally agreed to the same restrictions on the provision, directly or indirectly, of management services during this period. In addition, our Chief Executive Officer (other than in his capacities with us) and our Manager have separately agreed not, during the term of our management agreement and for one year thereafter, to engage, directly or indirectly, in (i) the ownership or operation of containerships of larger than 2,500 TEUs or (ii) the ownership or operation of any drybulk carriers or (iii) the acquisition of or investment in any business involved in the ownership or operation of containerships larger than 2,500

TEUs or drybulk carriers. Notwithstanding these restrictions, if our independent directors decline the opportunity to acquire any such containerships or drybulk carriers or to acquire or invest in any such business, our Chief Executive Officer will have the right to make, directly or indirectly, any such acquisition or investment during the four-month period following such decision by our independent directors, so long as such acquisition or investment is made on terms no more favorable than those offered to us. In this case, our Chief Executive Officer and our Manager will be permitted to provide management services to such vessels. In connection with our investment in Gemini (see "—Gemini Shipholdings Corporation" below), these restrictions on our Chief Executive Officer and our Manager were waived, with the approval of our independent directors, with respect to vessels acquired by Gemini.

Because the restrictions in the Bank Agreement dated January 24, 2011 among the Company, its subsidiaries, The Royal Bank of Scotland PLC and the other financial institutions named therein, effectively prevent us from acquiring additional containerships meeting the expressed preferences of our liner company clients for newbuildings and other recently built containerships which would employ the latest energy efficient design and technology and take full advantage of the economies offered by the widening of the Panama Canal, a committee of independent directors determined that these restrictions will not apply, subject to the limitations described below, to containerships or drybulk carriers acquired, or whose acquisition is funded solely with equity capital committed (together with debt whenever arranged), while the restrictions in the Bank Agreement continue to apply to us in their current form. Any such containership acquisitions may not in the aggregate exceed one-third of the total assets of the Company, determined on a book value basis. The Company's vessels will also have a chartering priority over any vessels of similar TEU capacity acquired by an entity in which Dr. Coustas has a direct or indirect investment during the period of the stated restrictions in the restrictive covenant agreement with Dr. Coustas and the management fees charged to the Company under its management agreement will be no higher than the fees charged in respect of any such vessels. As of the date of this report, no vessels have been acquired pursuant to the foregoing arrangement.

The committee of independent directors also concluded that, given the restrictions in the Bank Agreement, the Company, during the term of the Bank Agreement, could not exercise any right of first refusal afforded it under the restrictive covenant agreement as described above and therefore the parties to that agreement could acquire, operate and, under our management agreement, manage without contractual restriction any number of containerships in competition with the Company, and that the limits on the aggregate amount of containership acquisitions, a requirement for management fee parity and a right of first refusal on chartering opportunities should afford a level of competitive protection to the Company not currently available in respect of vessel acquisition opportunities declined by the Company in accordance with the terms of the restrictive covenant agreement described above. The committee also concluded that the ownership, operation or management of drybulk carriers is not complementary to the Company's current or contemplated business. In coming to its conclusion, the committee believed that this arrangement should help preserve the manager's relationship with our liner company clients and forestall our competitors' ability to capitalize on the restrictions under which we are operating because of the Bank Agreement.

Sale of Our Manager

Our Manager has agreed that it will not transfer, assign, sell or dispose of all or a significant portion of its business that is necessary for the services our Manager performs for us without the prior written consent of our Board of Directors. Furthermore, in the event of any proposed sale of our Manager, we have a right of first refusal to purchase our Manager. This prohibition and right of first refusal is in effect throughout the term of the management agreement and for a period of one year following the expiry or termination of the management agreement. Our Chief Executive Officer, Dr. John Coustas, or any trust established for the Coustas family (under which Dr. Coustas and/or a

member of his family is a beneficiary), is required, unless we expressly permit otherwise, to own 80% of our Manager's outstanding capital stock during the term of the management agreement and 80% of the voting power of our Manager's outstanding capital stock. In the event of any breach of these requirements, we would be entitled to purchase the capital stock of our Manager owned by Dr. Coustas or any trust established for the Coustas family (under which Dr. Coustas and/or a member of his family is a beneficiary). Under the terms of certain of our financing agreements, including the Bank Agreement, the failure of our Manager to continue managing our vessels securing such agreements would constitute an event of default thereunder.

Gemini Shipholdings Corporation

On August 5, 2015, we entered into a Shareholders Agreement (the "Gemini Shareholders Agreement"), with Gemini Shipholdings Corporation ("Gemini") and Virage International Ltd. ("Virage"), a company controlled by our largest stockholder, Danaos Investments Limited as Trustee of the 883 Trust, in connection with the formation of Gemini to acquire and operate containerships. We and Virage own 49% and 51%, respectively, of Gemini's issued and outstanding share capital. Under the Gemini Shareholders Agreement, we and Virage have preemptive rights with respect to issuances of Gemini capital stock as well as tag-along rights, drag-along rights and certain rights of first refusal with respect to proposed transfers of Gemini equity interests. In addition, certain actions by Gemini, including acquisitions or dispositions of vessels and newbuilding contracts, require the unanimous approval of the Gemini board of directors including the director designated by the Company, who is currently our Chief Operating Officer Iraklis Prokopakis. Mr. Prokopakis also serves as Chief Operating Officer of Gemini, and our Chief Financial Officer, Evangelos Chatzis, serves as Chief Financial Officer of Gemini, for which services Messrs. Prokopakis and Chatzis do not receive any additional compensation. We also have the right to purchase all of the equity interests in Gemini that we do not own for fair market value at any time after December 31, 2018, or earlier if permitted under our credit facilities, provided that such fair market value is not below the net book value of such equity interests.

In 2015, prior to our equity investment, Gemini acquired a 100% interest in entities with capital leases for the containerships *Suez Canal* and *Genoa* and the entity with a memorandum of agreement to acquire the containership *NYK Lodestar*. In February 2016, Gemini acquired the containership *NYK Leo*. Gemini financed these acquisitions with the assumption of capital lease obligations, borrowings under a secured loan facility and an aggregate of $47.4 million of equity contributions from the Company and Virage. We do not guarantee any debt of Gemini or its subsidiaries.

In connection with our investment in Gemini, the restrictions on the ownership, operation and management of containerships set forth in the restrictive covenant agreement with our Chief Executive Officer, the management agreement with our Manager and our executive officers' respective employment agreements were waived, with the approval of the independent directors of our board of directors, with respect to vessels acquired, owned and operated by Gemini. Danaos Shipping provides vessel management services to Gemini at the same rates as we pay pursuant to our management agreement with Danaos Shipping.

The Swedish Club

Dr. John Coustas, our Chief Executive Officer, is a Deputy Chairman of the Board of Directors of The Swedish Club, our primary provider of insurance, including a substantial portion of our hull & machinery, war risk and protection and indemnity insurance. During the years ended December 31, 2017, 2016 and 2015, we paid premiums of $4.6 million, $5.6 million and $6.3 million, respectively, to The Swedish Club under these insurance policies.

Danaos Management Consultants

Our Chief Executive Officer, Dr. John Coustas, co-founded and has a 50.0% ownership interest in Danaos Management Consultants, which provides the ship management software deployed on the vessels in our fleet to our Manager on a complementary basis. Dr. Coustas does not participate in the day-to-day management of Danaos Management Consultants.

Offices

We occupy office space that is owned by our Manager and which is provided to us as part of the services we receive under our management agreement.

Sphinx Investments Corp. Director Nominee

As described above under "Item 6. Directors, Senior Management and Employees—Board of Directors", following completion of our $200.0 million equity transaction on August 12, 2010, which satisfied a condition to the Bank Agreement and approximately $425 million of new debt financing, Mr. George Economou joined the Board of Directors of the Company as an independent director in accordance with the terms of the common stock subscription agreement between Sphinx Investments Corp. and the Company. We have agreed to nominate Mr. Economou or such other person, in each case who shall be acceptable to us, designated by Sphinx Investments Corp., for election by our stockholders to the Board of Directors at each annual meeting of stockholders at which the term of Mr. Economou or such other director so designated expires, so long as such investor beneficially owns a specified minimum amount of common stock. We have been informed that our largest stockholder, Danaos Investments Limited as Trustee of the 883 Trust, and Dr. John Coustas have agreed to vote all of the shares of our common stock owned by them, or over which they have voting control, in favor of any such nominee standing for election.

Major Stockholders

The following table sets forth certain information regarding the beneficial ownership of our outstanding common stock as of February 28, 2018 held by:

- each person or entity that we know beneficially owns 5% or more of our common stock;
- each of our officers and directors; and
- all our directors and officers as a group.

Our major stockholders have the same voting rights as our other stockholders. Beneficial ownership is determined in accordance with the rules of the SEC. In general, a person who has voting power or investment power with respect to securities is treated as a beneficial owner of those securities.

Beneficial ownership does not necessarily imply that the named person has the economic or other benefits of ownership. For purposes of this table, shares subject to options, warrants or rights or shares exercisable within 60 days of February 28, 2018 are considered as beneficially owned by the person holding those options, warrants or rights. Each stockholder is entitled to one vote for each share held. The applicable percentage of ownership of each stockholder is based on 109,799,352 shares of common stock outstanding as of February 28, 2018. Information for certain holders is based on their latest filings with the SEC or information delivered to us. Except as noted below, the address of all stockholders,

officers and directors identified in the table and accompanying footnotes below is in care of our principal executive offices.

	Number of Shares of Common Stock Owned	Percentage of Common Stock
Executive Officers and Directors:		
John Coustas(1) . . . . . *Chairman, President and Chief Executive Officer*	67,828,140	61.8%
Iraklis Prokopakis . . . . . *Director, Senior Vice President and Chief Operating Officer*	471,384	*
Evangelos Chatzis . . . . . *Chief Financial Officer and Secretary*	125,000	*
Dimitris Vastarouchas . . . . . *Deputy Chief Operating Officer*	89,931	*
George Economou(2) . . . . . *Director*	21,621,621	19.7%
Myles R. Itkin . . . . . *Director*	—	—
Miklós Konkoly-Thege . . . . . *Director*	86,966	*
William Repko . . . . . *Director*	—	—
5% Beneficial Owners:		
Danaos Investments Limited as Trustee of the 883 Trust(3)	67,828,140	61.8%
Sphinx Investments Corp.(2)	21,621,621	19.7%
All executive officers and directors as a group (8 persons) .	90,223,042	82.2%

* Less than 1%.

(1) By virtue of shares owned indirectly through Danaos Investments Limited as Trustee of the 883 Trust, which is our principal stockholder. The beneficiaries of the trust are Dr. Coustas and members of his family. The board of directors of the trustee consists of four members, none of whom are beneficiaries of the trust or members of the Coustas family, and has voting and dispositive control over the shares held by the trust. Dr. Coustas has certain powers to remove and replace Danaos Investments Limited as Trustee of the 883 Trust. This does not necessarily imply economic ownership of the securities.

(2) According to an Amendment No. 1 to Schedule 13D filed with the SEC on December 22, 2016, Sphinx Investments Corp. is a wholly-owned subsidiary of Maryport Navigation Corp., a Liberian company. Mr. George Economou, a member of our Board of Directors, may be deemed the beneficial owner of the shares held by Sphinx Investments Corp. The address of Sphinx Investments Corp. is c/o Mare Services Limited, 5⁄1 Merchants Street, Valletta, Malta.

(3) Includes 67,633,140 shares which, according to a Schedule 13D jointly filed with the SEC on August 16, 2010 by Danaos Investments Limited as Trustee of the 883 Trust and Dr. John Coustas, Danaos Investments Limited as Trustee of the 883 Trust owns and has sole voting power and sole dispositive power with respect to all such shares, and 195,000 shares held by Danaos Investments Limited as Trustee of the 883 Trust which were granted to Dr. Coustas as an equity award in December 2011. The beneficiaries of the

trust are Dr. Coustas and members of his family. The board of directors of the trustee consists of four members, none of whom are beneficiaries of the trust or members of the Coustas family, and has voting and dispositive control over the shares held by the trust. Dr. Coustas has certain powers to remove and replace Danaos Investments Limited as Trustee of the 883 Trust. This does not necessarily imply economic ownership of the securities.

As of February 28, 2018, we had approximately five stockholders of record, four of which were located in the United States and held an aggregate of 109,674,352 shares of common stock. However, one of the United States stockholders of record is CEDEFAST, a nominee of The Depository Trust Company, which held 109,672,102 shares of our common stock. Accordingly, we believe that the shares held by CEDEFAST include shares of common stock beneficially owned by both holders in the United States and non-United States beneficial owners, including 90,223,042 shares which may be deemed to be beneficially owned by our officers and directors resident outside the United States and no shares which may be deemed to be beneficially owned by directors resident in the United States as reflected in the above table. We are not aware of any arrangements the operation of which may at a subsequent date result in our change of control.

The Coustas Family Trust, under which our chief executive officer is a beneficiary, together with other members of the Coustas Family, owns approximately 61.8% of our outstanding common stock. This stockholder is able to control the outcome of matters on which our stockholders are entitled to vote, including the election of our entire board of directors and other significant corporate actions. Our respective lenders under our existing credit facilities covered by the Bank Agreement and the January 2011 Credit Facilities will be entitled to require us to repay in full amounts outstanding under such respective credit facilities, if, among other circumstances, Dr. Coustas ceases to be our Chief Executive Officer or, together with members of his family and trusts for the benefit thereof, ceases to collectively own over one-third of the voting interest in our outstanding capital stock or any other person or group controls more than 20.0% of the voting power of our outstanding capital stock.

In 2011, we issued, for no additional consideration, an aggregate of 15,000,000 warrants to our lenders under the Bank Agreement and January 2011 Credit Facilities to purchase, solely on a cashless exercise basis, an aggregate of 15,000,000 shares of our common stock, which warrants have an exercise price of $7.00 per share. All warrants will expire on January 31, 2019.

Item 8. Financial Information

See "Item 18. Financial Statements" below.

Significant Changes. No significant change has occurred since the date of the annual financial statements included in this annual report on Form 20-F.

Legal Proceedings. On September 1, 2016, Hanjin Shipping, a charterer of eight of our vessels, referred to the Seoul Central District Court, which issued an order to commence the rehabilitation proceedings of Hanjin Shipping. Hanjin Shipping has cancelled all eight charter party agreements with the Company. On February 17, 2017 the Seoul Central District Court (Bankruptcy Division), declared the bankruptcy of Hanjin Shipping, converting the rehabilitation proceeding to a bankruptcy proceeding. The Seoul Central District Court (Bankruptcy Division) appointed a bankruptcy trustee to dispose of Hanjin Shipping's remaining assets and distribute the proceeds from the sale of such assets to Hanjin Shipping's creditors according to their priorities.

The Company ceased recognizing revenue from Hanjin Shipping effective from July 1, 2016 onwards and recognized a bad debt expense amounting to $15.8 million in its Consolidated Statements of Operations for the year ended December 31, 2016. The Company has a total unsecured claim submitted to the Seoul Central District Court for unpaid charter hire, charges, expenses and loss of

profit against Hanjin Shipping totaling $597.9 million, which is not recognized in the accompanying Consolidated Balance Sheet as of December 31, 2017 and 2016.

We have not been involved in any other legal proceedings that we believe would have a significant effect on our business, financial position, results of operations or liquidity, and we are not aware of any proceedings that are pending or threatened that may have a material effect on our business, financial position, results of operations or liquidity. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, principally personal injury and property casualty claims. We expect that these claims would be covered by insurance, subject to customary deductibles. However, those claims, even if lacking merit, could result in the expenditure of significant financial and managerial resources.

Dividend Policy. Our board of directors has determined to suspend the payment of cash dividends as a result of market conditions in the international shipping industry. Declaration and payment of any future dividend is subject to the discretion of our board of directors. In addition, under the Bank Agreement relating to various of our credit facilities, we generally will not be permitted to pay cash dividends or repurchase shares of our capital stock through December 31, 2018, absent a substantial reduction in our leverage. We are a holding company, and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make any dividend payments. See "Item 3. Key Information—Risk Factors—Risks Inherent in Our Business" for a discussion of the risks related to dividend payments, if any.

After our initial public offering, we paid regular quarterly dividends from February 2007 to November 19, 2008. We paid no dividends in 2006 and, prior to our initial public offering, in 2005 we paid dividends of $244.6 million to our stockholders from our retained earnings.

Item 9. The Offer and Listing

Our common stock is listed on the New York Stock Exchange under the symbol "DAC."

Trading on the New York Stock Exchange

Since our initial public offering in the United States in October 2006, our common stock has been listed on the New York Stock Exchange under the symbol "DAC." The following table shows the high and low sales prices for our common stock during the indicated periods.

	High	Low
2013	$4.90	$2.76
2014	$7.75	$3.96
2015	$6.70	$4.56
2016 (Annual)	$6.14	$2.15
First Quarter	6.14	3.78
Second Quarter	4.35	2.70
Third Quarter	4.90	2.57
Fourth Quarter	4.40	2.15
2017 (Annual)	$3.00	$1.25
First Quarter	2.75	1.65
Second Quarter	1.85	1.25
Third Quarter	3.00	1.35
Fourth Quarter	1.75	1.40
August 2017	2.05	1.35
September 2017	1.58	1.35
October 2017	1.60	1.40
November 2017	1.75	1.45
December 2017	1.55	1.40
2018 First Quarter (through February 28, 2018)	$1.60	$1.25
January 2018	1.60	1.30
February 2018	1.38	1.25

Item 10. Additional Information

Share Capital

Under our articles of incorporation, our authorized capital stock consists of 750,000,000 shares of common stock, $0.01 par value per share, of which, as of December 31, 2017 and February 28, 2018, 109,799,352 shares were issued and outstanding and fully paid, and 100,000,000 shares of blank check preferred stock, $0.01 par value per share, of which, as of December 31, 2017 and February 28, 2018, no shares were issued and outstanding and fully paid. One million shares of the blank check preferred stock have been designated Series A Participating Preferred Stock in connection with our adoption of a stockholder rights plan as described below under "—Stockholder Rights Plan." All of our shares of stock are in registered form.

Warrants

In 2011, we issued an aggregate of 15,000,000 warrants to our lenders under the Bank Agreement and January 2011 Credit Facilities to purchase, solely on a cash-less exercise basis, an aggregate of 15,000,000 shares of our common stock, which warrants have an exercise price of $7.00 per share. All warrants will expire on January 31, 2019.

As a result of the warrants being exercisable solely on a cash-less basis, the number of shares of common stock that would be issuable upon such an exercise will generally be reduced. For instance, in the event 100 warrants were exercised at the current exercise price of $7.00 per share at a time when the applicable fair market value (defined in the warrant agreement to be, generally, the average of the

closing price of our common stock over the preceding five trading days) of our common stock was $10.00 per share, 30 shares of our common stock would be issuable rather than 100 shares of our common stock. We will not receive any cash proceeds upon the exercise of warrants.

The number of shares of our common stock issuable upon exercise of a warrant will be adjusted upon the occurrence of certain events including, without limitation, the payment of a dividend on, or the making of any distribution in respect of, capital stock of the Company, payment of which is made in:

- shares of the Company's common stock; or
- options, warrants or rights to purchase, or securities convertible into or convertible or exercisable for, shares of common stock of the Company at an exercise price below the then current market price per share of the common stock.

An adjustment will also be made in the event of a combination, subdivision or reclassification of the common stock. Adjustments will be made whenever and as often as any specified event requires an adjustment to occur, provided that no adjustment will be required until such time as the adjustment would be at least one percent (1%). No adjustments will be made for issuances under the Company's equity compensation plan, as amended or supplemented, which provides for issuances of up to six percent (6%) of the Company's outstanding common stock.

Common Stock

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of shares of common stock are entitled to receive ratably all dividends, if any, declared by our board of directors out of funds legally available for dividends. Holders of common stock do not have conversion, redemption or preemptive rights to subscribe to any of our securities. All outstanding shares of common stock are fully paid and nonassessable. The rights, preferences and privileges of holders of shares of common stock are subject to the rights of the holders of any shares of preferred stock which we may issue in the future.

Blank Check Preferred Stock

Under the terms of our articles of incorporation, our board of directors has authority, without any further vote or action by our stockholders, to issue up to 100,000,000 shares of blank check preferred stock, of which 1,000,000 shares have been designated Series A Participating Preferred Stock in connection with our adoption of a stockholder rights plan as described below under "—Stockholder Rights Plan." Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Stockholder Rights Plan

General

Each share of our common stock includes a right that entitles the holder to purchase from us a unit consisting of one-thousandth of a share of our Series A participating preferred stock at a purchase price of $25.00 per unit, subject to specified adjustments. The rights are issued pursuant to a rights agreement between us and American Stock Transfer & Trust Company, as rights agent, which, as amended, expires on December 17, 2018. Until a right is exercised, the holder of a right will have no rights to vote or receive dividends or any other stockholder rights.

The rights may have anti-takeover effects. The rights will cause substantial dilution to any person or group that attempts to acquire us without the approval of our board of directors. As a result, the

overall effect of the rights may be to render more difficult or discourage any attempt to acquire us. Because our board of directors can approve a redemption of the rights or a permitted offer, the rights should not interfere with a merger or other business combination approved by our board of directors. The adoption of the rights agreement was approved by our stockholders prior to our initial public offering.

We have summarized the material terms and conditions of the rights agreement and the rights below. For a complete description of the rights, we encourage you to read the rights agreement, which is an exhibit to this annual report.

Detachment of the Rights

The rights are attached to all shares of our outstanding common stock and will attach to all common stock that we issue prior to the rights distribution date that we describe below. The rights are not exercisable until after the rights distribution date and will expire at the close of business on the tenth anniversary date of the adoption of the rights plan, unless we redeem or exchange them earlier as described below. The rights will separate from the common stock and a rights distribution date will occur, subject to specified exceptions, on the earlier of the following two dates:

- 10 days following a public announcement that a person or group of affiliated or associated persons or an "acquiring person" has acquired or obtained the right to acquire beneficial ownership of 20% or more of our outstanding common stock; or
- 10 business days following the start of a tender or exchange offer that would result, if closed, in a person becoming an "acquiring person."

Existing stockholders prior to our initial public offering and their affiliates, as well as any person who would otherwise be an "acquiring person" solely as a result of acquiring shares of common stock pursuant to a subscription agreement with us dated as of August 6, 2010, are excluded from the definition of "acquiring person" for purposes of the rights, and therefore their ownership or future share acquisitions cannot trigger the rights. Specified "inadvertent" owners that would otherwise become an acquiring person, including those who would have this designation as a result of repurchases of common stock by us, will not become acquiring persons as a result of those transactions.

Our board of directors may defer the rights distribution date in some circumstances, and some inadvertent acquisitions will not result in a person becoming an acquiring person if the person promptly divests itself of a sufficient number of shares of common stock.

