

Danaos Corporation Reports Third Quarter and Nine Months Results for the Period Ended September 30, 2014.

Athens, Greece, October 29, 2014 – Danaos Corporation (“Danaos”) (NYSE: DAC), a leading international owner of containerships, today reported unaudited results for the period ended September 30, 2014.

Highlights for the Third Quarter and Nine Months Ended September 30, 2014:

- **Operating revenues of \$139.5 million for the three months ended September 30, 2014 compared to \$148.4 million for the three months ended September 30, 2013, a decrease of 6.0%. Operating revenues of \$411.4 million for the nine months ended September 30, 2014 compared to \$441.1 million for the nine months ended September 30, 2013, a decrease of 6.7%.**
- **Adjusted EBITDA¹ of \$104.1 million for the three months ended September 30, 2014 compared to \$109.5 million for the three months ended September 30, 2013, a decrease of 4.9%. Adjusted EBITDA¹ of \$299.5 million for the nine months ended September 30, 2014 compared to \$325.5 million for the nine months ended September 30, 2013, a decrease of 8.0%.**
- **Adjusted net income¹ of \$18.0 million, or \$0.16 per share, for the three months ended September 30, 2014 compared to \$13.4 million, or \$0.12 per share, for the three months ended September 30, 2013. Adjusted net income¹ of \$36.6 million, or \$0.33 per share, for the nine months ended September 30, 2014 compared to \$39.1 million, or \$0.36 per share, for the nine months ended September 30, 2013.**
- **The remaining average charter duration of our fleet was 8.2 years as of September 30, 2014 (weighted by aggregate contracted charter hire).**
- **Total contracted operating revenues were \$3.8 billion as of September 30, 2014, through 2028.**
- **Charter coverage of 93% for the next 12 months in terms of contracted operating days and 98% in terms of operating revenues.**

Three and Nine Months Ended September 30, 2014

Financial Summary

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

	Three months ended September 30, <u>2014</u>	Three months ended September 30, <u>2013</u>	Nine months ended September 30, <u>2014</u>	Nine months ended September 30, <u>2013</u>
	(unaudited)			
Operating revenues	\$139,496	\$148,448	\$411,422	\$441,116
Net income	\$22,406	\$8,788	\$47,456	\$41,759
Adjusted net income ¹	\$18,020	\$13,402	\$36,592	\$39,083
Earnings per share	\$0.20	\$0.08	\$0.43	\$0.38
Adjusted earnings per share ¹	\$0.16	\$0.12	\$0.33	\$0.36
Weighted average number of shares (in thousands)	109,669	109,653	109,669	109,653
Adjusted EBITDA ¹	\$104,144	\$109,473	\$299,511	\$325,459

Danaos' CEO Dr. John Coustas commented:

Danaos is reporting a solid third quarter with adjusted net income of \$18 million, or 16 cents per share, which is higher by \$4.6 million or 34% when compared to the \$13.4 million, or 12 cents per share of adjusted net income for the 3rd quarter of 2013. The Company's profitability improved

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

between the 2 quarters through a \$9.4 million improvement in financing costs together with a \$4.1 million improvement in operating costs, despite a decrease in operating revenues. The decline in operating revenues between the 2 quarters mainly reflects \$4.7 million related to softer charter market conditions and \$4.2 million attributable to the reduced charter hire on six of our vessels following the previously announced restructuring of Zim.

The reduction in finance costs is expected to continue in the coming quarters as we reduce leverage and benefit from the expiration of expensive interest rate swaps. Total debt repayments in 2014 will reach \$221.5 million and swap expirations will exceed \$1 billion in notional terms.

Executing on our fleet renewal program, during the first half of the year we sold three 4,814 TEU vessels and two 4,651 TEU vessels with an average age of 23 years, while on October 14, 2014 we entered into an agreement for the purchase of two 6,402 TEU containerships built in 2002.

The container market demand / supply fundamentals have remained weak and all metrics inevitably lead to the conclusion that 2014 will be a sluggish year. As the super post panamax continue to be delivered and deployed in the Europe - Far East route, the capacity being cascaded inevitably creates over-capacity in the remaining routes, adversely affecting box freight rates and charter rates. Demand is not helping either as world GDP growth recent downward revisions will further delay recovery in the container trade. On the other hand, the Panamax sector which has suffered the most in this prolonged soft market, has seen signs of recovery during the 3rd quarter mainly as a result of the increased scrapping of vessels between 3,000 to 5,000 TEU that has been taking place over the last 18-24 months.

Despite the soft charter market, with 98% charter coverage for the next 12 months in terms of operating revenues we are substantially insulated from market volatility and the timing of any recovery. Additionally, our \$5,611 daily operating cost for the 3rd quarter clearly positions us as one of the most efficient operators in the industry.

We will continue our efforts to de-lever our balance sheet, manage our fleet efficiently and capitalize on the resilience of our business model towards creating value for our shareholders.