Until the rights distribution date:

- our common stock certificates will evidence the rights, and the rights will be transferable only with those certificates; and
- any new shares of common stock will be issued with rights and new certificates will contain a notation incorporating the rights agreement by reference.

As soon as practicable after the rights distribution date, the rights agent will mail certificates representing the rights to holders of record of common stock at the close of business on that date. After the rights distribution date, only separate rights certificates will represent the rights.

We will not issue rights with any shares of common stock we issue after the rights distribution date, except as our board of directors may otherwise determine.

Flip-In Event

A "flip-in event" will occur under the rights agreement when a person becomes an acquiring person. If a flip-in event occurs and we do not redeem the rights as described under the heading

"—Redemption of Rights" below, each right, other than any right that has become void, as described below, will become exercisable at the time it is no longer redeemable for the number of shares of common stock, or, in some cases, cash, property or other of our securities, having a current market price equal to two times the exercise price of such right.

If a flip-in event occurs, all rights that then are, or in some circumstances that were, beneficially owned by or transferred to an acquiring person or specified related parties will become void in the circumstances the rights agreement specifies.

Flip-Over Event

A "flip-over event" will occur under the rights agreement when, at any time after a person has become an acquiring person:

- we are acquired in a merger or other business combination transaction; or
- 50% or more of our assets, cash flows or earning power is sold or transferred.

If a flip-over event occurs, each holder of a right, other than any right that has become void as we describe under the heading "—Flip-In Event" above, will have the right to receive the number of shares of common stock of the acquiring company having a current market price equal to two times the exercise price of such right.

Antidilution

The number of outstanding rights associated with our common stock is subject to adjustment for any stock split, stock dividend or subdivision, combination or reclassification of our common stock occurring prior to the rights distribution date. With some exceptions, the rights agreement does not require us to adjust the exercise price of the rights until cumulative adjustments amount to at least 1% of the exercise price. It also does not require us to issue fractional shares of our preferred stock that are not integral multiples of one one-hundredth of a share, and, instead we may make a cash adjustment based on the market price of the common stock on the last trading date prior to the date of exercise. The rights agreement reserves us the right to require, prior to the occurrence of any flip-in event or flip-over event that, on any exercise of rights, that a number of rights must be exercised so that we will issue only whole shares of stock.

Redemption of Rights

At any time until 10 days after the date on which the occurrence of a flip-in event is first publicly announced, we may redeem the rights in whole, but not in part, at a redemption price of $0.01 per right. The redemption price is subject to adjustment for any stock split, stock dividend or similar transaction occurring before the date of redemption. At our option, we may pay that redemption price in cash, shares of common stock or any other consideration our board of directors may select. The rights are not exercisable after a flip-in event until they are no longer redeemable. If our board of directors timely orders the redemption of the rights, the rights will terminate on the effectiveness of that action.

Exchange of Rights

We may, at our option, exchange the rights (other than rights owned by an acquiring person or an affiliate or an associate of an acquiring person, which have become void), in whole or in part. The

exchange must be at an exchange ratio of one share of common stock per right, subject to specified adjustments at any time after the occurrence of a flip-in event and prior to:

- any person other than our existing stockholders becoming the beneficial owner of common stock with voting power equal to 50% or more of the total voting power of all shares of common stock entitled to vote in the election of directors; or
- the occurrence of a flip-over event.

Amendment of Terms of Rights

While the rights are outstanding, we may amend the provisions of the rights agreement only as follows:

- to cure any ambiguity, omission, defect or inconsistency;
- to make changes that do not adversely affect the interests of holders of rights, excluding the interests of any acquiring person; or
- to shorten or lengthen any time period under the rights agreement, except that we cannot change the time period when rights may be redeemed or lengthen any time period, unless such lengthening protects, enhances or clarifies the benefits of holders of rights other than an acquiring person.

At any time when no rights are outstanding, we may amend any of the provisions of the rights agreement, other than decreasing the redemption price.

Memorandum and Articles of Association

Our purpose is to engage in any lawful act or activity relating to the business of chartering, rechartering or operating containerships, drybulk carriers or other vessels or any other lawful act or activity customarily conducted in conjunction with shipping, and any other lawful act or activity approved by the board of directors. Our articles of incorporation and bylaws do not impose any limitations on the ownership rights of our stockholders.

Under our bylaws, annual stockholder meetings will be held at a time and place selected by our board of directors. The meetings may be held in or outside of the Marshall Islands. Special meetings may be called by the board of directors or, at the request of the holders of a majority of our issued and outstanding stock entitled to vote on the matters proposed to be considered at such meeting, or by our secretary. Our board of directors may set a record date between 15 and 60 days before the date of any meeting to determine the stockholders that will be eligible to receive notice and vote at the meeting.

Directors

Our directors are elected by a plurality of the votes cast at each annual meeting of the stockholders by the holders of shares entitled to vote in the election. There is no provision for cumulative voting.

The board of directors may change the number of directors to not less than two, nor more than 15, by a vote of a majority of the entire board. Each director shall be elected to serve until the third succeeding annual meeting of stockholders and until his or her successor shall have been duly elected and qualified, except in the event of death, resignation or removal. A vacancy on the board created by death, resignation, removal (which may only be for cause), or failure of the stockholders to elect the entire class of directors to be elected at any election of directors or for any other reason, may be filled only by an affirmative vote of a majority of the remaining directors then in office, even if less than a quorum, at any special meeting called for that purpose or at any regular meeting of the board of

directors. The board of directors has the authority to fix the amounts which shall be payable to the members of our board of directors for attendance at any meeting or for services rendered to us.

Dissenters' Rights of Appraisal and Payment

Under the Marshall Islands Business Corporations Act, or the BCA, our stockholders have the right to dissent from various corporate actions, including any merger or sale of all or substantially all of our assets not made in the usual course of our business, and to receive payment of the fair value of their shares. However, the right of a dissenting stockholder under the BCA to receive payment of the fair value of his shares is not available for the shares of any class or series of stock, which shares or depository receipts in respect thereof, at the record date fixed to determine the stockholders entitled to receive notice of and to vote at the meeting of the stockholders to act upon the agreement of merger or consolidation, were either (i) listed on a securities exchange or admitted for trading on an interdealer quotation system or (ii) held of record by more than 2,000 holders. The right of a dissenting stockholder to receive payment of the fair value of his or her shares shall not be available for any shares of stock of the constituent corporation surviving a merger if the merger did not require for its approval the vote of the stockholders of the surviving corporation. In the event of any further amendment of our articles of incorporation, a stockholder also has the right to dissent and receive payment for his or her shares if the amendment alters certain rights in respect of those shares. The dissenting stockholder must follow the procedures set forth in the BCA to receive payment. In the event that we and any dissenting stockholder fail to agree on a price for the shares, the BCA procedures involve, among other things, the institution of proceedings in the high court of the Republic of The Marshall Islands in which our Marshall Islands office is situated or in any appropriate jurisdiction outside the Marshall Islands in which our shares are primarily traded on a local or national securities exchange. The value of the shares of the dissenting stockholder is fixed by the court after reference, if the court so elects, to the recommendations of a court-appointed appraiser.

Stockholders' Derivative Actions

Under the BCA, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of common stock both at the time the derivative action is commenced and at the time of the transaction to which the action relates.

Anti-takeover Provisions of our Charter Documents

Several provisions of our articles of incorporation and bylaws may have anti-takeover effects. These provisions are intended to avoid costly takeover battles, lessen our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these anti-takeover provisions, which are summarized below, could also discourage, delay or prevent (1) the merger or acquisition of our company by means of a tender offer, a proxy contest or otherwise, that a stockholder may consider in its best interest and (2) the removal of incumbent officers and directors.

Blank Check Preferred Stock

Under the terms of our articles of incorporation, our board of directors has authority, without any further vote or action by our stockholders, to issue up to 5,000,000 shares of blank check preferred stock, of which 1,000,000 shares have been designated Series A Participating Preferred Stock in connection with our adoption of a stockholder rights plan as described above under "—Stockholder Rights Plan." Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of our company or the removal of our management.

Classified Board of Directors

Our articles of incorporation provide for a board of directors serving staggered, three-year terms. Approximately one-third of our board of directors will be elected each year. This classified board provision could discourage a third party from making a tender offer for our shares or attempting to obtain control of our company. It could also delay stockholders who do not agree with the policies of the board of directors from removing a majority of the board of directors for two years.

Election and Removal of Directors

Our articles of incorporation and bylaws prohibit cumulative voting in the election of directors. Our bylaws require parties other than the board of directors to give advance written notice of nominations for the election of directors. Our bylaws also provide that our directors may be removed only for cause and only upon the affirmative vote of the holders of at least 66⅔% of the outstanding shares of our capital stock entitled to vote for those directors. These provisions may discourage, delay or prevent the removal of incumbent officers and directors.

Calling of Special Meetings of Stockholders

Our bylaws provide that special meetings of our stockholders may be called by our board of directors or, at the request of holders of a majority of the common stock entitled to vote at such meeting, by our secretary.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws provide that stockholders seeking to nominate candidates for election as directors or to bring business before an annual meeting of stockholders must provide timely notice of their proposal in writing to the corporate secretary.

Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days or more than 120 days prior to the first anniversary date of the previous year's annual meeting. Our bylaws also specify requirements as to the form and content of a stockholder's notice. These provisions may impede stockholders' ability to bring matters before an annual meeting of stockholders or to make nominations for directors at an annual meeting of stockholders.

Business Combinations

Although the BCA does not contain specific provisions regarding "business combinations" between companies organized under the laws of the Marshall Islands and "interested stockholders," we have included these provisions in our articles of incorporation. Specifically, our articles of incorporation prohibit us from engaging in a "business combination" with certain persons for three years following the date the person becomes an interested stockholder. Interested stockholders generally include:

- any person who is the beneficial owner of 15% or more of our outstanding voting stock; or
- any person who is our affiliate or associate and who held 15% or more of our outstanding voting stock at any time within three years before the date on which the person's status as an interested stockholder is determined, and the affiliates and associates of such person.

Subject to certain exceptions, a business combination includes, among other things:

- certain mergers or consolidations of us or any direct or indirect majority-owned subsidiary of ours;
- any sale, lease, exchange, mortgage, pledge, transfer or other disposition of our assets or of any subsidiary of ours having an aggregate market value equal to 10% or more of either the

aggregate market value of all assets of us, determined on a consolidated basis, or the aggregate value of all the outstanding stock of us;

- certain transactions that result in the issuance or transfer by us of any stock of the corporation to the interested stockholder;
- any transaction involving us or any of our subsidiaries that has the effect of increasing the proportionate share of any class or series of stock, or securities convertible into any class or series of stock, of ours or any such subsidiary that is owned directly or indirectly by the interested stockholder or any affiliate or associate of the interested stockholder; and
- any receipt by the interested stockholder of the benefit directly or indirectly (except proportionately as a stockholder) of any loans, advances, guarantees, pledges or other financial benefits provided by or through us.

These provisions of our articles of incorporation do not apply to a business combination if:

- before a person became an interested stockholder, our board of directors approved either the business combination or the transaction in which the stockholder became an interested stockholder;
- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, other than certain excluded shares;
- at or following the transaction in which the person became an interested stockholder, the business combination is approved by our board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of the holders of at least 66⅔% of our outstanding voting stock that is not owned by the interest stockholder;
- the stockholder was or became an interested stockholder prior to the consummation of the initial public offering of our common stock under the Securities Act;
- a stockholder became an interested stockholder inadvertently and (i) as soon as practicable divests itself of ownership of sufficient shares so that the stockholder ceases to be an interested stockholder; and (ii) would not, at any time within the three-year period immediately prior to a business combination between our company and such stockholder, have been an interested stockholder but for the inadvertent acquisition of ownership; or
- the business combination is proposed prior to the consummation or abandonment of and subsequent to the earlier of the public announcement or the notice required under our articles of incorporation which (i) constitutes one of the transactions described in the following sentence; (ii) is with or by a person who either was not an interested stockholder during the previous three years or who became an interested stockholder with the approval of the board; and (iii) is approved or not opposed by a majority of the members of the board of directors then in office (but not less than one) who were directors prior to any person becoming an interested stockholder during the previous three years or were recommended for election or elected to succeed such directors by a majority of such directors. The proposed transactions referred to in the preceding sentence are limited to:

(i) a merger or consolidation of our company (except for a merger in respect of which, pursuant to the BCA, no vote of the stockholders of our company is required);

(ii) a sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions), whether as part of a dissolution or otherwise, of assets of our company or of any direct or indirect majority-owned subsidiary of our company (other than to any

direct or indirect wholly-owned subsidiary or to our company) having an aggregate market value equal to 50% or more of either that aggregate market value of all of the assets of our company determined on a consolidated basis or the aggregate market value of all the outstanding shares; or

(iii) a proposed tender or exchange offer for 50% or more of our outstanding voting stock.

Material Contracts

For a summary of the following agreements, please see the specified section of this Annual Report on Form 20-F. Such summaries are not intended to be complete and reference is made to the contracts themselves, which are exhibits to this Annual Report on Form 20-F.

For a description of the Amended and Restated Management Agreement, dated as of May 1, 2015, between Danaos Shipping Company Limited and Danaos Corporation, please see "Item 7. Major Shareholders and Related Party Transactions—Management Agreement."

For a description of the Restrictive Covenant Agreement, dated October 11, 2006, between Danaos Corporation and Dr. John Coustas, please see "Item 7. Major Shareholders and Related Party Transactions—Non-competition."

For a description of the Stockholder Rights Agreement, dated September 18, 2006, between Danaos Corporation and American Stock Transfer & Trust Company, as Rights Agent, as amended, please see "Item 10. Additional Information—Share Capital—Stockholder Rights Plan."

For a description of the Restructuring Agreement, dated January 24, 2011, between the Company, its subsidiaries and its lenders and swap- counterparties and lenders and the Company's credit facilities and financing arrangements, please see "Item 5. Operating and Financial Review and Prospects—Bank Agreement." For additional information regarding our credit facilities, including the financial covenants contained therein, see Note 11 to our consolidated financial statements included elsewhere in this annual report.

For a description of the Shareholders Agreement, dated as of August 5, 2015, by and among Gemini Shipholdings Corporation, the Company and Virage International Ltd., please see "Item 7. Major Shareholders and Related Party Transactions—Related Party Transactions—Gemini Shipholdings Corporation."

Exchange Controls and Other Limitations Affecting Stockholders

Under Marshall Islands law, there are currently no restrictions on the export or import of capital, including foreign exchange controls or restrictions that affect the remittance of dividends, interest or other payments to non-resident holders of our common stock. In mid-2015, Greece implemented capital controls restricting the transfer of funds out of Greece, which would restrict our use of the limited amount of cash we hold in Greece for the remittance of dividends, interest or other payments to non- resident holders of our common stock outside of Greece.

We are not aware of any limitations on the rights to own our common stock, including rights of non-resident or foreign stockholders to hold or exercise voting rights on our common stock, imposed by foreign law or by our articles of incorporation or bylaws.

Tax Considerations

Marshall Islands Tax Considerations

We are a Marshall Islands corporation. Because we do not, and we do not expect that we will, conduct business or operations in the Marshall Islands, under current Marshall Islands law we are not

subject to tax on income or capital gains and our stockholders will not be subject to Marshall Islands taxation or withholding on dividends and other distributions, including upon a return of capital, we make to our stockholders. In addition, our stockholders, who do not reside in, maintain offices in or engage in business in the Marshall Islands, will not be subject to Marshall Islands stamp, capital gains or other taxes on the purchase, ownership or disposition of common stock, and such stockholders will not be required by the Republic of The Marshall Islands to file a tax return relating to the common stock.

Each stockholder is urged to consult their tax counsel or other advisor with regard to the legal and tax consequences, under the laws of pertinent jurisdictions, including the Marshall Islands, of their investment in us. Further, it is the responsibility of each stockholder to file all state, local and non-U.S, as well as U.S. federal tax returns that may be required of them.

Liberian Tax Considerations

The Republic of Liberia enacted a new income tax act effective as of January 1, 2001 (the "New Act"). In contrast to the income tax law previously in effect since 1977, the New Act does not distinguish between the taxation of "non-resident" Liberian corporations, such as our Liberian subsidiaries, which conduct no business in Liberia and were wholly exempt from taxation under the prior law, and "resident" Liberian corporations which conduct business in Liberia and are (and were under the prior law) subject to taxation.

The New Act was amended by the Consolidated Tax Amendments Act of 2011, which was published and became effective on November 1, 2011 (the "Amended Act"). The Amended Act specifically exempts from taxation non-resident Liberian corporations such as our Liberian subsidiaries that engage in international shipping (and are not engaged in shipping exclusively within Liberia) and that do not engage in other business or activities in Liberia other than those specifically enumerated in the Amended Act. In addition, the Amended Act made such exemption from taxation retroactive to the effective date of the New Act.

If, however, our Liberian subsidiaries were subject to Liberian income tax under the Amended Act, they would be subject to tax at a rate of 35% on their worldwide income. As a result, their, and subsequently our, net income and cash flow would be materially reduced. In addition, as the ultimate shareholder of the Liberian subsidiaries we would be subject to Liberian withholding tax on dividends paid by our Liberian subsidiaries at rates ranging from 15% to 20%.

United States Federal Income Tax Considerations

The following discussion of United States federal income tax matters is based on the Internal Revenue Code of 1986, or the Code, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the United States Department of the Treasury, all of which are in effect and available and subject to change, possibly with retroactive effect. Except as otherwise noted, this discussion is based on the assumption that we will not maintain an office or other fixed place of business within the United States. We have no current intention of maintaining such an office. References in this discussion to "we" and "us" are to Danaos Corporation and its subsidiaries on a consolidated basis, unless the context otherwise requires.

United States Federal Income Taxation of Our Company

Taxation of Operating Income: In General

Unless exempt from United States federal income taxation under the rules discussed below, a foreign corporation is subject to United States federal income taxation in respect of any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, operating or

bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses, which we refer to as "shipping income," to the extent that the shipping income is derived from sources within the United States. For these purposes, 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States constitutes income from sources within the United States, which we refer to as "United States-source shipping income."

Shipping income attributable to transportation that both begins and ends in the United States is generally considered to be 100% from sources within the United States. We do not expect to engage in transportation that produces income which is considered to be 100% from sources within the United States.

Shipping income attributable to transportation exclusively between non-United States ports is generally considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

In the absence of exemption from tax under Section 883 of the Code, our gross United States-source shipping income and that of our vessel-owning or vessel-operating subsidiaries, unless determined to be effectively connected with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed without allowance for deductions as described below.

Exemption of Operating Income from United States Federal Income Taxation

Under Section 883 of the Code, we and our vessel-owning or vessel-operating subsidiaries will be exempt from United States federal income taxation on United States-source shipping income if:

(1) we and such subsidiaries are organized in foreign countries (our "countries of organization") that grant an "equivalent exemption" to corporations organized in the United States; and

(2) either

  (A) more than 50% of the value of our stock is owned, directly or indirectly, by individuals who are "residents" of our country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, which we refer to as the "50% Ownership Test"; or

  (B) our stock is "primarily and regularly traded on an established securities market" in our country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, which we refer to as the "Publicly-Traded Test."

We believe, based on Revenue Ruling 2008-17, 2008-12 IRB 626, and, in the case of the Marshall Islands, an exchange of notes between the United States and the Marshall Islands, 1990-2 C.B. 321, in the case of Liberia, an exchange of notes between the United States and Liberia, 1988-1 C.B. 463, in the case of Cyprus, an exchange of notes between the United States and Cyprus, 1989-2 C.B. 332 and, in the case of Malta, an exchange of notes between the United States and Malta, 1997-1 C.B. 314, (each an "Exchange of Notes"), that the Marshall Islands, Liberia, Cyprus and Malta, the jurisdictions in which we and our vessel-owning and vessel-operating subsidiaries are incorporated, grant an "equivalent exemption" to United States corporations. Therefore, we believe that we and our vessel-owning and vessel-operating subsidiaries will be exempt from United States federal income taxation with respect to United States-source shipping income if either the 50% Ownership Test or the Publicly-Traded Test is met. While we believe that we currently satisfy the 50% Ownership Test, we expect that,

if the 883 Trust were to come to own 50% or less of our shares, it may be difficult for us to satisfy the 50% Ownership Test due to the public trading of our stock. Our ability to satisfy the Publicly-Traded Test is discussed below.

The Section 883 regulations provide, in pertinent part, that stock of a foreign corporation will be considered to be "primarily traded" on an established securities market in a particular country if the number of shares of each class of stock that are traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that are traded during that year on established securities markets in any other single country. For 2017, our common stock, which is the sole class of our issued and outstanding stock, was "primarily traded" on the New York Stock Exchange and we anticipate that that will also be the case for subsequent taxable years.

Under the regulations, our common stock will be considered to be "regularly traded" on an established securities market if one or more classes of our stock representing more than 50% of our outstanding shares, by total combined voting power of all classes of stock entitled to vote and total value, is listed on the market. We refer to this as the "listing threshold". Since our common stock is our sole class of stock we satisfied the listing threshold for 2017 and expect to continue to do so for subsequent taxable years.

It is further required that with respect to each class of stock relied upon to meet the listing threshold (i) such class of the stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or ⅙ of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market is at least 10% of the average number of shares of such class of stock outstanding during such year or as appropriately adjusted in the case of a short taxable year. We believe that we satisfied the trading frequency and trading volume tests for 2017 and we expect to continue to satisfy these requirements for subsequent taxable years. Even if this were not the case, the regulations provide that the trading frequency and trading volume tests will be deemed satisfied if, as was the case for 2017 and we expect to be the case with our common stock for subsequent taxable years, such class of stock is traded on an established market in the United States and such stock is regularly quoted by dealers making a market in such stock.

Notwithstanding the foregoing, the regulations provide, in pertinent part, that a class of our stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of such class of our outstanding shares of the stock is owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the value of such class of our outstanding stock, which we refer to as the "5 Percent Override Rule."

For purposes of being able to determine the persons who own 5% or more of our stock, or "5% Stockholders," the regulations permit us to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States Securities and Exchange Commission, or the "SEC," as having a 5% or more beneficial interest in our common stock. The regulations further provide that an investment company which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Stockholder for such purposes.

More than 50% of our shares of common stock are currently owned by 5% stockholders. Thus, we will be subject to the 5% Override Rule unless we can establish that among the shares included in the closely-held block of our shares of common stock there are a sufficient number of shares of common stock that are owned or treated as owned by "qualified stockholders" such that the shares of common stock included in such block that are not so treated could not constitute 50% or more of the shares of our common stock for more than half the number of days during the taxable year. In order to establish this, such qualified stockholders would have to comply with certain documentation and certification requirements designed to substantiate their identity as qualified stockholders. For these purposes, a "qualified stockholder" includes (i) an individual that owns or is treated as owning shares of our

common stock and is a resident of a jurisdiction that provides an exemption that is equivalent to that provided by Section 883 of the Code and (ii) certain other persons. There can be no assurance that we will not be subject to the 5 Percent Override Rule with respect to any taxable year.