Three months ended September 30, 2014 compared to the three months ended September 30, 2013

During the three months ended September 30, 2014, Danaos had an average of 54.0 containerships compared to 61.0 containerships for the three months ended September 30, 2013. Our fleet utilization increased to 99.5% in the three months ended September 30, 2014 compared to 94.8% in the three months ended September 30, 2013, mainly due to the sale of a number of our older vessels certain of which were off-charter and laid-up during the three months ended September 30, 2013.

Our adjusted net income was \$18.0 million, or \$0.16 per share, for the three months ended September 30, 2014 compared to \$13.4 million, or \$0.12 per share, for the three months ended September 30, 2013. We have adjusted our net income in the three months ended September 30, 2014 for unrealized gains on derivatives of \$9.1 million and a non-cash expense of \$4.7 million for fees related to our comprehensive financing plan (comprised of non-cash, amortizing and accrued finance fees). Please refer to the Adjusted Net Income reconciliation table, which appears later in this earnings release.

The increase of 34.3%, or \$4.6 million, in adjusted net income for the three months ended September 30, 2014 compared to the three months ended September 30, 2013, was attributed to a reduction of \$4.1 million in total fleet operating costs and a \$9.4 million reduction in net finance costs (mainly due to lower debt balances and interest rate swap expirations), which was partially offset by a \$4.2 million reduction in operating revenues as a result of reduced rates for six 4,253 TEU vessels on charter to Zim following the Zim restructuring, as well as a \$4.7 million net decrease in operating revenues mainly attributed to lower re-chartering rates for certain of our vessels as a result of the continuing soft charter market and vessels sold that were generating revenue in the three months ended September 30, 2013 partially offset by vessels acquired subsequent to September 30, 2013 that were generating revenue in the three months ended September 30, 2014.

On a non-adjusted basis our net income was \$22.4 million, or \$0.20 per share, for the three months ended September 30, 2014, compared to net income of \$8.8 million, or \$0.08 per share, for the three months ended September 30, 2013.

As of July 16, 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, which had already been implemented beginning in January 2014. 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 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. As of July 16, 2014, we recorded at fair value \$6.1 million in relation to the Series 1 Notes, \$30.1 million in relation to the Series 2 Notes and \$28.7 million in relation to our equity participation in ZIM.

As of August 7, 2014, we entered into a new 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 nine months ended September 30, 2014 for an aggregate of \$55.2 million gross sale proceeds less sale commissions. In accordance with this agreement, \$18.2 million was applied against prepayment of the respective facility on August 18, 2014 while the remaining \$37.0 million were deposited in a restricted cash account and can be used to finance the acquisition of new containership vessels no later than December 31, 2014. We will pay the lenders a fee of 25 basis points if any portion of the \$37.0 million is used in the acquisition of any replacement vessels. As of September 30, 2014, an amount of \$37.0 million was recorded as non-current restricted cash. Pursuant to an agreement we entered into on October 14, 2014 for the purchase of two 6,402 TEU vessels built in 2002, we anticipate to fully utilize this restricted cash for the acquisition of these vessels within the three months ended December 31, 2014.

Operating Revenues

Operating revenues decreased 6.0%, or \$8.9 million, to \$139.5 million in the three months ended September 30, 2014, from \$148.4 million in the three months ended September 30, 2013.

Operating revenues for the three months ended September 30, 2014 reflect:

- \$1.7 million of additional revenues in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, \$1.6 million of which related to the *Niledutch Palanca* and the *Dimitris C*, which were added to our fleet on November 13, 2013 and November 21, 2013, respectively and \$0.1 million related to incremental revenues in the three months ended September 30, 2014 of the *Amalia C* and the *MSC Zebra*, which were added to our fleet on May 14, 2013 and June 25, 2013, respectively.
- \$4.2 million decrease in revenues in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, related to the agreement we entered into with ZIM for a reduction in the charter rates payable by ZIM under the time charters for six of our vessels.
- \$3.6 million decrease in revenues in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, related to the *Hope*, the *Kalamata*, the *Komodo*, the *Lotus*, the *Commodore*, the *Messologi* and the *Mytilini*, which were generating revenues in the three months ended September 30, 2013, but were sold within 2013 and 2014.
- \$2.8 million decrease in revenues in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, which was mainly attributable to the rechartering of certain vessels at lower rates between the two quarters as a result of the soft charter market.

Vessel Operating Expenses

Vessel operating expenses decreased 12.7%, or \$3.9 million, to \$26.8 million in the three months ended September 30, 2014, from \$30.7 million in the three months ended September 30, 2013, reflecting lower average daily operating cost per vessel and lower average number of vessels in our fleet in the 2014 period.

The average daily operating cost per vessel decreased to \$5,611 per day for the three months ended September 30, 2014, from \$5,856 per day for the three months ended September 30, 2013 (excluding vessels on lay-up in 2013), mainly as a result of the sale of the older vessels in our fleet whose contribution in daily operating expenses was higher than the fleet average. Our daily operating cost ranks as one of the most competitive in the industry.

Depreciation & Amortization

Depreciation & Amortization includes Depreciation and Amortization of Deferred Dry-docking and Special Survey Costs.