Approximately 61.8% of our shares will be treated, under applicable attribution rules, as owned by the 883 Trust whose ownership of our shares will be attributed, during his lifetime, to John Coustas, our chief executive officer, for purposes of Section 883. Dr. Coustas has entered into an agreement with us regarding his compliance, and the compliance of certain entities that he controls and through which he owns our shares, with the certification requirements designed to substantiate status as qualified stockholders. In certain circumstances, including circumstances where Dr. Coustas ceases to be a "qualified stockholder" or where the 883 Trust transfers some or all of our shares that it holds, Dr. Coustas' compliance, and the compliance of certain entities that he controls or through which he owns our shares, with the terms of the agreement with us will not enable us to satisfy the requirements for the benefits of Section 883. Following Dr. Coustas' death, there can be no assurance that our shares that are treated, under applicable attribution rules, as owned by the 883 Trust will be treated as owned by a "qualified stockholder" or that any "qualified stockholder" to whom ownership of all or a portion of such ownership is attributed will comply with the ownership certification requirements under Section 883.

Accordingly, there can be no assurance that we or any of our vessel-owning or vessel-operating subsidiaries will qualify for the benefits of Section 883 for any taxable year.

To the extent the benefits of Section 883 are unavailable, our U.S.-source shipping income, to the extent not considered to be "effectively connected" with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Since, under the sourcing rules described above, we expect that no more than 50% of our shipping income would be treated as being derived from United States sources, we expect that the maximum effective rate of United States federal income tax on our gross shipping income would never exceed 2% under the 4% gross basis tax regime. Many of our charters contain provisions obligating the charter to reimburse us for amounts paid in respect of the 4% tax with respect to the activities of the vessel subject to the charter.

To the extent the benefits of the Section 883 exemption are unavailable and our United States-source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" U.S.-source shipping income, net of applicable deductions, would be subject to the United States federal corporate income tax currently imposed at rates of up to 21%. In addition, we may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of our United States trade or business.

Our U.S.-source shipping income, other than leasing income, will be considered "effectively connected" with the conduct of a United States trade or business only if:

- we have, or are considered to have, a fixed place of business in the United States involved in the earning of shipping income; and
- substantially all (at least 90%) of our U.S.-source shipping income, other than leasing income, is attributable to regularly scheduled transportation, such as the operation of a vessel that follows a published schedule with repeated sailings at regular intervals between the same points for operating that begin or end in the United States.

Our U.S.-source shipping income from leasing will be considered "effectively connected" with the conduct of a U.S. trade or business only if:

- we have, or are considered to have a fixed place of business in the United States that is involved in the meaning of such leasing income; and
- substantially all (at least 90%) of our U.S.-source shipping income from leasing is attributable to such fixed place of business.

For these purposes, leasing income is treated as attributable to a fixed place of business where such place of business is a material factor in the realization of such income and such income is realized in the ordinary course of business carried on through such fixed place of business. Based on the foregoing and on the expected mode of our shipping operations and other activities, we believe that none of our U.S.-source shipping income will be "effectively connected" with the conduct of a U.S. trade or business.

United States Taxation of Gain on Sale of Vessels

Regardless of whether we qualify for exemption under Section 883, we will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel will be so structured that it will be considered to occur outside of the United States unless any gain from such sale is expected to qualify for exemption under Section 883.

United States Federal Income Taxation of United States Holders

As used herein, the term "United States Holder" means a beneficial owner of common stock or warrants that is a United States citizen or resident, United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust. The discussion that follows deals only with common stock or warrants that are held by a United States Holder as capital assets, and does not address the treatment of United States Holders that are subject to special tax rules, including a United States Holder, if any, that has received our warrants as compensation for services.

If a partnership holds our common stock or warrants, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. Partners in a partnership holding our common stock or warrants are encouraged to consult their tax advisor.

Distributions with Respect to Common Stock

Subject to the discussion of passive foreign investment companies, or PFICs, below, any distributions made by us with respect to our common stock to a United States Holder will generally constitute dividends, which may be taxable as ordinary income or "qualified dividend income" as described in more detail below, to the extent of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of our earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder's tax basis in his common stock on a dollar for dollar basis and thereafter as capital gain. Because we are not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from

us. Dividends paid with respect to our common stock will generally be treated as passive category income or, in the case of certain types of United States Holders, general category income for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes. Dividends paid on our common stock to a United States Holder who is an individual, trust or estate (a "United States Individual Holder") should be treated as "qualified dividend income" that is taxable to such United States Individual Holders at preferential tax rates provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the New York Stock Exchange); (2) we are not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (see the discussion below under "—PFIC Status and Material U.S. Federal Tax Consequences"); and (3) the United States Individual Holder owns the common stock for more than 60 days in the 121- day period beginning 60 days before the date on which the common stock becomes ex-dividend. Special rules may apply to any "extraordinary dividend". Generally, an extraordinary dividend is a dividend in an amount which is equal to or in excess of ten percent of a stockholder's adjusted basis (or fair market value in certain circumstances) in a share of common stock paid by us. If we pay an "extraordinary dividend" on our common stock that is treated as "qualified dividend income," then any loss derived by a United States Individual Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend.

There is no assurance that any dividends paid on our common stock will be eligible for these preferential rates in the hands of a United States Individual Holder. Any dividends paid by us which are not eligible for these preferential rates will be taxed to a United States Individual Holder at the standard ordinary income rates.

Legislation has been previously introduced that would deny the preferential rate of federal income tax currently imposed on qualified dividend income with respect to dividends received from a non-U.S. corporation, unless the non-U.S. corporation either is eligible for the benefits of a comprehensive income tax treaty with the United States or is created or organized under the laws of a foreign country which has a comprehensive income tax system. Because the Marshall Islands has not entered into a comprehensive income tax treaty with the United States and imposes only limited taxes on corporations organized under its laws, it is unlikely that we could satisfy either of these requirements. Consequently, if this legislation were enacted in its current form the preferential rate of federal income tax described above may no longer be applicable to dividends received from us. As of the date hereof, it is not possible to predict with certainty whether or in what form legislation of this sort might be proposed, or enacted.

The exercise price of our warrants, and the amount of common stock to be issued upon exercise, are subject to adjustment under certain circumstances. If such an adjustment increases a proportionate interest of a United States Holder of a warrant in the fully diluted common stock, or increases a proportionate interest of a United States Holder of common stock in the fully diluted common stock, the United States Holder of the warrants, or common stock, whose proportionate interest increased may be treated as having received a constructive distribution, which may be taxable to such United States Holder as a dividend. The warrants by their terms permit us to increase the amount of common stock issuable on an exercise of the warrants to prevent deemed dividend treatment with respect to holders of our common stock.

Sale, Exchange or other Disposition of Common Stock or Warrants

Assuming we do not constitute a PFIC for any taxable year, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of our common stock or warrants in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other disposition and the United States Holder's tax basis in such stock or warrants. Such gain or loss will be treated as long-term capital gain or loss if the United States Holder's holding period is greater than one year at the time of the sale, exchange or other disposition.

Such capital gain or loss will generally be treated as United States-source income or loss, as applicable, for United States foreign tax credit purposes. A United States Holder's ability to deduct capital losses is subject to certain limitations.

Exercise or Expiration of Warrants

Assuming we do not constitute a PFIC for any taxable year, the tax treatment of a cashless exercise of our warrants, which is the only form of exercise provided by their terms, is not free from doubt. A cashless exercise may be treated as a tax-free recapitalization of the warrant into our common stock, and as a result an exercising United States Holder would not recognize gain or loss on the exercise, and would have a tax basis and holding period in the common stock issued upon exercise reflecting the tax basis and holding period of the exercised warrant. It is conceivable, however, that a cashless exercise may be treated in the same manner as an exercise of the warrants for cash, generally resulting in neither gain nor loss for the exercising United States Holder, but the United States Holder would then be treated as having sold a portion of the stock received on exercise to us, reflecting common stock equal to the exercise price for the warrants, and as a result may recognize gain (or loss) reflecting the amount by which the fair market value of such common stock exceeds (or is less than) the United States Holder's tax basis in such common stock (reflecting, in turn, such United States Holder's tax basis in the warrants exercised in exchange for such common stock). United States Holders are urged to consult with their tax advisers regarding the tax treatment of a cashless exercise of the warrants.

Assuming we do not constitute a PFIC for any taxable year, if a warrant expires unexercised, a United States Holder will recognize a capital loss, reflecting the United States Holder's tax basis in the expired warrant. A United States Holder's ability to deduct capital losses is subject to certain limitations.

PFIC Status and Material U.S. Federal Tax Consequences

Special United States federal income tax rules apply to a United States Holder that holds stock or warrants in a foreign corporation classified as a passive foreign investment company, or PFIC, for United States federal income tax purposes. In general, we will be treated as a PFIC in any taxable year in which, after applying certain look-through rules, either:

- at least 75% of our gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50% of the average value of our assets during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether we are a PFIC, we will be treated as earning and owning our proportionate share of the income and assets, respectively, of any of our subsidiary corporations in which we own at least 25% of the value of the subsidiary's stock. Income earned, or deemed earned, by us in connection with the performance of services will not constitute passive income. By contrast, rental income will generally constitute "passive income" unless we are treated under specific rules as deriving our rental income in the active conduct of a trade or business.

We may hold, directly or indirectly, interests in other entities that are PFICs ("Subsidiary PFICs"). If we are a PFIC, each United States Holder will be treated as owning its pro-rata share by value of the stock of any such Subsidiary PFICs.

While there are legal uncertainties involved in this determination, we believe that we should not be treated as a PFIC for the taxable year ended December 31, 2017. We believe that, although there is no legal authority directly on point, the gross income that we derive from time chartering activities of our

subsidiaries should constitute services income rather than rental income. Consequently, such income should not constitute passive income and the vessels that we or our subsidiaries operate in connection with the production of such income should not constitute passive assets for purposes of determining whether we are a PFIC. The characterization of income from time charters, however, is uncertain. Although there is older legal authority supporting this position consisting of case law and Internal Revenue Service, or IRS, pronouncements concerning the characterization of income derived from time charters as services income for other tax purposes, the United States Court of Appeals for the Fifth Circuit held in *Tidewater Inc. and Subsidiaries v. United States*, 565 F.3d 299; (5th Cir. 2009), that income derived from certain time chartering activities should be treated as rental income rather than services income for purposes of the "foreign sales corporation" rules under the Code. The IRS has stated that it disagrees with and will not acquiesce to the *Tidewater* decision, and in its discussion stated that the time charters at issue in *Tidewater* would be treated as producing services income for PFIC purposes. However, the IRS's statement with respect to the *Tidewater* decision was an administrative action that cannot be relied upon or otherwise cited as precedent by taxpayers. Consequently, in the absence of any binding legal authority specifically relating to the statutory provisions governing PFICs, there can be no assurance that the IRS or a court would agree with the *Tidewater* decision. However, if the principles of the *Tidewater* decision were applicable to our time charters, we would likely be treated as a PFIC. Moreover, although we intend to conduct our affairs in a manner to avoid being classified as a PFIC, we cannot assure you that the nature of our assets, income and operations will not change, or that we can avoid being treated as a PFIC for any taxable year.

If we were to be treated as a PFIC for any taxable year, a United States Holder would be required to file an annual report with the IRS for that year with respect to such holder's common stock or warrants. In addition, as discussed more fully below, if we were to be treated as a PFIC for any taxable year, a United States Holder of our common stock would be subject to different taxation rules depending on whether the United States Holder makes an election to treat us as a "Qualified Electing Fund," which election we refer to as a "QEF election." As an alternative to making a QEF election, a United States Holder should be able to make a "mark-to-market" election with respect to our common stock, as discussed below. Under the PFIC rules, a United States Holder of our warrants would not be permitted to make either a QEF election or a mark-to-market election with respect to our warrants.

Taxation of United States Holders Making a Timely QEF Election

If a United States Holder makes a timely QEF election with respect to our common stock, which United States Holder we refer to as an "Electing Holder," for United States federal income tax purposes each year the Electing Holder must report his, her or its pro-rata share of our ordinary earnings and our net capital gain, if any, for our taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from us by the Electing Holder. Generally, a QEF election should be made on or before the due date for filing the electing United States Holder's U.S. federal income tax return for the first taxable year in which our common stock is held by such United States Holder and we are classified as a PFIC. The Electing Holder's adjusted tax basis in the common stock would be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed would result in a corresponding reduction in the adjusted tax basis in the common stock and would not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of our common stock. A United States Holder would make a QEF election with respect to any year that our company and any Subsidiary PFIC are treated as PFICs by filing one copy of IRS Form 8621 with his, her or its United States federal income tax return and a second copy in accordance with the instructions to such form. If we were to become aware that we were to be treated as a PFIC for any taxable year, we would notify all United States Holders of such treatment and would provide all necessary information to any United States Holder who requests such

information in order to make the QEF election described above with respect to our common stock and the stock of any Subsidiary PFIC.

Taxation of United States Holders Making a "Mark-to-Market" Election

Alternatively, if we were to be treated as a PFIC for any taxable year and, as we anticipate, our common stock is treated as "marketable stock," a United States Holder of our common stock would be allowed to make a "mark-to- market" election with respect to our common stock, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury Regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The United States Holder also would be permitted an ordinary loss in respect of the excess, if any, of the United States Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A United States Holder's tax basis in his, her or its common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of our common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder. A mark-to-market election under the PFIC rules with respect to our common stock would not apply to a Subsidiary PFIC, and a United States Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that Subsidiary PFIC. Consequently, United States Holders of our common stock could be subject to the PFIC rules with respect to income of the Subsidiary PFIC, the value of which already had been taken into account indirectly via mark-to-market adjustments.

Taxation of United States Holders Not Making a Timely QEF or Mark- to-Market Election

Finally, if we were treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a "mark-to-market" election for that year, whom we refer to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on our common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock) and (2) any gain realized on the sale, exchange or other disposition of our common stock or warrants. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock or warrants;
- the amount allocated to the current taxable year or to any portion of the United States Holder's holding period prior to the first taxable year for which we were a PFIC would be taxed as ordinary income; and
- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

If we were treated as a PFIC for any taxable year, a U.S. Holder that owns our share or warrants would be required to file an annual information return with the IRS reflecting such ownership, regardless of whether a QEF election or a mark-to-market election had been made.

Although there is no governing authority as to the consequences of an exercise of warrants where the issuer is a PFIC, under proposed regulations, the exercise of warrants would not be treated as a disposition for PFIC purposes, and a United States Holder that exercises a warrant, consistent with these proposed regulations, would have a holding period in the resulting common stock that reflects the United States Holder's holding period in the warrants.

If a United States Holder held our common stock or warrants during a period when we were treated as a PFIC but the United States Holder did not have a QEF election in effect with respect to us, then in the event that we failed to qualify as a PFIC for a subsequent taxable year, the United States Holder could elect to cease to be subject to the rules described above with respect to those shares by making a "deemed sale" or, in certain circumstances, a "deemed dividend" election with respect to our common stock or warrants. If the United States Holder makes a deemed sale election, the United States Holder will be treated, for purposes of applying the rules described in the preceding paragraph, as having disposed of our common stock or warrants for their fair market value on the last day of the last taxable year for which we qualified as a PFIC (the "termination date"). The United States Holder would increase his, her or its basis in such common stock or warrants by the amount of the gain on the deemed sale described in the preceding sentence. Following a deemed sale election, the United States Holder would not be treated, for purposes of the PFIC rules, as having owned the common stock or warrants during a period prior to the termination date when we qualified as a PFIC.

If we were treated as a "controlled foreign corporation" for United States tax purposes for the taxable year that included the termination date, then a United States Holder could make a deemed dividend election with respect to our common stock. If a deemed dividend election is made, the United States Holder is required to include in income as a dividend his, her or its pro-rata share (based on all of our stock held by the United States Holder, directly or under applicable attribution rules, on the termination date) of our post-1986 earnings and profits as of the close of the taxable year that includes the termination date (taking only earnings and profits accumulated in taxable years in which we were a PFIC into account). The deemed dividend described in the preceding sentence is treated as an excess distribution for purposes of the rules described in the second preceding paragraph. The United States Holder would increase his, her or its basis in our common stock by the amount of the deemed dividend. Following a deemed dividend election, the United States Holder would not be treated, for purposes of the PFIC rules, as having owned the common stock during a period prior to the termination date when we qualified as a PFIC. For purposes of determining whether the deemed dividend election is available, we will generally be treated as a controlled foreign corporation for a taxable year when, at any time during that year, United States persons, each of whom owns, directly or under applicable attribution rules, common stock having 10% or more of the total voting power of our common stock, in the aggregate own, directly or under applicable attribution rules, shares representing more than 50% of the voting power or value of our common stock.

A deemed sale or deemed dividend election must be made on the United States Holder's original or amended return for the shareholder's taxable year that includes the termination date and, if made on an amended return, such amended return must be filed not later than the date that is three years after the due date of the original return for such taxable year. Special rules apply where a person is treated, for purposes of the PFIC rules, as indirectly owning our common stock or warrants.

United States Federal Income Taxation of "Non-United States Holders"

A beneficial owner of common stock or warrants that is not a United States Holder and is not treated as a partnership for United States federal income tax purposes is referred to herein as a "Non-United States Holder."

Dividends on Common Stock

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from us with respect to our common stock, unless that income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

Sale, Exchange or Other Disposition of Common Stock or Warrants

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of our common stock or warrants, or an exercise of warrants, unless:

- the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non- United States Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain generally is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States; or
- the Non-United States Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-United States Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock or warrants, including dividends (with respect to the common stock) and the gain from the sale, exchange or other disposition of the stock that is effectively connected with the conduct of that trade or business (including deemed gain, if any, with respect to an exercise of the warrants, as described above in "—United States Federal Income Taxation of United States Holders—Exercise or Expiration of Warrants") will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of United States Holders. In addition, in the case of a corporate Non-United States Holder, such holder's earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to a noncorporate United States holder will be subject to information reporting requirements and backup withholding tax if such holder:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that it has failed to report all interest or dividends required to be shown on its federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If a holder sells our common stock or warrants to or through a United States office or broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless the holder certifies that it is a non-United States person, under penalties of perjury, or the

holder otherwise establishes an exemption. If a holder sells our common stock through a non-United States office of a non-United States broker and the sales proceeds are paid outside the United States, information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside the United States, if a holder sells our common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States.

Backup withholding tax is not an additional tax. Rather, a holder generally may obtain a refund of any amounts withheld under backup withholding rules that exceed such stockholder's income tax liability by filing a refund claim with the IRS.

Dividends and Paying Agents

Not applicable.

Statement by Experts

Not applicable.

Documents on Display

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and other information as a foreign private issuer with the SEC. You may inspect and copy our public filings without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. You may obtain copies of all or any part of such materials from the SEC upon payment of prescribed fees. You may also inspect reports and other information regarding registrants, such as us, that file electronically with the SEC without charge at a web site maintained by the SEC at *http://www.sec.gov*.

Item 11. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We currently have no outstanding interest rate swaps agreements. However, in the past years, we entered into interest rate swap agreements designed to pro-actively and efficiently manage our floating rate exposure on our credit facilities. We have recognized these derivative instruments on the consolidated balance sheet at their fair value. Pursuant to the adoption of our Risk Management Accounting Policy, and after putting in place the formal documentation required by the accounting guidance for derivatives and hedging in order to designate these swaps as hedging instruments, as of June 15, 2006, these interest rate swaps qualified for hedge accounting, and, accordingly, from that time until June 30, 2012, only hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item were recognized in the Company's earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps were performed on a quarterly basis until June 30, 2012. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge was recognized initially in stockholders' equity, and recognized to the Statement of Operations in the periods when the hedged item affects profit or loss. On July 1, 2012, we elected to prospectively de-designate cash flow interest rate swaps for which we were obtaining hedge accounting treatment due to the compliance burden associated with this accounting policy. As a result, all changes in the fair value of our cash flow interest rate swap agreements are recorded in earnings under "Unrealized and Realized Losses on Derivatives" from the de-designation date forward. We have not held or issued derivative financial instruments for trading or other speculative purposes.

Accounting guidance for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

Fair Value Interest Rate Swap Hedges

These interest rate swaps were designed to economically hedge the fair value of the fixed rate loan facilities against fluctuations in the market interest rates by converting our fixed rate loan facilities to floating rate debt. Pursuant to the adoption of our Risk Management Accounting Policy, and after putting in place the formal documentation required by hedge accounting in order to designate these swaps as hedging instruments, as of June 15, 2006, these interest rate swaps qualified for hedge accounting, and, accordingly, from that time until June 30, 2012, hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item were recognized in our earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps was performed on a quarterly basis, on the financial statement and earnings reporting dates.

On July 1, 2012, we elected to prospectively de-designate fair value interest rate swaps for which it was applying hedge accounting treatment due to the compliance burden associated with this accounting policy. All changes in the fair value of our fair value interest rate swap agreements will continue to be recorded in earnings under "Unrealized and Realized Losses on Derivatives" from the de-designation date forward.

The total fair value change of the interest rate swaps for the years ended December 31, 2017, 2016 and 2015, amounted to nil, $(0.1) million and $(0.5) million, respectively, and is included in the consolidated Statements of Operations in "Net unrealized and realized losses on derivatives".

We reclassified from "Current portion of long-term debt" and "Long-term debt, net of current portion", where its fair value of hedged item is recorded, to our earnings unrealized gains/losses an amount of nil, $0.4 million and $0.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Cash Flow Interest Rate Swap Hedges

In prior years, we decided to swap part of our interest expenses from floating to fixed. To this effect, we entered into interest rate swap transactions with varying start and maturity dates, in order to pro- actively and efficiently manage our floating rate exposure.

These interest rate swaps were designed to economically hedge the variability of interest cash flows arising from floating rate debt, attributable to movements in three-month USD$ LIBOR. According to our Risk Management Accounting Policy, and after putting in place the formal documentation required by hedge accounting in order to designate these swaps as hedging instruments, as from their inception, these interest rate swaps qualified for hedge accounting and, accordingly, from that time until June 30, 2012, only hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item were recognized in our earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps were performed on a quarterly basis. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge was recognized initially in stockholders' equity, and recognized to the Statement of Operations in the periods when the hedged item affects profit or loss.

On July 1, 2012, we elected to prospectively de-designate cash flow interest rate swaps for which we were obtaining hedge accounting treatment due to the compliance burden associated with this accounting policy. As a result, all changes in the fair value of our cash flow interest rate swap agreements are recorded in earnings under "Unrealized and Realized Losses on Derivatives" from the de-designation date forward. We evaluated whether it is probable that the previously hedged forecasted interest payments are probable to not occur in the originally specified time period. We concluded that the previously hedged forecasted interest payments are probable of occurring. Therefore, unrealized gains or losses in accumulated other comprehensive loss associated with the previously designated cash flow interest rate swaps will remain in accumulated other comprehensive loss and recognized in earnings when the interest payments will be recognized. If such interest payments were to be identified as being probable of not occurring, the accumulated other comprehensive loss balance pertaining to these amounts would be reversed through earnings immediately.

We recorded in the consolidated Statements of Operations unrealized gains of nil, $4.5 million and $48.9 million in relation to fair value changes of cash flow interest rate swaps for the years ended December 31, 2017, 2016 and 2015, respectively. Furthermore, nil, $0.2 million and $32.6 million of unrealized losses were reclassified from Accumulated Other Comprehensive Loss to earnings for year ended December 31, 2017, 2016 and 2015, respectively.

The variable-rate interest on specific borrowings that was associated with vessels under construction was capitalized as a cost of the specific vessels. In accordance with the accounting guidance on derivatives and hedging, the amounts in accumulated other comprehensive income related to realized gains or losses on cash flow hedges that have been entered into and qualify for hedge accounting, in order to hedge the variability of that interest, are classified under other comprehensive income 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 $3.7 million, $4.0 million and $4.0 million was reclassified into earnings for the years ended December 31, 2017, 2016 and 2015, respectively, representing amortization over the depreciable life of the vessels. Additionally, the Company recognized accelerated amortization of these deferred realized losses of $7.7 million in connection with the impairment losses recognized on the respective vessels for the year ended December 31, 2016.

Assuming no changes to our borrowings or hedging instruments after December 31, 2017, a 10 basis points increase in interest rates on our floating rate debt outstanding at December 31, 2017 would result in a decrease of approximately $2.2 million in our earnings in 2018. These amounts are determined by calculating the effect of a hypothetical interest rate change on our floating rate debt. These amounts do not include the effects of certain potential results of changing interest rates, such as a different level of overall economic activity, or other actions management may take to mitigate this risk. Furthermore, this sensitivity analysis does not assume alterations in our gross debt or other changes in our financial position.

Foreign Currency Exchange Risk

We generate all of our revenues in U.S. dollars, but for the year ended December 31, 2017 we incurred approximately 24.9% of our operating expenses in currencies other than U.S. dollars (mainly in Euros). As of December 31, 2017, approximately 34.2% of our outstanding accounts payable were denominated in currencies other than the U.S. dollar (mainly in Euro). We have not entered into derivative instruments to hedge the foreign currency translation of assets or liabilities or foreign currency transactions.

Item 12. Description of Securities Other than Equity Securities

Not Applicable.

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies

Not Applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

Not Applicable.

Item 15. Controls and Procedures

15A. Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of December 31, 2017. Disclosure controls and procedures are defined under SEC rules as controls and other procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within required time periods. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Based on our evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2017.

15B. Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, and for the assessment of the effectiveness of internal control over financial reporting. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States ("GAAP").

A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In making its assessment of our internal control over financial reporting as of December 31, 2017, management, including the Chief Executive Officer and Chief Financial Officer, used the criteria set forth in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Management concluded that, as of December 31, 2017, our internal control over financial reporting was effective.

15C. Attestation Report of the Independent Registered Public Accounting Firm

PricewaterhouseCoopers S.A, which has audited the consolidated financial statements of the Company for the year ended December 31, 2017, has also audited the effectiveness of the Company's internal control over financial reporting as stated in their audit report which is incorporated into Item 18 of this Form 20-F from page F-2 hereof.

15D. Change in Internal Control over Financial Reporting

During the period covered by this Annual Report on Form 20-F, we have made no changes to our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our Audit Committee consists of three independent directors, Myles R. Itkin, who is the chairman of the committee, Miklos Konkoly-Thege and William Repko. Our board of directors has determined that Myles R. Itkin, whose biographical details are included in "Item 6. Directors, Senior Management and Employees," qualifies as an audit committee financial expert as defined under current SEC regulations. Mr. Itkin is independent in accordance with the listing standards of the New York Stock Exchange and SEC rules.

Item 16B. Code of Ethics

We have adopted a Code of Business Conduct and Ethics for officers and employees of our company, a Code of Conduct for the chief executive officer and senior financial officers of our company and a Code of Ethics for directors of our company, copies of which are posted on our website, and may be viewed at *http://www.danaos.com*. We will also provide a paper copy of these documents free of charge upon written request by our stockholders. Stockholders may direct their requests to the attention of Mr. Evangelos Chatzis, Danaos Corporation, c/o Danaos Shipping Co. Ltd., 14 Akti Kondyli, 185 45 Piraeus, Greece. No waivers of the Code of Business Conduct and Ethics, the Code of Conduct or the Code of Ethics have been granted to any person during the year ended December 31, 2017.

Item 16C. Principal Accountant Fees and Services

PricewaterhouseCoopers S.A., an independent registered public accounting firm, has audited our annual financial statements acting as our independent auditor for the fiscal years ended December 31, 2017 and 2016.

The chart below sets forth the total amount billed and accrued for the PricewaterhouseCoopers S.A. services performed in 2017 and 2016 and breaks down these amounts by the category of service.

	2017	2016
	(in thousands of dollars)	
Audit fees	$380.1	$362.0
Audit-related fees	43.0	—
Total fees	$423.1	$362.0

Audit Fees

Audit fees paid were compensation for professional services rendered for the audits of our consolidated financial statements.

Audit-related Fees; Tax Fees; All Other Fees

PricewaterhouseCoopers S.A. provided audit-related services related to agreed-upon procedures for the year ended December 31, 2017. No audit-related, tax or other services were provided for the year ended December 31, 2016.

Pre-approval Policies and Procedures

The audit committee charter sets forth our policy regarding retention of the independent auditors, requiring the audit committee to review and approve in advance the retention of the independent auditors for the performance of all audit and lawfully permitted non-audit services and the fees related thereto. The chairman of the audit committee or in the absence of the chairman, any member of the audit committee designated by the chairman, has authority to approve in advance any lawfully permitted non-audit services and fees. The audit committee is authorized to establish other policies and procedures for the pre-approval of such services and fees. Where non-audit services and fees are approved under delegated authority, the action must be reported to the full audit committee at its next regularly scheduled meeting.

Item 16D. Exemptions from the Listing Standards for Audit Committees

Not Applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not repurchase any shares of our stock in any of the five years ended December 31, 2017.

Item 16F. Change in Registrant's Certifying Accountant

Not Applicable.

Item 16G. Corporate Governance

Statement of Significant Differences between our Corporate Governance Practices and the New York Stock Exchange Corporate Governance Standards for U.S. Non-Controlled Issuers

Pursuant to certain exceptions for foreign private issuers and controlled companies, we are not required to comply with certain of the corporate governance practices followed by U.S. and non-controlled companies under the New York Stock Exchange listing standards. However, pursuant to Section 303.A.11 of the New York Stock Exchange Listed Company Manual and the requirements of

Form 20-F, we are required to state any significant differences between our corporate governance practices and the practices required by the New York Stock Exchange. We believe that our established practices in the area of corporate governance are in line with the spirit of the New York Stock Exchange standards and provide adequate protection to our stockholders. The significant differences between our corporate governance practices and the New York Stock Exchange standards applicable to listed U.S. companies are set forth below.

The New York Stock Exchange requires that a listed U.S. company have a nominating/corporate governance committee and a compensation committee, each composed of independent directors. As permitted under Marshall Islands law and our bylaws, a non-independent director, who is a member of our management who also serves on our board of directors, serves on the compensation committee of our board of directors and on the nominating and corporate governance committee of our board of directors.

As a foreign private issuer we are permitted to follow the corporate governance rules of our home country in lieu of complying with NYSE shareholder approval requirements applicable to certain share issuances and the adoption or amendment of equity compensation plans, specifically NYSE Rules 303A.08, 312.03(a), 312.03(b) and 312.03(c). If we believe that circumstances warrant, we may elect to comply with the provisions of the Marshall Islands Business Corporations Act which provide that the Board of Directors approve share issuances, without the need for stockholder approval, in lieu of the NYSE rules, as we did in respect of our $200.0 million equity transaction on August 12, 2010 in consideration of the circumstances described below. The receipt of $200.0 million in proceeds from equity issuances, including $100 million from affiliates of the Company's Chief Executive Officer and his family, was a condition to the arrangements with the Company's lenders under the Bank Agreement. After evaluating market conditions for a transaction that would satisfy this condition, the Company perceived that the terms on which the above described equity transaction could be executed were more favorable than those that would be available in a broader offering, which would have had no assurance of successful completion. In 2016, our Board of Directors approved the extension of the termination date of our 2016 equity compensation plan until September 17, 2019 in accordance with Marshall Islands law.

Item 16H. Mine Safety Disclosure

Not Applicable.

PART III

Item 17. Financial Statements

Not Applicable.

Item 18. Financial Statements

Reference is made to pages F-1 through F-49 included herein by reference.

Item 19. Exhibits

Number	Description
1.1	Restated Articles of Incorporation(6)
1.2	Amended and Restated Bylaws(5)
2.1	Amended and Restated Warrant Agreement, dated as of May 10, 2011, between Danaos Corporation and American Stock Transfer & Trust Company, LLC, as warrant agent(10)
4.1	Amended and Restated Management Agreement between Danaos Shipping Company Limited and Danaos Corporation(13)
4.2	Form of Management Agreement between Danaos Shipping Company Limited and our vessel-owning subsidiaries (See Appendix I to Exhibit 4.1)
4.3	Form of Restrictive Covenant Agreement between Danaos Corporation and Dr. John Coustas(1)
4.4	Stockholder Rights Agreement and Amendment No. 1(8)
4.4.1	Stockholder Rights Agreement Amendment No. 2(14)
4.4.2	Stockholder Rights Agreement Amendment No. 3(15)
4.4.3	Stockholder Rights Agreement Amendment No. 4(16)
4.5	2006 Equity Compensation Plan(1)
4.5.1	Amendment No. 1 to 2006 Equity Compensation Plan(17)
4.5.2	Directors' Share Payment Plan(4)
4.6	Loan Agreement and Supplemental Agreement, dated December 17, 2002 and April 21, 2005 respectively, with Aegean Baltic Bank S.A. and HSH Nordbank AG(1)
4.7	Loan Agreement, dated May 13, 2003, with the Export-Import Bank of Korea(1)
4.8	Loan Agreement, dated January 29, 2004, with the Export-Import Bank of Korea and ABN Amro Bank (formerly Fortis Capital Corp.)(1)
4.9	Loan Agreement, dated November 14, 2006, with Aegean Baltic Bank S.A. and HSH Nordbank AG(2)
4.10	Loan Agreement, dated February 20, 2007, with The Royal Bank of Scotland(2)
4.11	Loan Agreement, dated February 15, 2008, with Credit Agricole (formerly Emporiki Bank of Greece S.A.)(3)
4.12	Loan Agreement, dated May 9, 2008, with Credit Suisse(4)
4.13	Loan Agreement, dated May 30, 2008, with Deutsche Bank(4)
4.14	Loan Agreement, dated July 29, 2008, with ABN Amro Bank (formerly Fortis Bank) (acting as agent), Lloyds TSB and National Bank of Greece(4)
4.15	Supplemental Agreement, dated August 13, 2009, with ABN Amro Bank (formerly Fortis Bank), Lloyds TSB and National Bank of Greece, in respect of Loan Agreement, dated July 29, 2008(7)
4.16	Loan Agreement, dated February 2, 2009, with Commerzbank (formerly Deutsche Schiffsbank), Credit Suisse and Credit Agricole (formerly Emporiki Bank)(4)

Number	Description
4.17	Supplemental Letters, dated August 6, 2009 and December 15, 2009, with Deutsche Bank AG Filiale Deutschlandgeschaft, as agent, in respect of Loan Agreement, dated May 30, 2008(7)
4.18	Supplemental Letter Agreement, dated April 14, 2010, with Royal Bank of Scotland in respect of Loan Agreement dated February 20, 2007(7)
4.19	Restructuring Agreement, dated January 24, 2011, with the Company's lenders and swap-counterparties named therein, including form of intercreditor agreement(8)
4.20	Credit Facility, dated February 21, 2011, with Citibank (acting as an agent), ABN Amro and CEXIM(8)
4.20.1	Amended and Restated Facility Agreement with Citibank N.A. (acting as an agent), ABN Amro and CEXIM(12)
4.21	Credit Facility, dated January 24, 2011, with Aegean Baltic Bank S.A., HSH Nordbank AG and Piraeus Bank A.E.(8)
4.22	Credit Facility, dated January 24, 2011, with The Royal Bank of Scotland plc(8)
4.23	Credit Facility, dated January 24, 2011, with ABN Amro Bank N.V. and Lloyds TSB Bank PLC(8)
4.24	Credit Facility, dated January 24, 2011, with Credit Suisse AG, Deutsche Bank AG, Commerzbank (formerly Deutsche Schiffsbank Aktiengesellschaft) and Credit Agricole (formerly Emporiki Bank of Greece S.A.)(8)
4.25	Credit Facility, dated January 24, 2011, with Citibank, N.A., EFG Eurobank Ergasias S.A., Citibank, N.A., London Branch and Citibank International Plc(8)
4.26	Hyundai Vendor Financing Agreements(8)
4.27	Registration Rights Agreement, dated as of March 2, 2011, between Danaos Corporation and the warrant holders identified on the signatures pages thereto(8)
4.28	Form of Subscription Agreement, including the Form of Registration Rights Agreement attached thereto as Schedule B, for August 2010 common stock sale(9)
4.29	Supplemental Agreement, dated August 12, 2010, with KEXIM and ABN Amro and amendment thereto, dated February 9, 2012(11)
4.30	Shareholders Agreement, dated as of August 5, 2015, by and among Gemini Shipholdings Corporation, Virage International Ltd. and Danaos Corporation(13)
8	Subsidiaries
11.1	Code of Business Conduct and Ethics(2)
11.2	Code of Conduct(2)
11.3	Code of Ethics(2)
12.1	Certification of Chief Executive Officer pursuant to Rule 13a- 14(a) of the Securities Exchange Act of 1934, as amended
12.2	Certification of Chief Financial Officer pursuant to Rule 13a- 14(a) of the Securities Exchange Act of 1934, as amended

Number	Description
13.1	Certification of Chief Executive Officer pursuant to Rule 13a- 14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Chief Financial Officer pursuant to Rule 13a- 14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 as added by Section 906 of the Sarbanes-Oxley Act of 2002
15	Consent of Independent Registered Public Accounting Firm
101	Attached as Exhibit 101 to this report are the following Interactive Data Files, formatted in eXtensible Business Reporting Language (XBRL):
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase

(1) Previously filed as an exhibit to the Company's Registration Statement on Form F-1 (Reg. No. 333-137459) filed with the SEC and hereby incorporated by reference to such Registration Statement.

(2) Previously filed as an exhibit to the Company's Annual Report on Form 20-F for the year ended December 31, 2006 and filed with the SEC on May 30, 2007.

(3) Previously filed as an exhibit to the Company's Annual Report on Form 20-F/A for the year ended December 31, 2007 and filed with the SEC on April 7, 2008.

(4) Previously filed as an exhibit to the Company's Annual Report on Form 20-F for the year ended December 31, 2008 and filed with the SEC on July 13, 2009.

(5) Previously filed as an exhibit to the Company's Form 6-K with respect to the six months ended June 30, 2009 and filed with the SEC on September 23, 2009.

(6) Previously filed as an exhibit to the Company's Form 6-K filed with the SEC on July 29, 2010.

(7) Previously filed as an exhibit to the Company's Annual Report on Form 20-F for the year ended December 31, 2009 and filed with the SEC on June 18, 2010.

(8) Previously filed as an exhibit to the Company's Annual Report on Form 20-F for the year ended December 31, 2010 filed with the SEC on April 8, 2011.

(9) Previously filed as an exhibit to the Company's Report on Form 6-K filed with the SEC on August 27, 2010.

(10) Previously filed as an exhibit to the Company's Report on Form 6-K filed with the SEC on May 10, 2011.

(11) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed with the SEC on March 30, 2012.

(12) Previously filed as an exhibit to the Company's Report on Form 6-K filed with the SEC on July 29, 2013.

(13) Previously filed as an exhibit to the Company's Annual Report on Form 20-F for the year ended December 31, 2015 and filed with the SEC on March 15, 2016.

(14) Previously filed as an exhibit to the Company's Report on Form 6-K filed with the SEC on September 16, 2016.

(15) Previously filed as an exhibit to the Company's Report on Form 6-K filed with the SEC on December 16, 2016.

(16) Previously filed as an exhibit to the Company's Report on Form 6-K filed with the SEC on December 15, 2017.

(17) Previously filed as an exhibit to the Company's Annual Report on Form 20-F filed with the SEC on March 6, 2017.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

DANAOS CORPORATION

/s/ EVANGELOS CHATZIS

Name: Evangelos Chatzis
Title: *Chief Financial Officer*

Date: March 7, 2018

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm F-2
Consolidated Balance Sheets as of December 31, 2017 and 2016 . . . . . F-4
Consolidated Statements of Operations for the Years Ended December 31, 2017, 2016 and 2015 . F-5
Consolidated Statements of Comprehensive Income/(Loss) for the Years Ended December 31, 2017, 2016 and 2015 . . . . . F-6
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2017, 2016 and 2015 . . . . . F-7
Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2016 and 2015 . F-8
Notes to the Consolidated Financial Statements F-9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the board of directors and the stockholders of Danaos Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Danaos Corporation and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income/(loss), changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2017, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control—Integrated Framework (2013) issued by the COSO.

Substantial Doubt about the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 3 to the consolidated financial statements, the Company has negative working capital and inability to comply with certain financial covenants under its current debt agreements as of December 31, 2017 that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Annual Report on Internal Control over Financial Reporting" under item 15(b) of the Company's 2017 Annual Report on Form 20-F. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test

basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers S.A.
Athens, Greece
March 7, 2018

We have served as the Company's auditor since 2000.

DANAOS CORPORATION

CONSOLIDATED BALANCE SHEETS

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

	Notes	As of December 31, 2017	As of December 31, 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		$ 66,895	$ 73,717
Restricted cash	4	2,812	2,812
Accounts receivable, net	14c	6,502	8,028
Inventories		8,841	11,395
Prepaid expenses		1,234	1,351
Due from related parties	12	34,007	32,603
Other current assets		5,708	6,048
Total current assets		**125,999**	**135,954**
NON-CURRENT ASSETS			
Fixed assets at cost, net of accumulated depreciation of $763,190 (2016: $647,962)	5	2,795,971	2,906,721
Deferred charges, net	6	8,962	8,199
Investments in affiliates	7	5,998	5,033
Other non-current assets	8	49,466	71,157
Total non-current assets		**2,860,397**	**2,991,110**
Total assets		**$2,986,396**	**$3,127,064**
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		$ 11,371	$ 11,156
Accrued liabilities	9	15,226	15,464
Current portion of long-term debt, net	11	2,329,601	2,504,932
Unearned revenue	8	22,853	27,724
Other current liabilities		788	7,005
Total current liabilities		**2,379,839**	**2,566,281**
LONG-TERM LIABILITIES			
Long-term debt, net	11	—	—
Unearned revenue, net of current portion	8	56,159	70,589
Other long-term liabilities		1,693	2,481
Total long-term liabilities		**57,852**	**73,070**
Total liabilities		**2,437,691**	**2,639,351**
Commitments and Contingencies	17	—	—
STOCKHOLDERS' EQUITY			
Preferred stock (par value $0.01, 100,000,000 preferred shares authorized and not issued as of December 31, 2017 and December 31, 2016)	19	—	—
Common stock (par value $0.01, 750,000,000 common shares authorized as of December 31, 2017 and December 31, 2016. 109,799,352 issued and outstanding as of December 31, 2017 and December 31, 2016)	19	1,098	1,098
Additional paid-in capital		546,898	546,898
Accumulated other comprehensive loss	8,14a	(114,076)	(91,163)
Retained earnings		114,785	30,880
Total stockholders' equity		**548,705**	**487,713**
Total liabilities and stockholders' equity		**$2,986,396**	**$3,127,064**

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

DANAOS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Notes	Year ended December 31, 2017	2016	2015
OPERATING REVENUES	15, 16	$ 451,731	$ 498,332	$ 567,936
OPERATING EXPENSES				
Voyage expenses	12	(12,587)	(13,925)	(12,284)
Vessel operating expenses	12	(106,999)	(109,384)	(112,736)
Depreciation	5	(115,228)	(129,045)	(131,783)
Amortization of deferred drydocking and special survey costs	6	(6,748)	(5,528)	(3,845)
Impairment loss	5	—	(415,118)	(41,080)
Bad debt expense	14c, 17	—	(15,834)	—
General and administrative expenses	12	(22,672)	(22,105)	(21,831)
Loss on sale of vessels	5	—	(36)	—
Income/(loss) from operations		**187,497**	**(212,643)**	**244,377**
OTHER INCOME (EXPENSES):				
Interest income		5,576	4,682	3,419
Interest expense		(86,556)	(82,966)	(84,435)
Other finance expenses		(4,126)	(4,932)	(4,658)
Equity income/(loss) on investments	7	965	(16,252)	(1,941)
Other income/(expense), net	8, 11	(15,757)	(41,602)	111
Net unrealized and realized losses on derivatives	14	(3,694)	(12,482)	(39,857)
Total Other Expenses, net		**(103,592)**	**(153,552)**	**(127,361)**
Net Income/(Loss)		**$ 83,905**	**$ (366,195)**	**$ 117,016**
EARNINGS/(LOSS) PER SHARE				
Basic and diluted earnings/(loss) per share		$ 0.76	$ (3.34)	$ 1.07
Basic and diluted weighted average number of common shares	20	109,824,329	109,801,586	109,785,484

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

DANAOS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Expressed in thousands of United States dollars)

	Notes	Year ended December 31, 2017	2016	2015
Net Income/(Loss)		**$ 83,905**	**$(366,195)**	**$117,016**
Other comprehensive income/(loss):				
Unrealized losses on available for sale securities	8	(26,607)	—	—
Amortization of deferred realized losses on cash flow hedges	14a	3,694	4,028	4,017
Accelerated amortization of deferred realized losses on cash flow hedges	14a	—	7,706	—
Reclassification of unrealized losses to earnings		—	184	32,644
Total Other Comprehensive Income/(Loss)		**(22,913)**	**11,918**	**36,661**
Comprehensive Income/(Loss)		**$ 60,992**	**$(354,277)**	**$153,677**