Depreciation

Depreciation expense decreased 0.9%, or \$0.3 million, to \$34.4 million in the three months ended September 30, 2014, from \$34.7 million in the three months ended September 30, 2013. The decrease in depreciation expense was mainly due to the decreased average number of vessels in our fleet during the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

Amortization of Deferred Dry-docking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs decreased 15.4%, or \$0.2 million, to \$1.1 million in the three months ended September 30, 2014, from \$1.3 million in the three months ended September 30, 2013. The decrease reflects decreased dry-docking and special survey costs incurred within the year and amortized during the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

General and Administrative Expenses

General and administrative expenses increased 6.1%, or \$0.3 million, to \$5.2 million in the three months ended September 30, 2014, from \$4.9 million in the three months ended September 30, 2013. The increase was mainly due to increased fees of \$0.2 million paid to our Manager in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, due to an increase in the per day fee payable to our Manager since January 1, 2014, which was partially offset by a decrease in the average number of vessels in our fleet in the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

Effective January 1, 2014, our management fees were adjusted to a fee of \$800 per day for commercial, chartering and administrative services, a technical management fee of \$400 per vessel per day for vessels on bareboat charter and \$800 per vessel per day for vessels on time charter.

Other Operating Expenses

Other Operating Expenses includes Voyage Expenses

Voyage Expenses

Voyage expenses were \$3.1 million in the three months ended September 30, 2014 and 2013, respectively. Effective January 1, 2014, the commission of 1.0% on gross freight, charter hire, ballast bonus and demurrage payable to our manager with respect to each vessel in the fleet was adjusted to a commission of 1.25%. This increase was offset by the decreased average number of vessels in our fleet during the three months ended September 30, 2014 compared to the three months ended September 30, 2013 and resulting decrease in revenues.

Interest Expense and Interest Income

Interest expense decreased by 14.0%, or \$3.2 million, to \$19.7 million in the three months ended September 30, 2014, from \$22.9 million in the three months ended September 30, 2013. The change in interest expense was mainly due to the decrease in our average debt by \$209.8 million, to \$3,092.4 million in the three months ended September 30, 2014, from \$3,302.2 million in the three months ended September 30, 2013, as well as the decrease in the cost of debt servicing in the three months ended September 30, 2014 compared to the three months ended September 30, 2013, mainly driven

by the accelerated amortization of our fixed rate debt, which bears a higher cost compared to our floating rate debt.

It has to be noted that we are in a rapid deleveraging mode. As of September 30, 2014, the total debt outstanding was \$3,063.2 million compared to \$3,283.5 million as of September 30, 2013.

Interest income was \$0.9 million in the three months ended September 30, 2014 compared to \$0.6 million in the three months ended September 30, 2013.

Other finance costs, net

Other finance costs, net, decreased by \$0.1 million, to \$5.0 million in the three months ended September 30, 2014, from \$5.1 million in the three months ended September 30, 2013. This decrease was due to the \$0.1 million decrease in amortizing finance fees (which were deferred and are amortized over the term of the respective credit facilities) in the three months ended September 30, 2014 compared to the three months ended September 30, 2013.

Unrealized gain/(loss) on derivatives

Unrealized gain/(loss) on interest rate swap hedges was a gain of \$9.1 million in the three months ended September 30, 2014 compared to a gain of \$0.2 million in the three months ended September 30, 2013. The unrealized gains were attributable to mark to market valuation of our swaps, as well as reclassification of unrealized losses from Accumulated Other Comprehensive Loss to our earnings due to the discontinuation of hedge accounting since July 1, 2012.

Realized (loss)/gain on derivatives

Realized loss on interest rate swap hedges, decreased by \$6.0 million, to \$31.8 million in the three months ended September 30, 2014, from \$37.8 million in the three months ended September 30, 2013. This decrease is mainly attributable to the lower average notional amount of swaps during the three months ended September 30, 2014 compared to the three months ended September 30, 2013 as a result of \$700 million in swaps' notional expiration between the two quarters.

Adjusted EBITDA

Adjusted EBITDA decreased 4.9%, or \$5.4 million, to \$104.1 million in the three months ended September 30, 2014, from \$109.5 million in the three months ended September 30, 2013. Adjusted EBITDA for the three months ended September 30, 2014, is adjusted for unrealized gain on derivatives of \$9.1 million and realized losses on derivatives of \$30.8 million. Tables reconciling Adjusted EBITDA to Net Income can be found at the end of this earnings release.

Nine months ended September 30, 2014 compared to the nine months ended September 30, 2013

During the nine months ended September 30, 2014, Danaos had an average of 56.1 containerships compared to 61.6 containerships for the nine months ended September 30, 2013. Our fleet utilization increased to 97.3% in the nine months ended September 30, 2014 compared to 92.8% in the nine months ended September 30, 2013, mainly due to the sale of a number of our older vessels certain of which were off-charter and laid-up. During the nine months ended September 30, 2014 our effective fleet utilization for the fleet under employment was 98.5% (which excludes the vessels on lay-up). During the nine months ended September 30, 2014, we sold five of our older vessels, the *Marathonas*, the *Commodore*, the *Mytilini*, the *Duka* and the *Messologi*, for an aggregate amount of \$55.2 million (representing the gross sale proceeds less commissions).