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

DANAOS CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Expressed in thousands of United States dollars)

	Common Stock		Additional paid-in capital	Accumulated other comprehensive loss	Retained earnings	Total
	Number of shares	Par value				
As of January 1, 2015	**109,669**	**$1,097**	**$546,735**	**$(139,742)**	**$ 280,059**	**$ 688,149**
Net Income	—	—	—	—	117,016	117,016
Net movement in other comprehensive income	—	—	—	36,661	—	36,661
Issuance of common stock	113	1	(1)	—	—	—
Stock compensation	—	—	88	—	—	88
As of December 31, 2015	**109,782**	**1,098**	**$546,822**	**$(103,081)**	**$ 397,075**	**$ 841,914**
Net Loss	—	—	—	—	(366,195)	(366,195)
Net movement in other comprehensive income	—	—	—	11,918	—	11,918
Issuance of common stock	17	—	—	—	—	—
Stock compensation	—	—	76	—	—	76
As of December 31, 2016	**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**

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

DANAOS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of United States dollars)

	Year ended December 31,		
	2017	**2016**	**2015**
Cash flows from operating activities			
Net income/(loss)	$ 83,905	$(366,195)	$ 117,016
Adjustments to reconcile net income/(loss) to net cash provided by operating activities			
Depreciation	115,228	129,045	131,783
Amortization of deferred drydocking and special survey costs	6,748	5,528	3,845
Impairment losses	—	444,502	41,080
Amortization of finance costs	11,153	12,652	14,038
Exit fees accrued on debt	3,169	3,447	3,639
Bad debt expense	—	15,834	—
Loss on sale of securities	2,357	12,906	—
Payments for drydocking and special survey costs deferred	(7,511)	(8,976)	(2,341)
Loss on sale of vessels	—	36	—
Stock based compensation	—	76	88
Amortization of deferred realized losses on interest rate swaps	3,694	11,734	4,017
Unrealized gains on derivatives	—	(4,649)	(16,285)
Equity (income)/loss on investments	(965)	16,252	1,941
(Increase)/Decrease in:			
Accounts receivable	(2,544)	(13,210)	(2,748)
Inventories	2,554	(355)	625
Prepaid expenses	117	(654)	16
Due from related parties	(1,404)	(13,596)	(8,410)
Other assets, current and non-current	(9,099)	(5,455)	2,975
Increase/(Decrease) in:			
Accounts payable	215	(383)	(971)
Accrued liabilities	(238)	1,450	(10,691)
Unearned revenue, current and long-term	(19,301)	26,501	(9,852)
Other liabilities, current and long-term	(7,005)	(4,523)	1,911
Net cash provided by operating activities	**181,073**	**261,967**	**271,676**
Cash flows from investing activities			
Vessels additions	(4,478)	(4,561)	(1,112)
Investments in affiliates	—	(9,996)	(13,230)
Net proceeds from sale of securities	6,236	—	—
Net proceeds from sale of vessels	—	5,178	1,050
Net cash provided by/(used in) investing activities	**1,758**	**(9,379)**	**(13,292)**
Cash flows from financing activities			
Payments of long-term debt	(189,653)	(251,130)	(178,808)
Payments of vendor financing	—	—	(64,367)
Deferred finance costs	—	—	(692)
Decrease in restricted cash	—	6	6
Net cash used in financing activities	**(189,653)**	**(251,124)**	**(243,861)**
Net increase/(decrease) in cash and cash equivalents	(6,822)	1,464	14,523
Cash and cash equivalents, beginning of year	73,717	72,253	57,730
Cash and cash equivalents, end of year	**$ 66,895**	**$ 73,717**	**$ 72,253**
Supplemental cash flow information			
Cash paid for interest	$ 74,643	$ 69,180	$ 71,795
Non-cash investing and financing activities			
Acquisition of debt securities and equity investment	—	$ 24,627	—

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

1. Basis of Presentation and General Information

The accompanying financial statements 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 Danaos Corporation and its subsidiaries (the "Company") is the United States Dollar.

Danaos Corporation, 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 19, "Stockholders' Equity".

The Company's vessels operate worldwide, carrying containers for many established charterers.

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 (refer to Note 2, "Significant Accounting Policies") that are under the exclusive management of a related party of the Company (refer to Note 12, "Related Party Transactions").

The consolidated financial statements of the Company 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 consolidated balance sheets and consolidated statements of operations, consolidated statements of comprehensive income/(loss), cash flows and stockholders' equity at and for each period since their respective incorporation dates.

The Company's 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. There are conditions and events, which raise substantial doubt about the Company's ability to continue as a going concern and the ability to meet its obligations as they become due within one year after these consolidated financial statements are issued. However, the Company's going concern assumption is based on management's intention to complete the restructuring of the Company's debt before December 31, 2018. Refer to Note 3, "Going Concern" for further details.

1. Basis of Presentation and General Information (Continued)

As of December 31, 2017, Danaos consolidated 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 (ex Hyundai Together)	2012	13,100
Megacarrier (No. 2) Corp. .	September 10, 2007	Hyundai Respect (ex Hyundai Tenacity)	2012	13,100
Megacarrier (No. 3) Corp. .	September 10, 2007	Maersk Enping (ex Hyundai Smart)	2012	13,100
Megacarrier (No. 4) Corp. .	September 10, 2007	Maersk Exeter (ex Hyundai Speed)	2012	13,100
Megacarrier (No. 5) Corp. .	September 10, 2007	MSC Ambition (ex Hyundai 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	CSCL Pusan	2006	9,580
Ramona Marine Co. Ltd. .	February 27, 2003	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	CSCL America	2004	8,468

1. Basis of Presentation and General Information (Continued)

Company	Date of Incorporation	Vessel Name	Year Built	TEU(1)
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	Priority	2002	6,402
Continent Marine Inc.	March 22, 2006	Zim Monaco	2009	4,253
Medsea Marine Inc.	May 8, 2006	Zim Dalian (ex OOCL Novorossiysk)	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 (ex OOCL Istanbul)	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	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 (ex YM 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 (ex Hyundai Highway)	1998	2,200
Speedcarrier (No. 6) Corp. . .	December 6, 2007	Hyundai Progress	1998	2,200
Speedcarrier (No. 8) Corp. . .	December 6, 2007	Bridge (ex Hyundai Bridge)	1998	2,200
Speedcarrier (No. 1) Corp. . .	June 28, 2007	Vladivostok (ex Hyundai Vladivostok)	1997	2,200
Speedcarrier (No. 2) Corp. . .	June 28, 2007	Advance (ex Hyundai Advance)	1997	2,200
Speedcarrier (No. 3) Corp. . .	June 28, 2007	Stride (ex Hyundai Stride)	1997	2,200
Speedcarrier (No. 5) Corp. . .	June 28, 2007	Future (ex Hyundai Future)	1997	2,200
Speedcarrier (No. 4) Corp. . .	June 28, 2007	Sprinter (ex Hyundai Sprinter)	1997	2,200
Vessels sold during 2016				
Federal Marine Inc.	February 14, 2006	Federal	1994	4,651

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

2. Significant Accounting Policies

Principles of Consolidation: The accompanying consolidated financial statements 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 obtained by the Company.

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 accounting guidance, if it determines that it is the primary beneficiary. 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.

Inter-company transaction balances and unrealized gains/(losses) on transactions between the companies are eliminated.

Investments in affiliates: The Company's investments in affiliates are accounted for using the equity method of accounting. Under the equity method of accounting, investments are stated at initial cost and are adjusted for subsequent additional investments and the Company's proportionate share of earnings or losses and distributions. The Company evaluates its investments in affiliates for impairment when events or circumstances indicate that the carrying value of such investments may have experienced other than temporary decline in value below their carrying value. If the estimated fair value is less than the carrying value and is considered an other than temporary decline, the carrying value is written down to its estimated fair value and the resulting impairment is recorded in the Consolidated Statements of Operations.

Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. On an on-going basis, management evaluates the estimates and judgments, including those related to future drydock dates, the selection of useful lives for tangible assets, expected future cash flows from long-lived assets to support impairment tests, provisions necessary for accounts receivables, provisions for legal disputes, and contingencies. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates under different assumptions and/or conditions.

2. Significant Accounting Policies (Continued)

Reclassifications in Other Comprehensive Income/(Loss): The Company had the following reclassifications out of Accumulated Other Comprehensive Loss as of December 31, 2017, 2016 and 2015, respectively (in thousands):

		Year ended December 31,		
	Location of Reclassification into Income	**2017**	**2016**	**2015**
Amortization of deferred realized losses on cash flow hedges	Net unrealized and realized losses on derivatives	3,694	4,028	4,017
Accelerated amortization of deferred realized losses on cash flow hedges	Net unrealized and realized losses on derivatives	—	7,706	—
Reclassification of unrealized losses to earnings	Net unrealized and realized losses on derivatives	—	184	32,644
Total Reclassifications		**$3,694**	**$11,918**	**$36,661**

Foreign Currency Translation: The functional currency of the Company is the U.S. dollar. The Company engages in worldwide commerce with a variety of entities. Although its operations may expose it to certain levels of foreign currency risk, its transactions are predominantly U.S. dollar denominated. Additionally, the Company's wholly-owned vessel subsidiaries transacted a nominal amount of their operations in Euros; however, all of the subsidiaries' primary cash flows are U.S. dollar denominated. Transactions in currencies other than the functional currency are translated at the exchange rate in effect at the date of each transaction. Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated, are recognized in the Consolidated Statements of Operations. The foreign currency exchange gains/(losses) recognized in the accompanying Consolidated Statements of Operations for each of the years ended December 31, 2017, 2016 and 2015 were $0.4 million loss, $0.1 million loss and $0.1 million loss, respectively.

Cash and Cash Equivalents: Cash and cash equivalents consist of interest bearing call deposits, where the Company has instant access to its funds and withdrawals and deposits can be made at any time, as well as time deposits with original maturities of three months or less which are not restricted for use or withdrawal. Cash and cash equivalents of $66.9 million as of December 31, 2017 (December 31, 2016: $73.7 million) comprised cash balances and short-term deposits.

Restricted Cash: Cash restricted accounts include retention accounts. Certain of the Company's loan agreements require the Company to deposit one- third of quarterly and one-sixth of the semi-annual principal installments and interest payments, respectively, due on the outstanding loan balance monthly in a retention account. On the rollover settlement date, both principal and interest are paid from the retention account. Refer to Note 4, "Restricted Cash".

Accounts Receivable, Net: The amount shown as Accounts Receivable, net, at each balance sheet date includes estimated recoveries from charterers for hire and demurrage billings, net of a provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts based on the Company's history of write-offs, level of past due accounts based on the contractual term of the

2. Significant Accounting Policies (Continued)

receivables and its relationships with and economic status of its customers. Bad debts are written off in the period in which they are identified.

Insurance Claims: Insurance claims represent the claimable expenses, net of deductibles, which are expected to be recovered from insurance companies. Any costs to complete the claims are included in accrued liabilities. The Company accounts for the cost of possible additional call amounts under its insurance arrangements in accordance with the accounting guidance for contingencies based on the Company's historical experience and the shipping industry practices. Insurance claims are included in the consolidated balance sheet line item "Other current assets".

Prepaid Expenses and Inventories: Prepaid expenses consist mainly of insurance expenses, and inventories consist of bunkers, lubricants and provisions remaining on board the vessels at each period end, which are valued at cost as determined using the first-in, first-out method. Costs of spare parts are expensed as incurred.

Deferred Financing Costs: Fees incurred for obtaining new loans and loans that have been accounted for as modified are deferred and amortized over the loans' respective repayment periods using the effective interest rate method and are presented in the consolidated balance sheets as a direct deduction from the carrying amount of debt liability. Additionally, amortization of deferred finance costs amounting to $11.2 million, $12.7 million and $14.0 million is included in interest expenses in the Consolidated Statements of Operations for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively.

Fixed Assets: Fixed assets consist of vessels. Vessels are stated at cost, less accumulated depreciation. The cost of vessels consists of the contract purchase price and any material expenses incurred upon acquisition (improvements and delivery expenses). Subsequent expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels. Otherwise, these expenditures are charged to expense as incurred. Interest costs while under construction are included in vessels' cost.

The Company has acquired certain vessels in the secondhand market in prior years, all of which were considered to be acquisitions of assets. Following adoption of ASU 2017-01 "Business Combinations (Topic 805)" on January 1, 2018, the Company will evaluate any vessel acquisition in secondhand market will constitute as a business or not. When substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not a business. The following assets will be considered as a single asset for the purposes of the evaluation (i) a tangible asset that is attached to and cannot be physically removed and used separately from another tangible assets (or an intangible asset representing the right to use a tangible asset); (ii) in place lease intangibles, including favorable and unfavorable intangible assets or liabilities, and the related leased assets.

Depreciation: The cost of the Company's vessels is depreciated on a straight-line basis over the vessels' remaining economic useful lives after considering the estimated residual value (refer to Note 5, "Fixed Assets, net"). Management has estimated the useful life of the Company's vessels to be 30 years from the year built.

2. Significant Accounting Policies (Continued)

Vessels held for sale: Vessels are classified as "Vessels held for sale" when all of the following criteria are met: management has committed to a plan to sell the vessel; the vessel is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of vessels; an active program to locate a buyer and other actions required to complete the plan to sell the vessel have been initiated; the sale of the vessel is probable and transfer of the vessel is expected to qualify for recognition as a completed sale within one year; the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value and actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Vessels classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These vessels are not depreciated once they meet the criteria to be held for sale. As of December 31, 2015, the Company recorded an impairment loss of $2.1 million for the vessel held for sale, which is included under "Impairment loss" in the Consolidated Statements of Operations.

Accounting for Special Survey and Drydocking Costs: The Company follows the accounting guidance for planned major maintenance activities. Drydocking and special survey costs, which are reported in the balance sheet within "Deferred charges, net", include planned major maintenance and overhaul activities for ongoing certification including the inspection, refurbishment and replacement of steel, engine components, electrical, pipes and valves, and other parts of the vessel. The Company follows the deferral method of accounting for special survey and drydocking costs, whereby actual costs incurred are deferred and amortized on a straight-line basis over the period until the next scheduled survey and drydocking, 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.

The amortization periods reflect the estimated useful economic life of the deferred charge, which is the period between each special survey and drydocking.

Costs incurred during the drydocking period relating to routine repairs and maintenance are expensed. The unamortized portion of special survey and drydocking costs for vessels sold is included as part of the carrying amount of the vessel in determining the gain/(loss) on sale of the vessel.

Impairment of Long-lived Assets: The accounting standard for impairment of long-lived assets requires that long-lived assets and certain identifiable intangibles held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. In the case of long-lived assets held and used, if the future net undiscounted cash flows are less than the carrying value of the asset, an impairment loss is recorded equal to the difference between the asset's carrying value and fair value.

As of December 31, 2017, the Company concluded that there are no events and circumstances, which may trigger the existence of potential impairment of the Company's vessels. As of December 31, 2016 and December 31, 2015, the Company concluded that events and circumstances triggered the existence of potential impairment of its long-lived assets. These indicators included loss of a charterer, volatility in the spot market and decline in the vessels' market values, as well as the potential impact the current marketplace may have on its future operations. As a result, the Company performed step one of the impairment assessment of the Company's long-lived assets by comparing the undiscounted projected net operating cash flows for each vessel to its carrying value. The Company's strategy is to charter its vessels under multi-year, fixed rate period charters that range from less than 1 to 18 years for vessels in its fleet, providing the Company with contracted stable cash flows. The significant factors

2. Significant Accounting Policies (Continued)

and assumptions the Company used in its undiscounted projected net operating cash flow analysis included, among others, operating revenues, off-hire revenues, drydocking costs, operating expenses and management fees estimates. Revenue assumptions were based on contracted time charter rates up to the end of life of the current contract of each vessel as well as the estimated average time charter equivalent rates for the remaining life of the vessel after the completion of its current contract. The estimated daily time charter equivalent rates used for non-contracted revenue days are based on a combination of (i) recent charter market rates, (ii) conditions existing in the containership market as of December 31, 2016 and December 31, 2015 in relation to laid up vessels; (iii) historical average time charter rates, based on publications by independent third party maritime research services, and (iv) estimated future time charter rates, based on publications by independent third party maritime research services that provide such forecasts. Recognizing that the container transportation industry is cyclical and subject to significant volatility based on factors beyond the Company's control, management believes the use of revenue estimates, based on the combination of factors (i) to (iv) above, to be reasonable as of the reporting date. In addition, the Company used an annual operating expenses escalation factor and estimates of scheduled and unscheduled off-hire revenues based on historical experience. All estimates used and assumptions made were in accordance with the Company's internal budgets and historical experience of the shipping industry.

As of December 31, 2016 and December 31, 2015, the Company's assessment concluded that step two of the impairment analysis was required for certain of its vessels, as undiscounted projected net operating cash flows of certain vessels did not exceed the carrying value of the respective vessels. Fair value of each vessel was determined with the assistance from valuations obtained by third party independent shipbrokers (on the basis of a commercial transaction between a willing buyer and a willing seller). As of December 31, 2016 and December 31, 2015, the Company recorded an impairment loss of $415.1 million and $39.0 million, respectively for its vessels mainly due to the decrease in the estimated average time charter equivalent rates for the remaining life of the vessels, after the completion of their current contracts. The impairment loss is included under "Impairment loss" in the Consolidated Statements of Operations.

Investments in Debt Securities: The Company classified its debt securities originally as held-to-maturity based on management's positive intent and ability to hold to maturity and were reported at amortized cost, subject to impairment up until December 31, 2016.

During 2017, the Company sold a portion of its debt securities, originally classified as held to maturity and as such reclassified remaining held to maturity debt securities into the available for sale category. The transfer between the categories is accounted for at fair value. The unrealized holding gain/(loss) upon transfer from held to maturity category to available for sale category is recorded in accumulated other comprehensive income/(loss). Available for sale securities are carried at fair value with net unrealized gain/(loss) included in accumulated other comprehensive income/(loss), subject to impairment. An unrealized loss exists when the current fair value of an individual security is less than its amortized cost basis. Interest income, including amortization of premiums and accretion of discounts are recognized in the interest income in the consolidated statements of operations. Upon sale, realized gain/(loss) is recognized in the consolidated statement of operations based on specific identification method. Management evaluates securities for other than temporary impairment on a quarterly basis. An investment is considered impaired if the fair value of the investment is less than its amortized cost. Consideration is given to: 1) if the Company intends to sell the security (that is, it has decided to sell

2. Significant Accounting Policies (Continued)

the security); 2) it is more likely than not that the Company will be required to sell the security before the recovery of its entire amortized cost basis; or 3) a credit loss exists—that is, the Company does not expect to recover the entire amortized cost basis of the security (the present value of cash flows expected to be collected is less than the amortized cost basis of the security).

Investments in Equity Securities: The Company classifies its equity securities of ZIM at cost as the Company does not have the ability to exercise significant influence. Equity securities of HMM were acquired and held principally for the purpose of resale in the near term and were classified as trading securities based on management's intention on the date of acquisition and were recorded at fair value based on quoted market prices with changes in fair value and realized gains/(losses) presented under "Other income/(expenses), net" in the Consolidated Statements of Operations. The Company sold equity securities of HMM during 2016.

Management evaluates the equity security for other than temporary impairment on a quarterly basis. An investment is considered impaired if the fair value of the investment is less than its cost. Consideration is given to significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the investee, significant adverse change in the regulatory, economic, or technological environment of the investee, significant adverse change in the general market condition of either the geographic area or the industry in which the investee operates, as well as factors that raise significant concerns about the investee's ability to continue as a going concern, such as negative cash flows from operations, working capital deficiencies, or noncompliance with statutory capital requirements or debt covenants.

Pension and Retirement Benefit Obligations-Crew: The crew on board the companies' vessels serve in such capacity under short-term contracts (usually up to seven months) and accordingly, the vessel-owning companies are not liable for any pension or post-retirement benefits.

Accounting for Revenue and Expenses: Revenues from time chartering of vessels are accounted for as operating leases and are thus recognized on a straight line basis as the average revenue over the rental periods of such charter agreements, as service is performed. The Company earns revenue from bareboat and time charters. Bareboat and time charters involve placing a vessel at the charterers' disposal for a period of time during which the charterer uses the vessel in return for the payment of a specified daily hire rate. Under a time charter, the daily hire rate includes the crew, lubricants, insurance, spares and stores. Under a bareboat charter, the charterer is provided only with the vessel.

Voyage Expenses: Voyage expenses include port and canal charges, bunker (fuel) expenses (bunker costs are normally covered by the Company's charterers, except in certain cases such as vessel re-positioning), address commissions and brokerage commissions. Under multi-year time charters and bareboat charters, such as those on which the Company charters its containerships and under short-term time charters, the charterers bear the voyage expenses other than brokerage and address commissions. As such, voyage expenses represent a relatively small portion of the vessels' overall expenses.

Vessel Operating Expenses: Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, tonnage taxes and other miscellaneous expenses. Aggregate expenses increase as the size of the Company's fleet increases. Under multi-year time charters, the Company pays for vessel operating

2. Significant Accounting Policies (Continued)

expenses. Under bareboat charters, the Company's charterers bear most vessel operating expenses, including the costs of crewing, insurance, surveys, drydockings, maintenance and repairs.

General and administrative expenses: General and administrative expenses include management fees paid to the vessels' manager (refer to Note 12, "Related Party Transactions"), audit fees, legal fees, board remuneration, executive officers compensation, directors & officers insurance and stock exchange fees.

Repairs and Maintenance: All repair and maintenance expenses are charged against income when incurred and are included in vessel operating expenses in the accompanying Consolidated Statements of Operations.

Dividends: Dividends, if any, are recorded in the Company's financial statements in the period in which they are declared by the Company's board of directors.

Segment Reporting: The Company reports financial information and evaluates its operations by total charter revenues. Although revenue can be identified for different types of charters, management does not identify expenses, profitability or other financial information for different charters. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet, and thus the Company has determined that it has only one operating and reportable segment.

Going Concern: The management of the Company assesses the Company's ability to continue as a going concern at each period end. The assessment evaluates whether there are conditions that give rise to substantial doubt to continue as a going concern within one year from the consolidated financial statements issuance date.

If a substantial doubt to continue as a going concern is identified and after considering management's plans this substantial doubt is alleviated the Company discloses the following: (i) principal conditions or events that raised substantial doubt about the Company's ability to continue as a going concern (before consideration of management's plans), (ii) management's evaluation of the significance of those conditions or events in relation to the Company's ability to meet its obligations, (iii) management's plans that alleviated substantial doubt about the Company's ability to continue as a going concern.