Our adjusted net income was \$36.6 million, or \$0.33 per share, for the nine months ended September 30, 2014 compared to \$39.1 million, or \$0.36 per share, for the nine months ended September 30, 2013. We have adjusted our net income in the nine months ended September 30, 2014 for unrealized gains on derivatives of \$19.3 million, as well as a non-cash expense of \$14.2 million for fees related to our comprehensive financing plan (comprised of non-cash, amortizing and accrued finance fees) and a gain on sale of vessels of \$5.7 million. Please refer to the Adjusted Net Income reconciliation table, which appears later in this earnings release.

The decrease of 6.4%, or \$2.5 million, in adjusted net income for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, was attributed to a \$16.2 million decrease in operating revenues as a result of reduced rates for six 4,253 TEU vessels on charter to Zim following the Zim restructuring, as well as a \$13.5 million net decrease in operating revenues

mainly attributed to lower re-chartering rates for certain of our vessels as a result of the continuing soft charter market and vessels sold that were generating revenue in the nine months ended September 30, 2013, partially offset by vessels acquired subsequent to September 30, 2013 that were generating revenue in the nine months ended September 30, 2014. This decrease in operating revenues was also partially offset by a \$5.4 million reduction in total fleet operating costs and a \$21.8 million reduction in net finance costs mainly due to lower debt balances and interest rate swap expirations.

On a non-adjusted basis our net income was \$47.5 million, or \$0.43 per share, for the nine months ended September 30, 2014, compared to net income of \$41.8 million, or \$0.38 per share, for the nine months ended September 30, 2013.

Operating Revenues

Operating revenues decreased 6.7%, or \$29.7 million, to \$411.4 million in the nine months ended September 30, 2014, from \$441.1 million in the nine months ended September 30, 2013.

Operating revenues for the nine months ended September 30, 2014 reflect:

- \$7.4 million of additional revenues in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, \$4.6 million of which related to the *Niledutch Palanca* and the *Dimitris C*, which were added to our fleet on November 13, 2013 and November 21, 2013, respectively and \$2.8 million related to incremental revenues in the nine months ended September 30, 2014 of the *Amalia C* and the *MSC Zebra*, which were added to our fleet on May 14, 2013 and June 25, 2013, respectively.
- \$16.2 million decrease in revenues in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, related to the agreement we entered into with ZIM for a reduction in the charter rates payable by ZIM under the time charters for six of our vessels.
- \$10.5 million decrease in revenues in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, related to the *Hope*, the *Kalamata*, the *Elbe*, the *Komodo*, the *Lotus*, the *Commodore*, the *Messologi* and the *Mytilini*, which were generating revenues in the nine months ended September 30, 2013, but were sold within 2013 and 2014.
- \$10.4 million decrease in revenues in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, which was mainly attributable to the rechartering of certain vessels at lower rates between the two periods as a result of the soft charter market.

Vessel Operating Expenses

Vessel operating expenses decreased 6.1%, or \$5.6 million, to \$86.0 million in the nine months ended September 30, 2014, from \$91.6 million in the nine months ended September 30, 2013. The reduction is mainly attributable to decreased average number of vessels in our fleet in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, as well as the decrease in the average daily operating cost per vessel in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

The average daily operating cost per vessel (excluding vessels on lay-up) decreased to \$5,895 for the nine months ended September 30, 2014, from \$5,976 for the nine months ended September 30, 2013, mainly as a result of the sale of the older vessels in our fleet whose contribution in daily operating expenses was higher than the fleet average. Our daily operating cost ranks as one of the most competitive in the industry.

Depreciation & Amortization

Depreciation & Amortization includes Depreciation and Amortization of Deferred Dry-docking and Special Survey Costs.

Depreciation

Depreciation expense decreased 0.3%, or \$0.3 million, to \$102.5 million in the nine months ended September 30, 2014, from \$102.8 million in the nine months ended September 30, 2013. The decrease in depreciation expense was mainly due to the decreased average number of vessels in our fleet during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Amortization of Deferred Dry-docking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs decreased 28.9%, or \$1.3 million, to \$3.2 million in the nine months ended September 30, 2014, from \$4.5 million in the nine months ended September 30, 2013. The decrease reflects decreased dry-docking and special survey costs incurred within the year and amortized during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

General and Administrative Expenses

General and administrative expenses increased 8.9%, or \$1.3 million, to \$15.9 million in the nine months ended September 30, 2014, from \$14.6 million in the nine months ended September 30, 2013. The increase was due to increased fees of \$0.9 million paid to our Manager in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, due to an increase in the per day fee payable to our Manager since January 1, 2014, which was partially offset by a decrease in the average number of vessels in our fleet in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Gain on sale of vessels

Gain on sale of vessels, was \$5.7 million in the nine months ended September 30, 2014 compared to a gain of \$0.2 million in the nine months ended September 30, 2013. During the nine months ended September 30, 2014, we sold the *Marathonas*, the *Commodore*, the *Mytilini*, the *Duka* and the *Messologi* (on February 26, 2014, April 25, 2014, May 15, 2014, May 15, 2014 and May 20, 2014, respectively) and we realized a net gain on these sales of \$5.7 million in aggregate. During the nine months ended September 30, 2013, we sold the *Independence*, the *Henry*, the *Pride*, the *Honour* and the *Elbe* (on February 13, 2013, February 28, 2013, March 25, 2013, May 14, 2013 and June 13, 2013, respectively) and we realized a net gain on these sales of \$0.1 million in aggregate.