If a substantial doubt to continue as a going concern is identified and after considering management's plans this substantial doubt is not alleviated the Company discloses the following: (i) a statement indicating that there is substantial doubt about the Company's ability to continue as a going concern, (ii) principal conditions or events that raised substantial doubt about the Company's ability to continue as a going concern, (iii) management's evaluation of the significance of those conditions or events in relation to the Company's ability to meet its obligations, and (iv) management's plans that are intended to mitigate the conditions or events that raised substantial doubt about the Company's ability to continue as a going concern.

The Company updates the going concern disclosure in subsequent periods until the period in which substantial doubt no longer exists disclosing how the relevant conditions or events that raised substantial doubt were resolved.

2. Significant Accounting Policies (Continued)

Derivative Instruments: The Company entered into interest rate swap contracts to create economic hedges for its interest rate risks. The Company recorded these financial instruments at their fair value. When such derivatives do not qualify for hedge accounting, changes in their fair value are recorded in the Consolidated Statement of Operations. When the derivatives do qualify for hedge accounting, depending upon the nature of the hedge, changes in the fair value of derivatives are either offset against the fair value of assets, liabilities or firm commitments through income, or recognized in other comprehensive income (effective portion) and are reclassified to earnings when the hedged transaction is reflected in earnings. The ineffective portion of a derivative's change in fair value is immediately recognized in income.

At the inception of the transaction, the Company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and the strategy for undertaking various hedging transactions. The Company also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

On July 1, 2012, the Company elected to prospectively de-designate fair value and cash flow interest rate swaps for which it was obtaining hedge accounting treatment due to the compliance burden associated with this accounting policy. As a result, all changes in the fair value of the Company's cash flow interest rate swap agreements were recorded in earnings under "Net Unrealized and Realized Losses on Derivatives" from the de-designation date forward.

The Company evaluated whether it is probable that the previously hedged forecasted interest payments are probable to not occur in the originally specified time period. The Company has concluded that the previously hedged forecasted interest payments are probable of occurring. Therefore, unrealized gains or losses in accumulated other comprehensive loss associated with the previously designated cash flow interest rate swaps will remain frozen in accumulated other comprehensive loss and recognized in earnings when the interest payments will be recognized. If such interest payments were to be identified as being probable of not occurring, the accumulated other comprehensive loss balance pertaining to these amounts would be reversed through earnings immediately.

The Company does not use financial instruments for trading or other speculative purposes.

Earnings/(Loss) Per Share: The Company has presented net earnings/(loss) per share for all years presented based on the weighted average number of outstanding shares of common stock of Danaos Corporation at the reported periods. The warrants issued in 2011 were excluded from the diluted earnings/(loss) per share for the year ended December 31, 2017, 2016 and 2015, because they were antidilutive. There are no other dilutive or potentially dilutive securities, accordingly there is no difference between basic and diluted net income per share.

Equity Compensation Plan: The Company has adopted an equity compensation plan (the "Plan"), which is generally administered by the compensation committee of the Board of Directors. The Plan allows the plan administrator to grant awards of shares of common stock or the right to receive or purchase shares of common stock to employees, directors or other persons or entities providing significant services to the Company or its subsidiaries. The actual terms of an award will be determined by the plan administrator and set forth in written award agreement with the participant. Any options

2. Significant Accounting Policies (Continued)

granted under the Plan will be accounted for in accordance with the accounting guidance for share-based compensation arrangements.

The aggregate number of shares of common stock for which awards may be granted under the Plan cannot exceed 6% of the number of shares of common stock issued and outstanding at the time any award is granted. Awards made under the Plan that have been forfeited, cancelled or have expired, will not be treated as having been granted for purposes of the preceding sentence. Unless otherwise set forth in an award agreement, any awards outstanding under the Plan will vest immediately upon a "change of control", as defined in the Plan. The Plan will automatically terminate ten years after it has been most recently approved by the Company's stockholders. Refer to Note 18, "Stock Based Compensation".

As of April 18, 2008, the Company established the Directors Share Payment Plan ("Directors Plan") under the Plan. The purpose of the Directors 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. Each member of the Board of Directors of the Company may participate in the Directors Plan. Pursuant to the terms of the Directors Plan, Directors may elect to receive in Common Stock all or a portion of their compensation. On the last business day of each quarter, the rights of common stock are credited to each Director's Share Payment Account. Following December 31st of each year, the Company will deliver to each Director the number of shares represented by the rights credited to their Share Payment Account during the preceding calendar year. Refer to Note 18, "Stock Based Compensation".

As of April 18, 2008, the Board of Directors and the Compensation Committee approved the Company's ability to provide, from time to time, incentive compensation to the employees of Danaos Shipping Company Limited (the "Manager"), in the form of free shares of the Company's common stock under the Plan. Prior approval is required by the Compensation Committee and the Board of Directors. The plan was effective since 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. Refer to Note 18, "Stock Based Compensation".

Recent Accounting Pronouncements:

In May 2014, the FASB issued Accounting Standards Update No. 2014-9 "Revenue from Contracts with Customers" ("ASU 2014-09"), which will supersede the current revenue recognition guidance and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The ASU 2014-09 was amended by ASU 2015-14 "Revenue from Contracts with Customers: Deferral of the Effective Date" ("ASU 2015-14"), which was issued in August 2015. Public entities can now elect to defer implementation of ASU 2014-09 to interim and annual periods beginning after December 15, 2017. Additionally, ASU 2015-14 permits early adoption of the standard but not before the original effective date, i.e. annual period beginning after December 15, 2016. The standard permits the use of either the retrospective or cumulative effect transition method. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal

2. Significant Accounting Policies (Continued)

versus Agent Considerations (Reporting Revenue Gross versus Net)" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. The amendments in ASU 2016-8 affect the guidance in the ASU 2014-09, which is not yet effective. ASU 2016-08 is effective for fiscal years beginning after December 15, 2017, and interim reporting periods within those years. 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 will adopt these standards as of January 1, 2018 and is currently evaluating the impact that the adoption of the new standard will have on its consolidated financial statements. The adoption of these standards is not expected to have a material impact on the operating revenue of the Company since virtually all of its operating revenues are generated from time charter and bareboat charter agreements.

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 fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement for 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 amendments are effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Early application is not permitted. The adoption of the standard is not expected to have a material impact on the consolidated financial statements and notes disclosures.

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 January 2018, the FASB issued 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

2. Significant Accounting Policies (Continued)

relative standalone selling prices. If adopted, this practical expedient will allow lessors to elect a combined single lease component presentation if (i) the timing and pattern of the revenue recognition of the combined single lease component is the same, and (ii) the related lease component and, the combined single lease component would be classified as an operating lease. 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. 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.

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 FASB issued ASU 2016-15 to decrease the diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. The amendments in this update provide guidance on eight specific cash flow issues. Additionally, in November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash—a consensus of the FASB Emerging Issues Task Force" ("ASU 2016-18"), which requires that amounts 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. These revised standards are effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The restricted cash balance of $2,812 thousand as of December 31, 2017 and December 31, 2016 would be subject to the change in the presentation in the consolidated statements of cash flows and notes disclosures.

3. Going Concern

The principal amount of the Company's debt amounting to $2,258.7 million is due for repayment by December 31, 2018. Additionally, as a result of a decrease in operating income of the Company and the charter attached market value of certain of its vessels caused principally by the cancellation of eight charters, in 2016, with Hanjin Shipping, which is currently under bankruptcy proceedings with the Seoul Central District Court, the Company was in breach of certain financial covenants under its Bank Agreement and its other credit facilities as of December 31, 2017 and December 31, 2016. Although none of the Company's lenders have exercised their right to do so, as a result of these covenant breaches the Company's lenders have the right to call the debt. Refer to Note 11 for further details. The Company has therefore classified all of its long-term debt, net of deferred finance costs as current, resulting in total current liabilities amounting to $2,379.8 million substantially exceeding its total current assets amounting to $126.0 million as of December 31, 2017. The Company is currently in discussions

3. Going Concern (Continued)

with its lenders regarding the non-compliance with these covenants and restructuring its indebtedness, substantially all of which matures in 2018. The Company will need to reach agreements with its lenders to restructure its debt by December 31, 2018 to avoid defaulting on such obligations, which would have a material adverse effect on the Company's business operations, financial condition and liquidity. Any such agreement, or the failure to reach such an agreement, could involve proceedings under court-supervision. These conditions and events raise substantial doubt about the Company's ability to continue as a going concern and the ability to meet its obligations as they become due within one year after these consolidated financial statements are issued.

The consolidated financial statements were prepared assuming that the Company will continue as a going concern based on management's intention to complete the restructuring of the Company's debt before December 31, 2018. Until an agreement with the Company's lenders is reached and completed, there will be substantial doubt over the Company's ability to continue as a going concern. In the meantime, the Company continues to generate positive cash flows from its operations and currently has sufficient liquidity to service all its operational obligations as well as all scheduled principal amortization and interest payments under the original terms of the debt agreements leading up to, but not including, the December 31, 2018 maturity date, and assuming none of the Company's lenders exercise their right to call the debt prior to its scheduled maturity. Therefore, the accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities, other than the reclassification of long-term debt to current liabilities as described above, or any other adjustments that might result in the event the Company is unable to continue as a going concern.

4. Restricted Cash

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 Consolidated Balance Sheets.

5. Fixed Assets, Net

On December 23, 2015, the Company entered into an agreement to sell the *Federal* for gross sale consideration of $7.2 million, of which $1.4 million was received in advance during the year ended December 31, 2015 and the remaining $5.8 million was received upon the completion of the sale on January 8, 2016. The sale of the vessel resulted in a loss on sale of the vessel of $36 thousand in the year ended December 31, 2016.

The net loss on sale of the vessels is separately reflected in the accompanying Consolidated Statements of Operations.

As of December 31, 2017, the Company concluded that there are no events and circumstances, which may trigger the existence of potential impairment of the Company's vessels. The indicators which were considered were mainly the current improved charter market and the improved vessel's market values compared to the prior year, as well as the potential impact the current marketplace may have on our future operations. As of December 31, 2016 and December 31, 2015 the Company concluded that events and circumstances triggered the existence of potential impairment of its long-lived assets. These indicators included loss of a charterer in 2016, volatility in the spot market and decline in the vessels'

5. Fixed Assets, Net (Continued)

market values, as well as the potential impact the current marketplace may have on its future operations. As a result, the Company performed step one of the impairment assessment of the Company's long-lived assets by comparing the undiscounted projected net operating cash flows for each vessel to its carrying value. As at December 31, 2016 and December 31, 2015, the Company's assessment concluded that step two of the impairment analysis was required for certain of its vessels, as the undiscounted projected net operating cash flows of certain vessels did not exceed the carrying value of the respective vessels. Fair value of each vessel was determined with the assistance from valuations obtained by third party independent shipbrokers. As of December 31, 2016 and December 31, 2015, the Company recorded an impairment loss of $415.1 million and $39.0 million, respectively for its vessels that are held and used, which is reflected under Impairment loss in the accompanying Consolidated Statements of Operations. There was no impairment loss as of December 31, 2017.

The residual value (estimated scrap value at the end of the vessels' useful lives) of the fleet was estimated at $378.2 million and $379.6 million as of December 31, 2017 and December 31, 2016, respectively. The Company has calculated the residual value of the vessels taking into consideration the 10 year average and the 5 year average of the scrap. The Company has applied uniformly the scrap value of $300 per ton for all vessels. The Company believes that $300 per ton is a reasonable estimate of future scrap prices, taking into consideration the 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.

6. Deferred Charges, Net

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

	Drydocking and Special Survey Costs
As of January 1, 2015	**$ 6,255**
Additions	2,341
Amortization	(3,845)
As of December 31, 2015	**$ 4,751**
Additions	8,976
Amortization	(5,528)
As of December 31, 2016	**$ 8,199**
Additions	7,511
Amortization	(6,748)
As of December 31, 2017	**$ 8,962**

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

6. Deferred Charges, Net (Continued)

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.

7. 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 two entities with capital leases for the *Suez Canal* and *Genoa* and two entities that own the container vessels *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 December 31, 2017, 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	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/(loss) on investments" in the Consolidated Statements of Operations. 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 $12.2 million and $10.3 million as of December 31, 2017 and December 31, 2016, respectively. 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):

	2017	2016	2015
Current assets	$10,014	$ 10,829	
Non-current assets	$40,901	$ 42,752	
Current liabilities	$ 6,131	$ 6,890	
Long-term liabilities	$32,544	$ 36,420	
Net operating revenues	$17,388	$ 13,909	$ 1,775
Impairment loss	—	$ 29,881	—
Net income/(loss)	$ 1,969	$(33,168)	$(3,961)

8. Other Non-current Assets

Other non-current assets consisted of the following as at December 31 (in thousands):

	2017	2016
Available for sale securities:		
ZIM notes, net	$21,093	—
HMM notes, net	13,509	—
Held to maturity securities:		
ZIM notes, net	—	$40,232
HMM notes, net	—	25,651
Equity participation ZIM	—	—
Other assets	14,864	5,274
Total	**$49,466**	**$71,157**

a. ZIM

In July 2014, after the charter restructuring agreements with ZIM, the Company obtained equity participation in ZIM and interest bearing unsecured ZIM notes maturing in 2023, consisting of $8.8 million Series 1 Notes and $41.1 million of Series 2 Notes. ZIM notes were originally classified as held to maturity securities and recorded at amortized costs less other than temporary impairment since initial recognition. The Company classifies its equity participation in ZIM at cost as the Company does not have the ability to exercise significant influence. In 2016, the Company tested for impairment of its equity participation in ZIM based on the existence of triggering events that indicate the interest in equity may have been impaired and recorded an impairment loss of $28.7 million, thus reducing its book value to nil. The Company also tests periodically for impairment of its investments in debt securities based on the existence of triggering events that indicate debt instruments may have been impaired. As of December 31, 2016, the Company recorded an impairment loss of $0.7 million impairment loss on ZIM notes, which were recognized under "Other Income/(Expenses), net" in the accompanying Consolidated Statements of Operations.

In relation to ZIM Notes, the Company received redemption of $0.3 million in the year ended December 31, 2016. The Company recognized $1.3 million, $1.3 million and $1.1 million in relation to their fair value unwinding of ZIM notes in the Consolidated Statements of Operations in "Interest income" for years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively. Furthermore, for the years ended December 31, 2017, December 31, 2016 and December 31, 2015, the Company recognized in the Consolidated Statements of Operations in "Interest income", a non-cash interest income of $0.9 million, $0.9 million and $0.8 million, respectively, in relation to ZIM notes, which is accrued quarterly with deferred cash payment on maturity.

Furthermore, in July 2014, an amount of $39.1 million, which represents the additional compensation received from ZIM, was recorded as unearned revenue representing compensation to the Company for the future reductions in the daily charter rates payable by ZIM under its time charters, expiring in 2020 or 2021, for six of the Company's vessels. This amount is recognized in the Consolidated Statements of Operations in "Operating revenues" over the remaining life of the respective time charters. For each of the years ended December 31, 2017, December 31, 2016 and December 31, 2015, the Company recorded an amount of $6.0 million of unearned revenue amortization in "Operating revenues". As of December 31, 2017, the outstanding balances of the

8. Other Non-current Assets (Continued)

current and non-current portion of unearned revenue in relation to ZIM amounted to $6.0 million and $12.5 million, respectively. As of December 31, 2016, the corresponding outstanding balances of the current and non-current portion of unearned revenue amounted to $6.0 million and $18.4 million, respectively. Refer to Note 14c, "Financial Instruments—Fair value of Financial Instruments".

As of December 31, 2017, ZIM notes are in a continuous unrealized loss position for approximately 1 year. The Company considers the decline in fair value of ZIM notes as temporary.

b. HMM

In July 2016, after the charter restructuring agreements with HMM, the Company obtained interest bearing senior unsecured HMM notes consisting of $32.8 million Loan Notes 1 maturing in July 2024 and $6.2 million Loan Notes 2 maturing in December 2022 and 4.6 million HMM shares. The HMM notes were originally classified as held to maturity securities and recorded at amortized costs less other than temporary impairment since initial recognition. Based on the management's intention, the HMM shares were held principally for the purpose of the resale in the near term and were classified as trading securities. The Company also tests periodically for impairment of its investments in debt securities based on the existence of triggering events that indicate debt instruments may have been impaired.

On September 1, 2016, the Company sold all HMM shares obtained after the charter restructuring agreements with HMM for cash proceeds on sale of $38.1 million resulting in a loss on sale of $12.9 million, which was recorded under "Other income/(expenses), net" in the Consolidated Statement of Operations for the year ended December 31, 2016. The HMM shares were considered trading securities and the proceeds were classified as operating activities in the Consolidated Statement of Cash Flows for the year ended December 31, 2016. The proceeds were used to repay outstanding debt obligations. Furthermore, for the years ended December 31, 2017 and December 31, 2016, the Company recognized $1.8 million and $1.0 million of non-cash interest income and fair value unwinding of HMM notes under "Interest income" in the Consolidated Statement of Operations.

On July 18, 2016, the Company recognized unearned revenue of $75.6 million representing compensation to the Company for the future reductions in the daily charter rates payable by HMM under the time charter agreements, which represents non-cash transaction for the Statement of Cash Flows for the year ended December 31, 2016. The amortization of unearned revenue is recognized in the Consolidated Statement of Operations under "Operating revenues" over the remaining life of the respective charters. For the years ended December 31, 2017 and December 31, 2016, the Company recorded an amount of $15.6 million and $7.9 million, respectively of unearned revenue amortization. As of December 31, 2017, the outstanding balances of the current and non-current portion of unearned revenue in relation to HMM amounted to $8.8 million and $43.4 million, respectively. As of December 31, 2016, the corresponding outstanding balances of the current and non-current portion of unearned revenue amounted to $15.6 million and $52.1 million, respectively. Refer also to Note 14c, "Financial Instruments—Fair value of Financial Instruments".

As of December 31, 2017, HMM notes are in a continuous unrealized loss position for less than 12 months. The Company considers the decline in fair value of HMM notes as temporary.

8. Other Non-current Assets (Continued)

c. Transfer to Available for sale category

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 Consolidated Statements of Operations for year ended December 31, 2017. The proceeds were used to repay related outstanding debt obligations. The sale of these notes resulted in a transfer of all remaining held to maturity HMM and ZIM notes into the available for sale securities at fair value and unrealized losses, which were recognized in other comprehensive loss and are analyzed in the table below as of December 31, 2017 (in thousands):

Description of securities	Amortized cost basis	Fair value	Unrealized loss
ZIM notes	$42,368	$21,093	$21,275
HMM notes	18,841	13,509	5,332
Total	**$61,209**	**$34,602**	**$26,607**

9. Accrued Liabilities

Accrued liabilities consisted of the following as at December 31 (in thousands):

	2017	2016
Accrued payroll	$ 928	$ 1,032
Accrued interest	9,953	9,193
Accrued expenses	4,345	5,239
Total	**$15,226**	**$15,464**

Accrued expenses mainly consisted of accruals related to the operation of the Company's fleet and other expenses as of December 31, 2017 and December 31, 2016.

10. Lease Arrangements

Charters-out

The future minimum rentals, expected to be earned on non-cancellable time charters consisted of the following as at December 31, 2017 (in thousands):

2018	$ 366,903
2019	307,734
2020	285,637
2021	266,553
2022	223,023
2023 and thereafter	288,140
Total future rentals	**$1,737,990**

10. Lease Arrangements (Continued)

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

11. Long-Term Debt, net

Long-term debt as of December 31, 2017 consisted of the following (in thousands):

Credit Facility	Balance as of December 31, 2017	Balance as of December 31, 2016
The Royal Bank of Scotland	$ 634,864	$ 648,528
HSH Nordbank AG-Aegean Baltic Bank-Piraeus Bank	622,851	624,570
HSH Nordbank-EnTrustPermal	—	12,200
The Export-Import Bank of Korea & ABN Amro	23,109	34,359
Deutsche Bank	156,062	164,582
Citibank	117,316	127,353
Credit Suisse	176,189	189,080
ABN Amro-Bank of America Merrill Lynch-Burlington Loan Management—National Bank of Greece	199,302	217,584
EnTrustPermal-Credit Suisse-CitiGroup	220,689	242,229
The Royal Bank of Scotland (January 2011 Credit Facility)	24,316	42,384
HSH Nordbank AG-Aegean Baltic Bank-Piraeus Bank (January 2011 Credit Facility)	17,205	34,562
ABN Amro-Bank of America Merrill Lynch-Burlington Loan Management—National Bank of Greece (January 2011 Credit Facility)	8,771	9,655
Sinosure CEXIM-Citibank-ABN Amro Credit Facility	81,360	101,700
Club Facility (January 2011 Credit Facility)	—	11,590
Citibank—Eurobank Credit Facility (January 2011 Credit Facility)	37,645	47,938
Comprehensive Financing Plan exit fees accrued	21,099	18,948
Total long-term debt	$2,340,778	$2,527,262
Less: Deferred finance costs, net	(11,177)	(22,330)
Total long-term debt net of deferred finance cost	$2,329,601	$2,504,932

All floating rate 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.

11. Long-Term Debt, net (Continued)

The lenders have the right to call the debt due to the breach of certain covenants as further described below. The scheduled maturities of long-term debt subsequent to December 31, 2017 are as follows (in thousands):

	Fixed principal repayments	Variable principal payments	Final Payment due on December 31, 2018*	Total principal payments
2018	$203,364	—	$2,055,295	$2,258,659
2019	20,340	—	—	20,340
2020	20,340	—	—	20,340
2021	20,340	—	—	20,340
Total long-term debt	**$264,384**	**—**	**$2,055,295**	**$2,319,679**

* The last payment due on December 31, 2018, includes the unamortized remaining principal debt balances under the Bank Agreement, as such amount will be determinable following the fixed and variable amortization.

The maturities of long term debt for the twelve month periods subsequent to December 31, 2017 are based on the terms of the Bank Agreement, under which the Company was not required to repay any outstanding principal amounts under its credit facilities, other than the KEXIM ABN Amro credit facility which is not covered by the Bank Agreement, until May 15, 2013; thereafter until December 31, 2018 it is required to make quarterly principal payments in fixed amounts. In addition, the Company is required to make an additional payment in such amount that, together with the fixed principal payment, equals a certain percentage of its Actual Free Cash Flow of the preceding financial quarter. The table above includes both the fixed payments for which the Company has a contractual obligation, as well as the Company's estimate of the future Actual Free Cash Flows and resulting variable amortization. The last payment due on December 31, 2018, will also include the unamortized remaining principal debt balances, as such amount will be determinable following the fixed and variable amortization.

On September 12, 2013, the Company signed a supplemental letter extending the terms of the February 9, 2012 supplemental letter through November 20, 2018 (the maturity of the respective credit facility), which amended the interest rate margin and the financial covenants of its KEXIM-ABN Amro credit facility. More specifically, under the February 9, 2012 supplemental letter the financial covenants were aligned with those set forth in the Bank Agreement (see below), and the interest rate margin was increased by 0.5 percentage points.

Bank Agreement

On January 24, 2011, the Company entered into a definitive agreement, which became effective on March 4, 2011, referred to as the Bank Agreement, that superseded, amended and supplemented the terms of each of the Company's then existing credit facilities (other than its credit facilities with KEXIM and KEXIM-ABN Amro which are not covered thereby), and provided for, among other things, revised amortization schedules, maturities, interest rates, financial covenants, events of defaults, guarantee and security packages and approximately $425 million of new debt financing. Subject to the terms of the Bank Agreement and the intercreditor agreement (the "Intercreditor Agreement"), which the Company entered into with each of the lenders participating under the Bank Agreement to govern the relationships between the lenders thereunder, under the January 2011 Credit Facilities (as described

11. Long-Term Debt, net (Continued)

and defined below) and under the Hyundai Samho Vendor Financing described below, the lenders participating thereunder continued to provide the Company's then outstanding credit facilities and amended the covenants under such credit facilities in accordance with the terms of the Bank Agreement.

In accordance with the accounting guidance for troubled debt restructuring, the Company's debt did not meet the conditions of troubled debt restructuring as the lenders have not granted a concession. The effective borrowing rate of the restructured debt was higher than the effective borrowing rate of the old debt.

Interest and Fees

Under the terms of the Bank Agreement, borrowings under each of the Company's existing credit facilities, other than the KEXIM-ABN Amro credit facility which is not covered by the Bank Agreement, bear interest at an annual interest rate of LIBOR plus a margin of 1.85%.

The Company was required to pay an amendment fee equal to 0.5% of the outstanding commitments under each existing financing arrangement, or $12.5 million in the aggregate, of which 20% was paid and deferred on the signing of a commitment letter for the Bank Agreement in August 2010, 40% was paid in January 2011 upon the signing of the Bank Agreement and the remaining 40% was due on December 31, 2014. The Company settled in full this amendment fee by paying $4.3 million on December 23, 2014 and $0.7 million on January 7, 2015. This amendment fee is deferred and amortized over the life of the respective credit facilities with the effective interest method. In addition, the Company is required to pay exit fees, which are discussed in detail below.

The Company was also required to pay a fee of 0.25% of the total committed amount contemplated by the August 6, 2010 commitment letter for the Bank Agreement for the period starting from August 6, 2010 up until March 4, 2011 (the effective date of the agreement) and which commitment fee was amended to 0.75% for the period after March 4, 2011, which fees were capitalized in cost of vessels under construction as it related to undrawn committed debt designated for specific newbuildings, and a $4.38 million amendment fee (of which $1.22 million was paid in December 2010 and $3.16 million was paid in January 2011) relating to conditions in respect of the Sinosure-CEXIM credit facility. This amendment fee was deferred and is being amortized over the life of the new debt using the effective interest rate method.

Principal Payments

Under the terms of the Bank Agreement (other than the KEXIM-ABN Amro credit facility, which is not covered by the Bank Agreement), the Company is required to make quarterly principal payments in fixed amounts, in relation to the Company's total debt commitments from the Company's lenders under the Bank Agreement and the January 2011 Credit Facilities, as specified in the table below (in thousands):

	February 15,	May 15,	August 15,	November 15,	December 31,	Total
2018	$32,586	$37,589	$44,403	$45,337	$2,055,295	**$2,215,210**

* These principal payments represent originally scheduled maturities and assume debt will not be called by the lenders earlier due to the breaches of financial covenants. The

11. Long-Term Debt, net (Continued)

Company may elect to make the scheduled payments shown in the above table three months earlier.

Furthermore, an additional variable payment in such amount that, together with the fixed principal payment (as disclosed above), equals 92.5% of Actual Free Cash Flow for such quarter until the earlier of (x) the date on which the Company's consolidated net leverage is below 6:1 and (y) May 15, 2015; and thereafter through maturity, which will be December 31, 2018 for each covered credit facility, it will be required to make fixed quarterly principal payments in fixed amounts as specified in the Bank Agreement and described above plus an additional payment in such amount that, together with the fixed principal payment, equals 89.5% of Actual Free Cash Flow for such quarter. In addition, any additional amounts of cash and cash equivalents from January 1, 2015 until maturity in excess of the greater of (1) $50 million of accumulated unrestricted cash and cash equivalents and (2) 2% of the Company's consolidated debt, would be applied first to the prepayment of the January 2011 Credit Facilities and after the January 2011 Credit Facilities are repaid, to the outstanding credit facilities covered by the Bank Agreement. The last payment due on December 31, 2018, will also include the unamortized remaining principal debt balances, as such amount will be determinable following the fixed and variable amortization.

Under the Bank Agreement, "Actual Free Cash Flow" with respect to each credit facility covered thereby is equal to revenue from the vessels collateralizing such facility, less the sum of (a) interest expense under such credit facility, (b) pro rata portion of payments under its interest rate swap arrangements, (c) interest expense and scheduled amortization under the Hyundai Samho Vendor Financing and (d) per vessel operating expenses and pro rata per vessel allocation of general and administrative expenses (which are not permitted to exceed the relevant budget by more than 20%), plus (e) the pro rata share of operating cash flow of any Applicable Second Lien Vessel (which will mean, with respect to an existing facility, a vessel with respect to which the participating lenders under such facility have a second lien security interest and the first lien credit facility has been repaid in full).

Under the terms of the Bank Agreement, the Company continues to be required to make any mandatory prepayments provided for under the terms of its existing credit facilities and is required to make additional prepayments as follows:

- 50% of the first $300 million of net equity proceeds (including convertible debt and hybrid instruments), after entering into the Bank Agreement and 25% of any additional net equity proceeds; and
- any debt proceeds (after repayment of any underlying secured debt covered by vessels collateralizing the new borrowings) (excluding the January 2011 Credit Facilities, the Sinosure CEXIM Credit Facility and the Hyundai Samho Vendor Financing), which amounts would first be applied to repayment of amounts outstanding under the January 2011 Credit Facilities and then to the existing credit facilities.

11. Long-Term Debt, net (Continued)

Any equity proceeds retained by the Company and not used within 12 months for certain specified purposes would be applied for prepayment of the January 2011 Credit Facilities and then to the credit facilities covered by the Bank Agreement. The Company would also be required to prepay the portion of a credit facility attributable to a particular vessel upon the sale or total loss of such vessel; the termination or loss of an existing charter for a vessel, unless replaced within a specified period by a similar charter acceptable to the lenders; or the termination of a newbuilding contract. The Company's respective lenders under its credit facilities covered by the Bank Agreement and the January 2011 Credit Facilities may, at their option, require the Company to repay in full amounts outstanding under such respective credit facilities, upon a "Change of Control" of the Company, which for these purposes is defined as (i) Dr. Coustas ceasing to be its Chief Executive Officer, (ii) its common stock ceasing to be listed on the NYSE (or Nasdaq or other recognized stock exchange), (iii) whilst an event of default is continuing, a change in the ultimate beneficial ownership of the capital stock of any of its subsidiaries or ultimate control of the voting rights of those shares, (iv) Dr. Coustas and members of his family ceasing to collectively own over one third of the voting interest in its outstanding capital stock or (v) any other person or group controlling more than 20% of the voting power of its outstanding capital stock.

Covenants and Events of Defaults

On January 24, 2011, the Company entered into the Bank Agreement that superseded, amended and supplemented the terms of each of its existing credit facilities (other than its credit facility with KEXIM-ABN Amro) and provided for, among other things, revised financial covenant levels under such existing credit facilities as described below.

As a result of a decrease in operating income of the Company and the charter attached value of certain of the Company's vessels caused mainly by the loss of contractual revenue from Hanjin Shipping, the Company was in breach of the minimum security cover, consolidated net leverage and consolidated net worth financial covenants related to its loan facilities as of December 31, 2017 and December 31, 2016. In accordance with the guidance related to the classification of obligations that are callable by the lenders, the Company has classified all its long-term debt, net of deferred finance costs as current. The Company is currently in discussions with its lenders regarding non-compliance with these covenants and refinancing the 2018 maturities of substantially all of its debt.

The Company incurred $14.3 million professional fees related to the refinancing discussions with its lenders reported under "Other income/(expenses), net" in the accompanying Consolidated Statements of Operations for the year ended December 31, 2017.

Under the Bank Agreement, the financial covenants under each of the Company's existing credit facilities (other than under the KEXIM-ABN Amro credit facility which is not covered thereby, but which has been aligned with those covenants until maturity of the respective facility under the supplemental letter dated September 12, 2013), have been reset to require the Company to:

- maintain a ratio of (i) the market value of all of the vessels in the Company's fleet, on a charter-inclusive basis, plus the net realizable value of any additional collateral, to (ii) the Company's consolidated total debt above specified minimum levels gradually increasing from 90% through December 31, 2011 to 130% from September 30, 2017 through September 30, 2018;

11. Long-Term Debt, net (Continued)

- maintain a minimum ratio of (i) the market value of the nine vessels (*Maersk Enping (ex Hyundai Smart)*, *Maersk Exeter (ex Hyundai Speed)*, *MSC Ambition (ex Hyundai Ambition)*, *Hyundai Honour (ex Hyundai Together)*, *Hyundai Respect (ex Hyundai Tenacity)*, *Express Athens*, *Express Rome*, *Express Berlin* and *CMA CGM Rabelais*) collateralizing the New Credit Facilities, calculated on a charter-free basis, plus the net realizable value of any additional collateral, to (ii) the Company's aggregate debt outstanding under the New Credit Facilities of 100% from September 30, 2012 through September 30, 2018;
- maintain minimum free consolidated unrestricted cash and cash equivalents, less the amount of the aggregate variable principal amortization amounts, described above, of $30.0 million at the end of each calendar quarter;
- ensure that the Company's (i) consolidated total debt less unrestricted cash and cash equivalents to (ii) consolidated EBITDA (defined as net income before interest, gains or losses under any hedging arrangements, tax, depreciation, amortization and any other non-cash item, capital gains or losses realized from the sale of any vessel, finance charges and capital losses on vessel cancellations and before any non-recurring items and excluding any accrued interest due to us but not received on or before the end of the relevant period; provided that non-recurring items excluded from this calculation shall not exceed 5% of EBITDA calculated in this manner) for the last twelve months does not exceed a maximum ratio gradually decreasing from 12:1 on December 31, 2010 to 4.75:1 on September 30, 2018;
- ensure that the ratio of the Company's (i) consolidated EBITDA for the last twelve months to (ii) net interest expense (defined as interest expense (excluding capitalized interest), less interest income, less realized gains on interest rate swaps (excluding capitalized gains) and plus realized losses on interest rate swaps (excluding capitalized losses)) exceeds a minimum level of 1.50:1 through September 30, 2013 and thereafter gradually increasing to 2.80:1 by September 30, 2018; and
- maintain a consolidated market value adjusted net worth (defined as the amount by which the Company's total consolidated assets adjusted for the market value of the Company's vessels in the water less cash and cash equivalents in excess of the Company's debt service requirements exceeds the Company's total consolidated liabilities after excluding the net asset or liability relating to the fair value of derivatives as reflected in the Company's financial statements for the relevant period) of at least $400 million.

For the purpose of these covenants, the market value of the Company's vessels will be calculated, except as otherwise indicated above, on a charter-inclusive basis (using the present value of the "bareboat-equivalent" time charter income from such charter) so long as a vessel's charter has a remaining duration at the time of valuation of more than 12 months plus the present value of the residual value of the relevant vessel (generally equivalent to the charter free value of such a vessel at the age such vessel would be at the expiration of the existing time charter). The market value for newbuilding vessels, all of which currently have multi-year charters, would equal the lesser of such amount and the newbuilding vessel's book value.

Under the terms of the Bank Agreement, the covered credit facilities also contain customary events of default, including those relating to cross-defaults to other indebtedness, defaults under its swap agreements, non-compliance with security documents, material adverse changes to its business, a Change of Control as described above, a change in its Chief Executive Officer, its common stock

11. Long-Term Debt, net (Continued)

ceasing to be listed on the NYSE (or Nasdaq or another recognized stock exchange), a breach of the management agreement for the vessels securing the respective credit facilities and cancellation or amendment of the time charters (unless replaced with a similar time charter with a charterer acceptable to the lenders) for the vessels securing the respective credit facilities.

Under the terms of the Bank Agreement, the Company generally will not be permitted to incur any further financial indebtedness or provide any new liens or security interests, unless such security is provided for the equal and ratable benefit of each of the lenders party to the Intercreditor Agreement, other than security arising by operation of law or in connection with the refinancing of outstanding indebtedness, with the consent, not to be unreasonably withheld, of all lenders with a lien on the security pledged against such outstanding indebtedness. In addition, the Company would not be permitted to pay cash dividends or repurchase shares of its capital stock unless (i) its consolidated net leverage is below 6:1 for four consecutive quarters and (ii) the ratio of the aggregate market value of its vessels to its outstanding indebtedness exceeds 125% for four consecutive quarters and provided that an event of default has not occurred and the Company is not, and after giving effect to the payment of the dividend, in breach of any covenant.

Collateral and Guarantees

Each of the Company's existing credit facilities and swap arrangements, to the extent applicable, continue to be secured by their previous collateral on the same basis, and received, to the extent not previously provided, pledges of the shares of the Company's subsidiaries owning the vessels collateralizing the applicable facilities, cross-guarantees from each subsidiary owning the vessels collateralizing such facilities, assignment of the refund guarantees in relation to any newbuildings funded by such facilities and other customary shipping industry collateral.

January 2011 Credit Facilities (HSH Nordbank—Aegean Baltic Bank—Piraeus Bank, RBS, ABN Amro Club facility, Club Facility and Citibank-Eurobank)

On January 24, 2011, the Company entered into agreements for the following new term loan credit facilities ("January 2011 Credit Facilities"):

(i) a $123.8 million credit facility provided by HSH, which is secured by the *Maersk Exeter (ex Hyundai Speed)*, the *Express Rome* and the *CMA CGM Rabelais* and customary shipping industry collateral related thereto (the $123.8 million amount includes principal commitment of $23.75 million under the HSH Nordbank—Aegean Baltic Bank—Piraeus Bank credit facility already drawn as of December 31, 2010, which was transferred to the new facility upon finalization of the agreement in 2011);

(ii) a $100.0 million credit facility provided by RBS, which is secured by the *Maersk Enping (ex Hyundai Smart)* and the *Express Berlin* and customary shipping industry collateral related thereto;

(iii) a $37.1 million credit facility with ABN Amro and lenders participating under the Bank Agreement which is secured by *Express Athens* and customary shipping industry collateral related thereto;

(iv) a $83.9 million new club credit facility to be provided, on a pro rata basis, by the other existing lenders participating under the Bank Agreement, which is secured by *Hyundai Honour*

11. Long-Term Debt, net (Continued)

(ex Hyundai Together) and *Hyundai Respect (ex Hyundai Tenacity)* and customary shipping industry collateral related thereto. This facility was fully repaid in 2017; and

(v) a $80.0 million credit facility with Citibank and Eurobank, which is secured by the *MSC Ambition (ex Hyundai Ambition)* and customary shipping industry collateral related thereto ((i)-(v), collectively, the "January 2011 Credit Facilities").

Interest and Fees

Borrowings under each of the January 2011 Credit Facilities bear interest at an annual interest rate of LIBOR plus a margin of 1.85%, subject, on and after January 1, 2013, to increases in the applicable margin to: (i) 2.50% if the outstanding indebtedness thereunder exceeds $276 million, (ii) 3.00% if the outstanding indebtedness thereunder exceeds $326 million and (iii) 3.50% if the outstanding indebtedness thereunder exceeds $376 million.

The Company paid an arrangement fee of 2.00%, or $8.5 million in the aggregate, $3.3 million of which was paid in August 2010 (the date the commitment letter was entered into) and $5.2 million paid in January 2011, which was deferred and is being amortized into the Consolidated Statements of Operations over the life of the respective facilities with the effective interest rate method. Furthermore, the Company paid a commitment fee of 0.75% per annum payable quarterly in arrears on the committed but undrawn portion of the respective loan.

On October 22, 2014, the Company entered into a supplemental agreement with the lenders under the *HSH Nordbank AG-Aegean Baltic Bank-Piraeus Bank* credit facility in relation to the use of proceeds from the sale of 5 mortgaged vessels (the *Marathonas*, the *Commodore*, the *Duka*, the *Mytilini* and the *Messologi*), all of which were sold during the year ended December 31, 2014 for an aggregate of $55.2 million gross sale proceeds less sale commissions, of which $18.2 million was applied against prepayment of the respective facility on August 18, 2014. The remaining $37.0 million were used to finance the acquisition of two secondhand containership vessels delivered on November 5, 2014. The Company paid the lenders a fee of $0.09 million for fully utilizing the remaining $37.0 million. This fee is deferred and amortized over the life of the respective credit facility with the effective interest method.

Principal Payments

Under the Bank Agreement, the Company was not required to repay any outstanding principal amounts under its January 2011 Credit Facilities until May 15, 2013 and thereafter it is required to make quarterly principal payments in fixed amounts as specified in the Bank Agreement plus an additional quarterly variable amortization payment, all as described above under "—Bank Agreement—Principal Payments."

Covenants, Events of Default and Other Terms

The January 2011 Credit Facilities contain substantially the same financial and operating covenants, events of default, dividend restrictions and other terms and conditions as applicable to the Company's then outstanding credit facilities as revised under the Bank Agreement described above.

11. Long-Term Debt, net (Continued)

Collateral and Guarantees

Lenders participating in the $83.9 million club credit facility described above received a lien on *Hyundai Honour (ex Hyundai Together)* and *Hyundai Respect (ex Hyundai Tenacity)* as additional security in respect of the pre-existing credit facilities the Company had with such lenders. The lenders under the other January 2011 Credit Facilities also received a lien on the respective vessels securing such January 2011 Credit Facilities as additional collateral in respect of its pre-existing credit facilities and interest rate swap arrangements with such lenders and Citibank and Eurobank also received a second lien on *MSC Ambition (ex Hyundai Ambition)* as collateral in respect of its previously unsecured interest rate arrangements with them.

In addition, HSH Nordbank—Aegean Baltic Bank—Piraeus Bank also received a second lien on the *Deva*, the *Europe* and the *CSCL Pusan* as collateral in respect of all borrowings from HSH Nordbank—Aegean Baltic Bank—Piraeus Bank. RBS also received a second lien on the *Derby D,* the *CSCL America* and the *CSCL Le Havre* as collateral in respect of all borrowings from RBS. In 2016, following the repayment of the KEXIM loan, the second lien on the *CSCL America* became a first lien on RBS loan and the second lien on the *Europe* became a first lien on HSH Nordbank—Aegean Baltic Bank—Piraeus Bank loan.

The Company's obligations under the January 2011 Credit Facilities are guaranteed by its subsidiaries owning the vessels collateralizing the respective credit facilities. The Company's Manager has also provided an undertaking to continue to provide the Company with management services and to subordinate its rights to the rights of its lenders, the security trustee and applicable hedge counterparties.

Sinosure-CEXIM-Citibank-ABN Amro Credit Facility

On February 21, 2011, the Company entered into a bank agreement with Citibank, acting as agent, ABN Amro and the Export-Import Bank of China ("CEXIM") for a senior secured credit facility (the "Sinosure-CEXIM Credit Facility") of up to $203.4 million, in three tranches each in an amount equal to the lesser of $67.8 million and 60.0% of the contract price for the newbuilding vessels, *CMA CGM Tancredi*, *CMA CGM Bianca* and *CMA CGM Samson*, securing such tranche for post-delivery financing of these vessels. The Company took delivery of the respective vessels in 2011. The China Export & Credit Insurance Corporation, or Sinosure, covers a number of political and commercial risks associated with each tranche of the credit facility.

Borrowings under the Sinosure-CEXIM Credit Facility bear interest at an annual interest rate of LIBOR plus a margin of 2.85% payable semi-annually in arrears. The Company is required to repay principal amounts drawn under each tranche of the Sinosure-CEXIM Credit Facility in consecutive semi-annual installments over a ten-year period commencing after the delivery of the respective newbuilding being financed by such amount through the final maturity date of the respective tranches and repay the respective tranche in full upon the loss of the respective newbuilding.

Covenants, Events of Default and Other Terms

The Sinosure-CEXIM credit facility was amended and restated, effective on June 30, 2013, to align its financial covenants with the Company's Bank Agreement (except for the minimum ratio of the charter free market value of certain vessels, as described in the Bank Agreement, which is not applicable) described above and continues to require the Company to maintain a minimum ratio of the

11. Long-Term Debt, net (Continued)

market value of the vessel collateralizing a tranche of the facility to debt outstanding under such tranche of 125%.

The Sinosure-CEXIM credit facility also contains customary events of default, including those relating to cross-defaults to other indebtedness, defaults under its swap agreements, non-compliance with security documents, material adverse changes to its business, a Change of Control as described above, a change in its Chief Executive Officer, its common stock ceasing to be listed on the NYSE (or Nasdaq or another recognized stock exchange), a breach of the management agreement for the mortgaged vessels and cancellation or amendment of the time charters (unless replaced with a similar time charter with a charterer acceptable to the lenders) for the mortgaged vessels.

The Company will not be permitted to pay cash dividends or repurchase shares of its capital stock unless (i) its consolidated net leverage is below 6:1 for four consecutive quarters and (ii) the ratio of the aggregate market value of its vessels to its outstanding indebtedness exceeds 125% for four consecutive quarters and provided that an event of default has not occurred and the Company is not, and after giving effect to the payment of the dividend is not, in breach of any covenant.

Collateral

The Sinosure-CEXIM Credit Facility is secured by customary post-delivery shipping industry collateral with respect to the vessels, *CMA CGM Tancredi*, *CMA CGM Bianca* and *CMA CGM Samson*, securing the respective tranche.

Exit Fees

The Company is required to pay Exit Fees of $25.0 million and, in the respective proportion to facilities covered by the Bank Agreement and the January 2011 Credit Facilities, are payable the earlier of (a) December 31, 2018 and (b) the date on which the respective facilities are repaid in full. In the year ended December 31, 2017, the Company paid $1.0 million of Exit Fees on loan facilities fully repaid within the year. The Exit Fees will accrete in the Consolidated Statements of Operations over the life of the respective facilities (with the effective interest rate method) and are reported under "Current portion of long-term debt, net" and "Long-term debt, net", respectively in the Consolidated Balance Sheets. The Company has recognized under "Current portion of long-term debt, net" an amount of $21.1 million and $18.9 million as of December 31, 2017 and December 31, 2016, respectively. Exit fees of $3.2 million, $3.4 million and $3.6 million were accrued and reported under "Other finance expenses" in the years ended December 31, 2017, December 31, 2016 and December 31, 2015, respectively.