Other Operating Expenses

Other Operating Expenses includes Voyage Expenses

Voyage Expenses

Voyage expenses increased by \$0.6 million, to \$9.6 million in the nine months ended September 30, 2014, from \$9.0 million in the nine months ended September 30, 2013. Effective January 1, 2014, the commission of 1.0% on gross freight, charter hire, ballast bonus and demurrage payable to our manager with respect to each vessel in the fleet was adjusted to a commission of 1.25%. This increase was partially offset by the decreased average number of vessels in our fleet during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Interest Expense and Interest Income

Interest expense decreased by 11.7%, or \$8.1 million, to \$61.0 million in the nine months ended September 30, 2014, from \$69.1 million in the nine months ended September 30, 2013. The change in interest expense was due to the decrease in our average debt by \$200.2 million, to \$3,145.7 million in the nine months ended September 30, 2014, from \$3,345.9 million in the nine months ended September 30, 2013, as well as the decrease in the cost of debt servicing in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013, mainly driven by the accelerated amortization of our fixed rate debt, which bears a higher cost compared to our floating rate debt.

Interest income was \$0.9 million in the nine months ended September 30, 2014 compared to \$1.6 million in the nine months ended September 30, 2013.

Other finance costs, net

Other finance costs, net, decreased by \$0.3 million, to \$14.9 million in the nine months ended September 30, 2014, from \$15.2 million in the nine months ended September 30, 2013. This decrease was mainly due to the \$0.3 million decrease in amortizing finance fees (which were deferred and are amortized over the term of the respective credit facilities) in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Unrealized gain/(loss) on derivatives

Unrealized gain/(loss) on interest rate swap hedges was a gain of \$19.3 million in the nine months ended September 30, 2014 compared to a gain of \$17.0 million in the nine months ended September 30, 2013.

The unrealized gains were attributable to mark to market valuation of our swaps, as well as reclassification of unrealized losses from Accumulated Other Comprehensive Loss to our earnings due to the discontinuation of hedge accounting since July 1, 2012.

Realized (loss)/gain on derivatives

Realized loss on interest rate swap hedges, decreased by \$14.5 million, to \$97.1 million in the nine months ended September 30, 2014, from \$111.6 million in the nine months ended September 30, 2013. This decrease is mainly attributable to the lower average notional amount of swaps during the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013.

Adjusted EBITDA

Adjusted EBITDA decreased 8.0%, or \$26.0 million, to \$299.5 million in the nine months ended September 30, 2014, from \$325.5 million in the nine months ended September 30, 2013. Adjusted EBITDA for the nine months ended September 30, 2014, is adjusted for unrealized gain on derivatives of \$19.3 million, realized losses on derivatives of \$94.1 million and a gain on sale of vessels of \$5.7 million. Tables reconciling Adjusted EBITDA to Net Income can be found at the end of this earnings release.

Recent news

On October 14, 2014, we entered into an agreement for the purchase of two 6,402 TEU containership vessels built in 2002 and we anticipate to take delivery of the vessels during the 4th quarter of the year.

Conference Call and Webcast

On Thursday, October 30, 2014 at 9:00 A.M. ET, the Company's management will host a conference call to discuss the results.

Participants should dial into the call 10 minutes before the scheduled time using the following numbers: 1 866 819 7111 (US Toll Free Dial In), 0800 953 0329 (UK Toll Free Dial In) or +44 (0)1452 542 301 (Standard International Dial In). Please quote "Danaos" to the operator.

A telephonic replay of the conference call will be available until November 6, 2014 by dialing 1 866 247 4222 (US Toll Free Dial In), 0800 953 1533 (UK Toll Free Dial In) or +44 (0)1452 550 000 (Standard International Dial In). Access Code: 1186615#

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

About Danaos Corporation

Danaos Corporation is an international owner of containerships, chartering its vessels to many of the world's largest liner companies. Our current fleet of 54 containerships aggregating 321,435 TEUs ranks Danaos among the largest containership charter owners in the world based on total TEU capacity. Danaos is one of the largest US listed containership companies based on fleet size. The Company's shares trade on the New York Stock Exchange under the symbol "DAC".

Forward-Looking Statements

Matters discussed in this release may constitute forward-looking statements within the meaning of the safeharbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements reflect our current views with respect to future events and financial performance and may include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The forward-looking statements in this release are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although Danaos Corporation believes that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, Danaos Corporation cannot assure you that it will achieve or accomplish these expectations, beliefs or projections. Important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies and currencies,

general market conditions, including changes in charter hire rates and vessel values, charter counterparty performance, changes in demand that may affect attitudes of time charterers to scheduled and unscheduled drydocking, changes in Danaos Corporation's operating expenses, including bunker prices, dry-docking and insurance costs, ability to obtain financing and comply with covenants in our financing arrangements, actions taken by regulatory authorities, potential liability from pending or future litigation, domestic and international political conditions, potential disruption of shipping routes due to accidents and political events or acts by terrorists.