11. Long-Term Debt, net (Continued)

Credit Facilities Summary Table

Credit Facility	Outstanding Principal Amount (in millions)(1)	Collateral Vessels
The Royal Bank of Scotland(2)	$634.9	The *Hyundai Progress*, the *Highway (ex Hyundai Highway)*, the *Bridge (ex Hyundai Bridge)*, the *Zim Monaco*, the *Express Argentina*, the *Express France*, the *Express Spain*, the *CMA CGM Racine,* the *CSCL America* and the *CMA CGM Melisande*
HSH Nordbank—Aegean Baltic Bank—Piraeus Bank(3)	$622.9	The *Vladivostok (ex Hyundai Vladivostok)*, the *Advance (ex Hyundai Advance)*, the *Stride (ex Hyundai Stride)*, the *Future (ex Hyundai Future)*, the *Sprinter (ex Hyundai Sprinter)*, the *Amalia C*, the *MSC Zebra*, the *Danae C*, the *Dimitris C,* the *Performance,* the *Europe* and the *Priority*
Citibank	$117.3	The *CMA CGM Moliere*, the *CMA CGM Musset* , *the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
Deutsche Bank	$156.1	The *Zim Rio Grande*, the *Zim Sao Paolo* and the *Zim Kingston (ex OOCL Istanbul), the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
Credit Suisse	$176.2	The *Zim Luanda*, the *CMA CGM Nerval* and the *YM Mandate the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
ABN Amro—Bank of America Merrill Lynch—Burlington—National Bank of Greece . . .	$199.3	The *Colombo*, the *YM Seattle*, the *YM Vancouver* and the *Singapore (ex YM Singapore)*
EnTrustPermal—Credit Suisse—CitiGroup	$220.7	The *Zim Dalian* (ex *OOCL Novorossiysk)*, the *Express Brazil,* the *YM Maturity*, the *Express Black Sea*, the *CMA CGM Attila, the Hyundai Honour (ex Hyundai Together) and the Hyundai Respect (ex Hyundai Tenacity)*
KEXIM-ABN Amro	$ 23.1	The *CSCL Pusan* and the *CSCL Le Havre*
January 2011 Credit Facilities		
HSH Nordbank—Aegean Baltic Bank—Piraeus Bank(3)	$ 17.2	The *Maersk Exeter (*ex *Hyundai Speed)*, the *Express Rome* and the *CMA CGM Rabelais*
RBS(2)	$ 24.3	The *Maersk Enping (ex Hyundai Smart)* and the *Express Berlin*
ABN Amro Club Facility	$ 8.8	The *Express Athens*
Citibank-Eurobank	$ 37.6	The *MSC Ambition (ex Hyundai Ambition)*
Sinosure—CEXIM—Citibank—ABN Amro	$ 81.3	The *CMA CGM Tancredi*, the *CMA CGM Bianca* and the *CMA CGM Samson*

(1) As of December 31, 2017.

(2) Pursuant to the Bank Agreement, this credit facility is also secured by a second priority lien on the *Derby D* and the *CSCL Le Havre*.

(3) Pursuant to the Bank Agreement, this credit facility is also secured by a second priority lien on the *Deva* and the *CSCL Pusan*.

11. Long-Term Debt, net (Continued)

As of December 31, 2017, there was no remaining borrowing availability under any of the Company's credit facilities.

The weighted average interest rate on long-term borrowings for the years ended December 31, 2017, 2016 and 2015 was 3.1%, 2.6% and 2.4%, respectively.

Total interest paid during the years ended December 31, 2017, 2016 and 2015 was $74.6 million, $69.2 million and $71.8 million, respectively.

The total amount of interest cost incurred and expensed in 2017 was $75.4 million (2016: $70.3 million, 2015: $70.4 million).

12. Related Party Transactions

Management Services: Pursuant to a ship management agreement between each of the vessel owning companies and Danaos Shipping Company Limited (the "Manager"), the Manager acts as the fleet's technical manager responsible for (i) recruiting qualified officers and crews, (ii) managing day to day vessel operations and relationships with charterers, (iii) purchasing of stores, supplies and new equipment for the vessels, (iv) performing general vessel maintenance, reconditioning and repair, including commissioning and supervision of shipyards and subcontractors of drydock facilities required for such work, (v) ensuring regulatory and classification society compliance, (vi) performing operational budgeting and evaluation, (vii) arranging financing for vessels, (viii) providing accounting, treasury and finance services and (ix) providing information technology software and hardware in the support of the Company's processes. The Company's controlling shareholder also controls the Manager.

On December 31, 2014, the Company signed an amended and restated management agreement to supersede the initial agreement signed in 2005 and incorporate all prior amendments. Pursuant to this agreement, effective January 1, 2015, the management fees are adjusted as follows: i) a daily management fee of $850, ii) a daily vessel management fee of $425 for vessels on bareboat charter and iii) a daily vessel management fee of $850 for vessels on time charter. The fee of 1.25% on gross freight, charter hire, ballast bonus and demurrage with respect to each vessel in the fleet and the fee of 0.5% based on the contract price of any vessel bought and sold by the manager on the Company's behalf remains the same as per addendum signed in 2013.

Management fees in 2017 amounted to approximately $16.9 million (2016: $17.1 million, 2015: $17.4 million), which are presented under "General and administrative expenses" on the Consolidated Statements of Operations. Commissions to the Manager in 2017 amounted to approximately $5.3 million (2016: $6.3 million, 2015: $6.9 million), which are presented under "Voyage expenses" on the Consolidated Statements of Operations.

The Company pays advances on account of the vessels' operating expenses. These prepaid amounts are presented in the consolidated balance sheet under "Due from related parties" totaling $34.0 million and $32.6 million as of December 31, 2017 and 2016, respectively.

Additionally, the Manager provided the Company with the services of its executive officers for a fee of €0.5 million ($0.6 million) for the period from January 1, 2015 to April 30, 2015, after which date the Company directly employed the executive officers. The executive officers received an aggregate of €1.0 million ($1.1 million), €1.5 million ($1.7 million) and €1.5 million ($1.8 million) in compensation for the period from May 1, 2015 to December 31, 2015 and for the years ended December 31, 2016 and 2017, respectively.

12. Related Party Transactions (Continued)

Dr. John Coustas, the Chief Executive Officer of the Company, is a member of the Board of Directors of The Swedish Club, the primary provider of insurance for the Company, including a substantial portion of its hull & machinery, war risk and protection and indemnity insurance. During the years ended December 31, 2017, 2016 and 2015 the Company paid premiums to The Swedish Club of $4.6 million, $5.6 million and $6.3 million, respectively, which are presented under Vessel operating expenses in the Consolidated Statements of Operations. As of December 31, 2017 and 2016, the Company did not have any outstanding balance to The Swedish Club.

13. Taxes

Under the laws of the countries of the Company's ship owning subsidiaries' incorporation and/or vessels' registration, the Company's ship operating subsidiaries are not subject to tax on international shipping income, however, they are subject to registration and tonnage taxes, which have been included in Vessel Operating Expenses in the accompanying Consolidated Statements of Operations.

Pursuant to the U.S. Internal Revenue Code (the "Code"), U.S.-source income from the international operation of ships is generally exempt from U.S. tax if the company operating the ships meets certain requirements. Among other things, in order to qualify for this exemption, the company operating the ships must be incorporated in a country which grants an equivalent exemption from income taxes to U.S. corporations.

All of the Company's ship-operating subsidiaries satisfy these initial criteria. In addition, these companies must be more than 50% owned by individuals who are residents, as defined, in the countries of incorporation or another foreign country that grants an equivalent exemption to U.S. corporations. These companies also currently satisfy the more than 50% beneficial ownership requirement. In addition, should the beneficial ownership requirement not be met, the management of the Company believes that by virtue of a special rule applicable to situations where the ship operating companies are beneficially owned by a publicly traded company like the Company, the more than 50% beneficial ownership requirement can also be satisfied based on the trading volume and the anticipated widely-held ownership of the Company's shares, but no assurance can be given that this will remain so in the future, since continued compliance with this rule is subject to factors outside of the Company's control.

14. 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, accounts payable and derivatives. The following is a summary of the Company's risk management strategies and the effect of these strategies on the Company's 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. The interest rates relating to the long-term loans are disclosed in Note 11, "Long-term Debt, net".

Concentration of Credit Risk: Financial instruments that are potentially subject the Company to significant concentrations of credit risk consist principally of cash, trade accounts receivable and derivatives. The Company places its temporary cash investments, consisting mostly of deposits, with

14. Financial Instruments (Continued)

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 to derivative instruments, 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. Refer to Note 15, "Operating Revenue", for further details on revenue from significant clients. 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.

Fair Value: The carrying amounts reflected in the accompanying consolidated balance sheets of financial assets and liabilities (excluding long-term bank loans and certain other non-current assets) approximate their respective fair values due to the short maturity of these instruments. The fair values of long-term floating rate bank loans approximate the recorded values, generally due to their variable interest rates. The fair value of the swap agreements equals the amount that would be paid by the Company to cancel the swaps. 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.

Interest Rate Swaps: 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.

a. Cash Flow Interest Rate Swap Hedges

These interest rate swaps were designed to economically hedge the variability of interest cash flows arising from floating rate debt, attributable to movements in three-month USD$ LIBOR. According to the Company's Risk Management Accounting Policy, and after putting in place the formal documentation required by hedge accounting in order to designate these swaps as hedging instruments, as from their inception, these interest rate swaps qualified for hedge accounting, and, accordingly, from that time until June 30, 2012, only hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item were recognized in the Company's earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps were performed on a quarterly basis. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge was recognized initially in stockholders' equity, and recognized to the Statement of Operations in the periods when the hedged item affects profit or loss.

On July 1, 2012, the Company elected to prospectively de-designate cash flow interest rate swaps for which it was obtaining hedge accounting treatment due to the compliance burden associated with

14. Financial Instruments (Continued)

this accounting policy. As a result, all changes in the fair value of the Company's cash flow interest rate swap agreements are recorded in earnings under "Unrealized and Realized Losses on Derivatives" from the de-designation date forward. The Company evaluated whether it is probable that the previously hedged forecasted interest payments are probable to not occur in the originally specified time period. The Company has concluded that the previously hedged forecasted interest payments are probable of occurring. Therefore, unrealized gains or losses in accumulated other comprehensive loss associated with the previously designated cash flow interest rate swaps will remain in accumulated other comprehensive loss and recognized in earnings when the interest payments will be recognized. If such interest payments were to be identified as being probable of not occurring, the accumulated other comprehensive loss balance pertaining to these amounts would be reversed through earnings immediately.

The Company recorded in the Consolidated Statements of Operations unrealized gains of nil, $4.5 million and $48.9 million in relation to fair value changes of interest rate swaps for the years ended December 31, 2017, 2016 and 2015, respectively. Furthermore, unrealized losses of nil, $10.7 million and $32.6 million were reclassified from Accumulated Other Comprehensive Loss to earnings for the years ended December 31, 2017, 2016 and 2015, respectively.

The variable-rate interest on specific borrowings that was associated with vessels under construction was capitalized as a cost of the specific vessels. In accordance with the accounting guidance on derivatives and hedging, the amounts in accumulated other comprehensive income/(loss) related to realized gains or losses on cash flow hedges that have been entered into and qualify for hedge accounting, in order to hedge the variability of that interest, were classified under other comprehensive income/(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 $3.7 million, $4.0 million and $4.0 million was reclassified into earnings for the years ended December 31, 2017, 2016 and 2015, respectively, representing amortization over the depreciable life of the vessels. Additionally, the Company recognized accelerated amortization of these deferred realized losses of $7.7 million in connection with the impairment losses recognized on the respective vessels for the year ended December 31, 2016. An amount of $3.7 million is expected to be reclassified into earnings within the next 12 months.

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
		(in millions)	
Total realized losses	—	$ (5.5)	$(52.7)
Amortization of deferred realized losses	$(3.7)	(4.0)	(4.0)
Accelerated amortization of deferred realized losses	—	(7.7)	—
Unrealized gains	—	4.3	16.2
Unrealized and realized losses on cash flow interest rate swaps	**$(3.7)**	**$(12.9)**	**$(40.5)**

b. Fair Value Interest Rate Swap Hedges

These interest rate swaps were designed to economically hedge the fair value of the fixed rate loan facilities against fluctuations in the market interest rates by converting the Company's fixed rate loan

14. Financial Instruments (Continued)

facilities to floating rate debt. Pursuant to the adoption of the Company's Risk Management Accounting Policy, and after putting in place the formal documentation required by hedge accounting in order to designate these swaps as hedging instruments, as of June 15, 2006, these interest rate swaps qualified for hedge accounting, and, accordingly, from that time until June 30, 2012, hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item were recognized in the Company's earnings. The Company considered its strategic use of interest rate swaps to be a prudent method of managing interest rate sensitivity, as it prevented earnings from being exposed to undue risk posed by changes in interest rates. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps was performed on a quarterly basis, on the financial statement and earnings reporting dates.

On July 1, 2012, the Company elected to prospectively de-designate fair value interest rate swaps for which it was applying hedge accounting treatment due to the compliance burden associated with this accounting policy. All changes in the fair value of the Company's fair value interest rate swap agreements continue to be recorded in earnings under "Unrealized and Realized Losses on Derivatives" from the de-designation date forward.

The Company evaluated whether it is probable that the previously hedged forecasted interest payments will not occur in the originally specified time period. The Company has concluded that the previously hedged forecasted interest payments continue to be probable of occurring. Therefore, the fair value of the hedged item associated with the previously designated fair value interest rate swaps will be frozen and recognized in earnings when the interest payments are recognized. If such interest payments were to be identified as being probable of not occurring, the fair value of hedged debt balance pertaining to these amounts would be reversed through earnings immediately.

The total fair value change of the interest rate swaps for the years ended December 31, 2017, 2016 and 2015, amounted to nil, $(0.1) million and $(0.5) million, respectively, and is included in the Consolidated Statement of Operations in "Unrealized and realized losses on derivatives".

The Company reclassified from "Current portion of long-term debt, net" and from "Long-term debt, net", where the fair value of hedged item is recorded, to its earnings unrealized gains of an amount of nil, $0.4 million and $0.6 million for the years ended December 31, 2017, 2016 and 2015, respectively.

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
		(in millions)	
Unrealized losses on swap asset	—	$(0.1)	$(0.5)
Reclassification of fair value of hedged debt to Statement of Operations	—	0.4	0.6
Realized gains	—	0.1	0.5
Unrealized and realized gains on fair value interest rate swaps	**—**	**$ 0.4**	**$ 0.6**

14. Financial Instruments (Continued)

c. Fair Value of Financial Instruments

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

	As of December 31, 2017		As of December 31, 2016	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands of $)			
Cash and cash equivalents	$ 66,895	$ 66,895	$ 73,717	$ 73,717
Restricted cash	$ 2,812	$ 2,812	$ 2,812	$ 2,812
Accounts receivable, net	$ 6,502	$ 6,502	$ 8,028	$ 8,028
Due from related parties	$ 34,007	$ 34,007	$ 32,603	$ 32,603
ZIM notes	$ 21,093	$ 21,093	$ 40,232	$ 35,574
Equity investment in ZIM	—	—	—	—
HMM notes	$ 13,509	$ 13,509	$ 25,651	$ 25,651
Accounts payable	$ 11,371	$ 11,371	$ 11,156	$ 11,156
Accrued liabilities	$ 15,226	$ 15,226	$ 15,464	$ 15,464
Long-term debt, including current portion	$2,340,778	$2,325,209	$2,527,262	$2,527,262

As of December 31, 2016, the Company recognized a bad debt expense amounting to $15.8 million in its Consolidated Statements of Operations, relating to accounts receivable from Hanjin Shipping which is under rehabilitation proceedings. Refer to Note 17 "Commitments and Contingencies".

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 (in thousands):

	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 (in thousands):

	Fair Value Measurements as of December 31, 2017			
	Total	(Level I)	(Level II)	(Level III)
	(in thousands of $)			
Equity investment in ZIM(1)	$ —	$—	$ —	$—
Long-term debt, including current portion(2)	$2,340,778	$—	$2,340,778	$—
Accrued liabilities(3)	$ 15,226	$—	$ 15,226	$—

14. Financial Instruments (Continued)

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, 2016 (in thousands):

	Fair Value Measurements as of December 31, 2016			
	Total	(Level I)	(Level II)	(Level III)
		(in thousands of $)		
ZIM notes(1)	$ 35,574	$—	$ 35,574	$—
Equity investment in ZIM(1)	—	$—	—	$—
HMM notes(1)	$ 25,651	$—	$ 25,651	$—
Long-term debt, including current portion(2)	$2,527,262	$—	$2,527,262	$—
Accrued liabilities(3)	$ 15,464	$—	$ 15,464	$—

(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 $11.2 million and $22.3 million as of December 31, 2017 and December 31, 2016, 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.

(3) The fair value of the Company's accrued liabilities, which mainly consists of accrued interest on its credit facilities is estimated based on currently available debt agreements with similar contract terms, as well as taking into account its creditworthiness.

The Company's assets measured at fair value on a non-recurring basis were:

	Fair Value Measurements as of December 31, 2016			
	Total	(Level I)	(Level II)	(Level III)
		(in millions of $)		
Fixed Assets, net	$179.4	$—	$179.4	$—
Equity investment in ZIM	$ —	$—	$ —	$—

The Company recorded an impairment loss of $415.1 million on its older vessels as of December 31, 2016, thus reducing the vessels' carrying value at December 31, 2016 from $594.5 million to $179.4 million. Fair value of each vessel was determined with the assistance from valuations obtained by third party independent shipbrokers. The entire original amount of equity investment in ZIM recognized at $28.7 million was impaired at December 31, 2016.

15. Operating Revenue

Operating revenue from significant customers (constituting more than 10% of total revenue) for the years ended December 31, were as follows:

Charterer	2017	2016	2015
CMA CGM	34%	29%	26%
HMM Korea	31%	32%	28%
YML	14%	12%	13%
Hanjin	0%	10%	17%

16. Operating Revenue by Geographic Location

Operating revenue by geographic location of the customers for the years ended December 31, was as follows (in thousands):

Continent	2017	2016	2015
Australia—Asia	$284,302	$344,400	$410,827
Europe	165,639	153,932	157,109
America	1,790	—	—
Total Revenue	**$451,731**	**$498,332**	**$567,936**

17. Commitments and Contingencies

On September 1, 2016, Hanjin Shipping, a charterer of eight of the Company's vessels, referred to the Seoul Central District Court, which issued an order to commence the rehabilitation proceedings of Hanjin Shipping. Hanjin Shipping has cancelled all eight charter party agreements with the Company. On February 17, 2017, the Seoul Central District Court (Bankruptcy Division), declared the bankruptcy of Hanjin Shipping, converting the rehabilitation proceeding to a bankruptcy proceeding. The Seoul Central District Court (Bankruptcy Division) appointed a bankruptcy trustee to dispose of Hanjin Shipping's remaining assets and distribute the proceeds from the sale of such assets to Hanjin Shipping's creditors according to their priorities. The Company ceased recognizing revenue from Hanjin Shipping effective from July 1, 2016 onwards and recognized a bad debt expense amounting to $15.8 million in its Consolidated Statements of Operations for the year ended December 31, 2016. The Company has a total unsecured claim submitted to the Seoul Central District Court for unpaid charter hire, charges, expenses and loss of profit against Hanjin Shipping totaling $597.9 million, which is not recognized in the accompanying Consolidated Balance Sheet as of December 31, 2017 and 2016.

There are no other 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.

18. Stock Based Compensation

As of April 18, 2008, the Board of Directors and the Compensation Committee approved incentive compensation of the 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

18. Stock Based Compensation (Continued)

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 2017, no shares of common stock were granted and as of December 14, 2017, the Company cancelled the grant of 25,000 shares to employees from previous year. As of December 15, 2016, the Company granted 25,000 shares to certain employees of the Manager and recorded in "General and Administrative Expenses" an expense of $0.1 million representing the fair value of the stock granted as at the date of grant. As of December 11, 2015, the Company granted 15,879 shares to certain employees of the Manager and recorded in "General and Administrative Expenses" an expense of $0.1 million representing the fair value of the stock granted as at the date of grant. In settlement of the shares granted in 2014 and 2015, 17,608 shares were issued and distributed to the employees of the Manager in 2016.

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 2017, 2016 and 2015, none of the directors elected to receive in Company shares his compensation.

19. Stockholders' Equity

As of December 31, 2017 and December 31, 2016, the shares issued and outstanding were 109,799,352. Under the Articles of Incorporation as amended on September 18, 2009, the Company's authorized capital stock consists of 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.

During 2017, no shares of common stock were issued. During 2016, the Company issued 17,608 shares of common stock, all of which were newly issued shares, to the employees of the Manager in partial settlement of 2015 and 2014 grants. During 2015, the Company issued 112,315 shares of common stock, all of which were newly issued shares, to the employees of the Manager in partial settlement of 2014 grants. Refer to Note 18, "Stock Based Compensation".

During 2017, 2016 and 2015, the Company did not declare any dividends. In addition, under the terms of the Bank Agreement (Refer to Note 11, "Long-term Debt, net") the Company is not permitted to pay cash dividends or repurchase shares of its capital stock unless (i) its consolidated net leverage is below 6:1 for four consecutive quarters and (ii) the ratio of the aggregate market value of its vessels to its outstanding indebtedness exceeds 125% for four consecutive quarters and provided that

19. Stockholders' Equity (Continued)

an event of default has not occurred and the Company is not, and after giving effect to the payment of the dividend, in breach of any covenant.

In 2011, the Company issued an aggregate of 15,000,000 warrants to its lenders under the Bank Agreement and the January 2011 Credit Facilities to purchase, solely on a cashless exercise basis, an aggregate of 15,000,000 shares of its common stock, which warrants have an exercise price of $7.00 per share. All of these warrants will expire on January 31, 2019.

20. Earnings/(Loss) per Share

The following table sets forth the computation of basic and diluted earnings/(loss) per share for the years ended December 31 (in thousands):

	2017	2016	2015
		(in thousands)	
Numerator:			
Net income/(loss)	$ 83,905	$ (366,195)	$ 117,016
Denominator (number of shares in thousands):			
Basic and diluted weighted average common shares outstanding	109,824.3	109,801.6	109,785.5

The warrants issued and outstanding amounting to 15,000,000 were excluded from the diluted earnings/(loss) per share for the years ended December 31, 2017, 2016 and 2015, because they were antidilutive.