Risks and uncertainties are further described in reports filed by Danaos Corporation with the U.S. Securities and Exchange Commission.

Visit our website at www.danaos.com

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Appendix

Fleet Utilization

Danaos had 14 unscheduled off-hire days in the three months ended September 30, 2014. The following table summarizes vessel utilization and the impact of the off-hire days on the Company's revenue.

Vessel Utilization (No. of Days)	First Quarter 2014	Second Quarter 2014	Third Quarter 2014	Total
Ownership Days	5,277	5,079	4,968	15,324
Less Off-hire Days:				
Scheduled Off-hire Days	(30)	(14)	(9)	(53)
Other Off-hire Days*	(225)	(122)	(14)	(361)
Operating Days	5,022	4,943	4,945	14,910
Vessel Utilization	95.2%	97.3%	99.5%	97.3%
Operating Revenues (in '000s of US Dollars)	\$135,486	\$136,440	\$139,496	\$411,422
Average Gross Daily Charter Rate	\$26,978	\$27,603	\$28,210	\$27,594

Vessel Utilization (No. of Days)	First Quarter 2013	Second Quarter 2013	Third Quarter 2013	Total
Ownership Days	5,677	5,541	5,612	16,830
Less Off-hire Days:				
Scheduled Off-hire Days	—	(39)	—	(39)
Other Off-hire Days*	(593)	(287)	(294)	(1,174)
Operating Days	5,084	5,215	5,318	15,617
Vessel Utilization	89.6%	94.1%	94.8%	92.8%
Operating Revenues (in '000s of US Dollars)	\$146,088	\$146,580	\$148,448	\$441,116
Average Gross Daily Charter Rate	\$28,735	\$28,107	\$27,914	\$28,246

* Other Off-hire days include unscheduled off-hires in the normal course of operation as well as days where hire is not earned when vessels have been on lay-up or repositioning for a new charter.

Fleet List

The following table describes in detail our fleet deployment profile as of October, 29, 2014.

<u>Vessel Name</u>	<u>Vessel Size (TEU)</u>	<u>Year Built</u>	<u>Expiration of Charter⁽¹⁾</u>
Containerships			
<i>Hyundai Ambition</i>	13,100	2012	June 2024
<i>Hyundai Speed</i>	13,100	2012	June 2024
<i>Hyundai Smart</i>	13,100	2012	May 2024
<i>Hyundai Tenacity</i>	13,100	2012	March 2024
<i>Hyundai Together</i>	13,100	2012	February 2024
<i>Hanjin Italy</i>	10,100	2011	April 2023
<i>Hanjin Germany</i>	10,100	2011	March 2023
<i>Hanjin Greece</i>	10,100	2011	May 2023
<i>CSCL Le Havre</i>	9,580	2006	September 2018
<i>CSCL Pusan</i>	9,580	2006	July 2018
<i>CMA CGM Melisande</i>	8,530	2012	November 2023
<i>CMA CGM Attila</i>	8,530	2011	April 2023
<i>CMA CGM Tancredi</i>	8,530	2011	May 2023
<i>CMA CGM Bianca</i>	8,530	2011	July 2023
<i>CMA CGM Samson</i>	8,530	2011	September 2023
<i>CSCL America</i>	8,468	2004	September 2016
<i>CSCL Europe</i>	8,468	2004	June 2016
<i>CMA CGM Moliere⁽²⁾</i>	6,500	2009	August 2021
<i>CMA CGM Musset⁽²⁾</i>	6,500	2010	February 2022
<i>CMA CGM Nerval⁽²⁾</i>	6,500	2010	April 2022
<i>CMA CGM Rabelais⁽²⁾</i>	6,500	2010	June 2022
<i>CMA CGM Racine⁽²⁾</i>	6,500	2010	July 2022
<i>YM Mandate</i>	6,500	2010	January 2028
<i>YM Maturity</i>	6,500	2010	April 2028
<i>Federal</i>	4,651	1994	March 2015
<i>SNL Colombo</i>	4,300	2004	March 2019
<i>YM Singapore</i>	4,300	2004	October 2019
<i>YM Seattle</i>	4,253	2007	July 2019
<i>YM Vancouver</i>	4,253	2007	September 2019
<i>Derby D</i>	4,253	2004	January 2015
<i>Deva</i>	4,253	2004	November 2014
<i>ZIM Rio Grande</i>	4,253	2008	May 2020
<i>ZIM Sao Paolo</i>	4,253	2008	August 2020
<i>OOCL Istanbul</i>	4,253	2008	September 2020
<i>ZIM Monaco</i>	4,253	2009	November 2020
<i>OOCL Novorossiysk</i>	4,253	2009	February 2021
<i>ZIM Luanda</i>	4,253	2009	May 2021
<i>Dimitris C</i>	3,430	2001	September 2015
<i>Hanjin Constantza</i>	3,400	2011	February 2021
<i>Hanjin Algeciras</i>	3,400	2011	November 2020
<i>Hanjin Buenos Aires</i>	3,400	2010	March 2020
<i>Hanjin Santos</i>	3,400	2010	May 2020
<i>Hanjin Versailles</i>	3,400	2010	August 2020
<i>MSC Zebra⁽³⁾</i>	2,602	2001	October 2017
<i>Amalia C</i>	2,452	1998	March 2015
<i>Niledutch Palanca⁽⁴⁾</i>	2,524	2001	December 2014
<i>Hyundai Advance</i>	2,200	1997	June 2017
<i>Hyundai Future</i>	2,200	1997	August 2017
<i>Hyundai Sprinter</i>	2,200	1997	August 2017
<i>Hyundai Stride</i>	2,200	1997	July 2017
<i>Hyundai Progress</i>	2,200	1998	December 2017

<i>Hyundai Bridge</i>	2,200	1998	January 2018
<i>Hyundai Highway</i>	2,200	1998	January 2018
<i>Hyundai Vladivostok</i>	2,200	1997	May 2017

- (1) Earliest date charters could expire. Some charters include options to extend their terms.
- (2) The charters with respect to the *CMA CGM Moliere*, the *CMA CGM Musset*, the *CMA CGM Nerval*, the *CMA CGM Rabelais* and the *CMA CGM Racine* include an option for the charterer, CMA-CGM, to purchase the vessels eight years after the commencement of the respective charters, which will fall in September 2017, March 2018, May 2018, July 2018 and August 2018, respectively, each for \$78.0 million.
- (3) On September 14, 2014, the *Niledutch Zebra* was renamed to *MSC Zebra* at the request of the charterer of this vessel
- (4) On March 25, 2014, the *Danae C* was renamed to *Niledutch Palanca* at the request of the charterer of this vessel.

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

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
OPERATING REVENUES	\$139,496	\$148,448	\$411,422	\$441,116
OPERATING EXPENSES				
Vessel operating expenses	(26,842)	(30,708)	(85,991)	(91,622)
Depreciation & amortization	(35,465)	(35,979)	(105,697)	(107,305)
General & administrative	(5,211)	(4,934)	(15,913)	(14,597)
Gain on sale of vessels	—	—	5,709	156
Other operating expenses	(3,097)	(3,108)	(9,617)	(8,987)
Income From Operations	68,881	73,719	199,913	218,761
OTHER EARNINGS/(EXPENSES)				
Interest income	861	559	879	1,572
Interest expense	(19,692)	(22,906)	(60,951)	(69,062)
Other finance cost, net	(4,985)	(5,057)	(14,898)	(15,150)
Other income/(expenses), net	36	27	323	258
Realized (loss)/gain on derivatives	(31,828)	(37,745)	(97,150)	(111,581)
Unrealized gain/(loss) on derivatives	9,133	191	19,340	16,961
Total Other Income/(Expenses), net	(46,475)	(64,931)	(152,457)	(177,002)
Net Income	\$22,406	\$8,788	\$47,456	\$41,759
EARNINGS PER SHARE				
Basic & diluted net income per share	\$0.20	\$0.08	\$0.43	\$0.38
Basic & diluted weighted average number of common shares (in thousands of shares)	109,669	109,653	109,669	109,653

Non-GAAP Measures*
Reconciliation of Net Income to Adjusted Net Income – Unaudited

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net income	\$22,406	\$8,788	\$47,456	\$41,759
Unrealized (gain)/loss on derivatives	(9,133)	(191)	(19,340)	(16,961)
Amortization and write-offs of financing fees & finance fees accrued	4,747	4,805	14,185	14,441
Gain on sale of vessels	—	—	(5,709)	(156)
Adjusted Net Income	\$18,020	\$13,402	\$36,592	\$39,083
Adjusted Earnings Per Share	\$0.16	\$0.12	\$0.33	\$0.36
Weighted average number of shares	109,669	109,653	109,669	109,653

* The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures used in managing the business may provide users of this financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain items that impact the overall comparability. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. See the Table above for supplemental financial data and corresponding reconciliations to GAAP financial measures for the three and nine months ended September 30, 2014 and 2013. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.

DANAOS CORPORATION
Condensed Balance Sheets - Unaudited
(Expressed in thousands of United States dollars)

	As of September 30,	As of December 31,
	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$64,633	\$68,153
Restricted cash	441	14,717
Accounts receivable, net	6,655	8,038
Other current assets	33,577	35,958
	105,306	126,866
NON-CURRENT ASSETS		
Fixed assets, net	3,696,753	3,842,617
Restricted cash, net of current portion	36,951	—
Deferred charges, net	57,185	67,949
Fair value of financial instruments	1,211	2,472
Other non-current assets	66,785	26,648
	3,858,885	3,939,686
TOTAL ASSETS	\$3,964,191	\$4,066,552
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Long-term debt, current portion	\$157,390	\$146,462
Vendor Financing, current portion	50,149	57,388
Accounts payable, accrued liabilities & other current liabilities	60,933	56,607
Fair value of financial instruments, current portion	64,973	109,431
	333,445	369,888
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	2,827,170	2,965,641
Vendor financing, net of current portion	28,532	64,367
Fair value of financial instruments, net of current portion	12,293	59,077
Other long-term liabilities	42,745	9,103
	2,910,740	3,098,188
STOCKHOLDERS' EQUITY		
Common stock	1,097	1,097
Additional paid-in capital	546,097	546,097
Accumulated other comprehensive loss	(158,623)	(232,697)
Retained earnings	331,435	283,979
	720,006	598,476
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$3,964,191	\$4,066,552

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

	Three months ended September 30,	Three months ended September 30,	Nine months ended September 30,	Nine months ended September 30,
	2014	2013	2014	2013
Operating Activities:				
Net income	\$22,406	\$8,788	\$47,456	\$41,759
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>				
Depreciation	34,396	34,652	102,471	102,799
Amortization of deferred drydocking & special survey costs, finance cost and other finance fees accrued	5,761	6,132	17,356	18,947
Written-off amount of deferred charges	55	—	55	—
Payments for drydocking/special survey	(266)	153	(4,055)	(269)
Amortization of deferred realized losses on cash flow interest rate swaps	1,012	1,012	3,004	3,004
Unrealized (gain)/loss on derivatives	(9,133)	(191)	(19,340)	(16,961)
Gain on sale of vessels	—	—	(5,709)	(156)
Accounts receivable	2,088	6,232	1,383	(696)
Other assets, current and non-current	5,421	(10,984)	1,376	(5,344)
Accounts payable and accrued liabilities	(1,721)	896	(2,833)	(273)
Other liabilities, current and non-current	(570)	1,938	1,602	4,367
Net Cash provided by Operating Activities	59,449	48,628	142,766	147,177
Investing Activities:				
Vessel additions and vessel acquisitions	(651)	(988)	(1,214)	(18,745)
Net proceeds from sale of vessels	—	4,273	50,602	34,148
Net Cash (used in)/provided by Investing Activities	(651)	3,285	49,388	15,403
Financing Activities:				
Debt repayment	(66,680)	(44,867)	(172,999)	(120,538)
Deferred costs	—	(100)	—	(100)
Decrease/(Increase) in restricted cash	21,009	(1,486)	(22,675)	(17,076)
Net Cash used in Financing Activities	(45,671)	(46,453)	(195,674)	(137,714)
Net Increase/(Decrease) in cash and cash equivalents	13,127	5,460	(3,520)	24,866
Cash and cash equivalents, beginning of period	51,506	75,034	68,153	55,628
Cash and cash equivalents, end of period	\$64,633	\$80,494	\$64,633	\$80,494

**Reconciliation of Net Income to Adjusted EBITDA
(Expressed in thousands of United States dollars)**

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Net income	\$22,406	\$8,788	\$47,456	\$41,759
Depreciation	34,396	34,652	102,471	102,799
Amortization of deferred drydocking & special survey costs	1,069	1,327	3,226	4,506
Amortization of deferred finance costs, write-offs and other finance fees accrued	4,747	4,805	14,185	14,441
Amortization of deferred realized losses on interest rate swaps	1,012	1,012	3,004	3,004
Interest income	(861)	(559)	(879)	(1,572)
Interest expense	19,692	22,906	60,951	69,062
Gain on sale of vessels	—	—	(5,709)	(156)
Realized loss on derivatives	30,816	36,733	94,146	108,577
Unrealized (gain)/loss on derivatives	(9,133)	(191)	(19,340)	(16,961)
Adjusted EBITDA⁽¹⁾	\$104,144	\$109,473	\$299,511	\$325,459

- 1) Adjusted EBITDA represents net income before interest income and expense, depreciation, amortization of deferred drydocking & special survey costs and deferred finance costs, unrealized (gain)/loss on derivatives, realized gain/(loss) on derivatives, stock based compensation and gain/(loss) on sale of vessels. However, Adjusted EBITDA is not a recognized measurement under U.S. generally accepted accounting principles, or "GAAP." We believe that the presentation of Adjusted EBITDA is useful to investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We also believe that Adjusted EBITDA is useful in evaluating our ability to service additional debt and make capital expenditures. In addition, we believe that Adjusted EBITDA is useful in evaluating our operating performance and liquidity position compared to that of other companies in our industry because the calculation of Adjusted EBITDA generally eliminates the effects of financings, income taxes and the accounting effects of capital expenditures and acquisitions, items which may vary for different companies for reasons unrelated to overall operating performance and liquidity. In evaluating Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Note: Items to consider for comparability include gains and charges. Gains positively impacting net income are reflected as deductions to net income. Charges negatively impacting net income are reflected as increases to net income.

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures used in managing the business may provide users of these financial information additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain items that impact the overall comparability. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. See the Tables above for supplemental financial data and corresponding reconciliations to GAAP financial measures for the three and nine months ended September 30, 2014 and 2013. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP.