Seaspan CORP
Form 6-K
August 01, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2013

Commission File Number 1-32591

SEASPAN CORPORATION

(Exact name of Registrant as specified in its Charter)

Unit 2, 7th Floor

Bupa Centre

141 Connaught Road West

Hong Kong

China

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(1). Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101 (b)(7). Yes ¨ No x

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Item 1 Information Contained in this Form 6-K Report

Attached as Exhibit I is Seaspan Corporation s report on Form 6-K for the quarter ended June 30, 2013. This Form 6-K is hereby incorporated by reference into the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on May 30, 2008 on Form F-3D (Registration No. 333-151329), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on August 19, 2010 on Form F-3 (Registration No. 333-168938), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on March 31, 2011 on Form S-8 (Registration No. 333-173207), the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on April 24, 2012 on Form F-3ASR (Registration No, 333-180895) and the Registration Statement of Seaspan Corporation filed with the Securities and Exchange Commission on June 20, 2013 on Form S-8 (Registration No. 333-189493).

SIGNATURES

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

SEASPAN CORPORATION

Date: August 1, 2013

By: /s/ Sai W. Chu
Sai W. Chu
Chief Financial Officer
(Principal Financial and Accounting Officer)

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EXHIBIT I

SEASPAN CORPORATION

REPORT ON FORM 6-K FOR THE QUARTER ENDED JUNE 30, 2013

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Unless we otherwise specify, when used in this Report the terms Seaspan , the Company , we , our and us refer to Seaspan Corporation and its subsidiaries. References to our Manager are to Seaspan Management Services Limited and its wholly owned subsidiaries (including Seaspan Ship Management Ltd.), which we acquired in January 2012.

References to shipbuilders are as follows:

Shipbuilder	Reference
Hyundai Heavy Industries Co., Ltd.	HHI
Jiangsu New Yangzi Shipbuilding Co., Ltd.	New Jiangsu
Jiangsu Yangzi Xinfu Shipbuilding Co., Ltd.	Jiangsu Xinfu

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References to customers are as follows:

Customer	Reference
China Shipping Container Lines (Asia) Co., Ltd.[1]	CSCL Asia
Compañia Sud Americana De Vapores S.A.	CSAV
COSCO Container Lines Co., Ltd.[2]	COSCON
Hanjin Shipping Co., Ltd.	Hanjin
Hapag-Lloyd, AG	Hapag-Lloyd
Hapag-Lloyd USA, LLC	HL USA
Kawasaki Kisen Kaisha Ltd.	K-Line
Mediterranean Shipping Company S.A.	MSC
Mitsui O.S.K. Lines, Ltd.	MOL
Yang Ming (UK) Ltd.	Yang Ming
Yang Ming Marine Transport Corp.	Yang Ming Marine

(1) A subsidiary of China Shipping Container Lines Co., Ltd., or CSCL

(2) A subsidiary of China COSCO Holdings Company Limited

We use the term twenty foot equivalent unit , or TEU, the international standard measure of containers, in describing the capacity of our containerships, which are also referred to as our vessels. We identify the classes of our vessels by the approximate average TEU capacity of the vessels in each class. However, the actual TEU capacity of a vessel may differ from the approximate average TEU capacity of the vessels in such vessel s class.

The information and the unaudited consolidated financial statements in this Report should be read in conjunction with the consolidated financial statements and related notes and the Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 20-F for the year ended December 31, 2012, filed with the Securities and Exchange Commission, or the Commission, on March 19, 2013, or our 2012 Annual Report. Unless otherwise indicated all amounts in this Report are presented in U.S. Dollars. We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles, or U.S. GAAP.

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SEASPAN CORPORATION

PART I FINANCIAL INFORMATION

ITEM 1 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEASPAN CORPORATION

Interim Consolidated Balance Sheets

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares and par value amounts)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 254,564	$ 381,378
Short-term investments	81,696	36,100
Accounts receivable	11,470	9,573
Prepaid expenses	27,144	20,902
Gross investment in lease	19,235	15,977
	394,109	463,930
Vessels (note 4)	4,902,914	4,863,273
Deferred charges (note 5)	54,705	43,816
Gross investment in lease	69,323	79,821
Goodwill	75,321	75,321
Other assets	109,541	83,661
Fair value of financial instruments (note 14(b))	52,143	41,031
	$ 5,658,056	$ 5,650,853
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 51,586	$ 49,997
Current portion of deferred revenue (note 6)	11,481	25,111
Current portion of long-term debt (note 7)	150,612	66,656
Current portion of other long-term liabilities	38,927	38,542
	252,606	180,306
Deferred revenue (note 6)	5,892	7,903
Long-term debt (note 7)	2,942,746	3,024,288
Other long-term liabilities	592,804	613,049
Fair value of financial instruments (note 14(b))	485,995	606,740
Shareholders equity:		
Share capital (note 8):		
Preferred shares; $0.01 par value; 65,000,000 shares authorized; 17,305,000 shares issued and outstanding (2012- 17,305,000)		

Class A common shares; $0.01 par value; 200,000,000 shares authorized; 64,354,986 shares issued and outstanding (2012 - 63,042,217)		
Class B common shares; $0.01 par value; 25,000,000 shares authorized; nil shares issued and outstanding (2012 - nil)		
Class C common shares; $0.01 par value; 100 shares authorized; nil shares issued and outstanding (2012 - nil)	817	804
Treasury shares	(432)	(312)
Additional paid in capital	1,887,846	1,859,068
Deficit	(466,783)	(594,153)
Accumulated other comprehensive loss	(43,435)	(46,840)
	1,378,013	1,218,567
	$ 5,658,056	$ 5,650,853

Commitments (note 12)

Subsequent events (note 15)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Operations

(Unaudited)

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

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Revenue	$ 167,786	$ 167,637	$ 332,710	$ 321,069
Operating expenses:				
Ship operating (note 3)	37,344	31,515	74,890	66,065
Depreciation and amortization	42,840	42,284	85,593	80,215
General and administrative	11,833	6,671	19,624	12,521
Operating lease	1,097		2,183	
Gain on vessel		(9,773)		(9,773)
	93,114	70,697	182,290	149,028
Operating earnings	74,672	96,940	150,420	172,041
Other expenses (income):				
Interest expense	15,275	19,157	30,759	36,132
Interest income	(600)	(321)	(787)	(629)
Undrawn credit facility fee	748	398	1,145	1,203
Amortization of deferred charges (note 5)	2,266	2,205	4,376	3,766
Change in fair value of financial instruments (note 14(b))	(71,193)	82,084	(68,527)	86,760
Equity loss on investment	35		69	134
Other expenses	987	166	625	166
	(52,482)	103,689	(32,340)	127,532
Net earnings (loss)	$ 127,154	$ (6,749)	$ 182,760	$ 44,509
Earnings (loss) per share (note 9):				
Class A common share, basic	$ 1.67	$ (0.38)	$ 2.24	$ 0.17
Class A common shares, diluted	1.35	(0.38)	1.88	0.17

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Net earnings (loss)	$ 127,154	$ (6,749)	$ 182,760	$ 44,509
Other comprehensive income:				
Amounts reclassified to earnings (loss) during the period relating to cash flow hedging instruments	1,603	2,412	3,405	5,120
Comprehensive income (loss)	$ 128,757	$ (4,337)	$ 186,165	$ 49,629

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders Equity

Six months ended June 30, 2013 and year ended December 31, 2012

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares)

	Number of common shares Class A	Class C	Series A	Number of preferred shares Series C	Series D	Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Tota sharehol equit
ce, December 31, 2011	69,620,060	100	200,000	14,000,000		$ 696	$ 142	$	$ 1,860,979	$ (622,406)	$ (55,986)	$ 1,183.
. D preferred shares l					3,105,000		31		77,594			77.
and expenses in ction with issuance of red shares									(2,929)			(2.
s issued through end reinvestment am	474,249					5			7,163			7.
-based compensation se (note 10):												
cted class A common s, phantom share units ock appreciation rights l	123,878					3			4,025			4.
share-based ensation	70,836								839			
arnings										121,305		121.
comprehensive income											9,146	9.
ends on class A non shares ($0.9375 per)										(58,940)		(58.
s repurchased, ding related expenses	(11,448,101)					(114)			(172,698)			(172.
s issued and retired on sition (note 2)	4,220,728	(100)				42			83,233			83.

ury shares	(19,433)				(1)		(312)				(
ends on Series C red shares									(33,250)		(33.
tization of Series C ce costs								862	(862)		
ce, December 31, 2012	63,042,217	200,000	14,000,000	3,105,000	$ 631	$ 173	$ (312)	$ 1,859,068	$ (594,153)	$ (46,840)	$ 1,218.

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SEASPAN CORPORATION

Interim Consolidated Statements of Shareholders Equity

Six months ended June 30, 2013 and year ended December 31, 2012

(Unaudited)

(Expressed in thousands of United States dollars, except number of shares)

	Number of common shares		Number of preferred shares									
	Class A	Class C	Series A	Series C	Series D	Common shares	Preferred shares	Treasury shares	Additional paid-in capital	Deficit	Accumulated other comprehensive loss	Total shareholders equity
Balance, December 31, 2012, carried forward	63,042,217		200,000	14,000,000	3,105,000	$ 631	$ 173	$ (312)	$ 1,859,068	$ (594,153)	$ (46,840)	$ 1,218,567
Fees and expenses in connection with issuance of preferred shares									(55)			(55)
Share-based compensation expense (note 10):												
Restricted class A common shares, phantom share units and stock appreciation rights granted	50,805					1			9,142			9,143
Fleet growth payments (note 2)	351,729					3			(3)			
Other share-based compensation	159,020					1			3,726			3,727
Net earnings										182,760		182,760
Other comprehensive income											3,405	3,405

Dividends on class A common shares ($0.5625 per share)									(35,786)		(35,786)
Shares issued through dividend reinvestment program	751,215				8			15,340			15,348
Treasury shares							(120)				(120)
Dividends on Series C and D preferred shares									(18,976)		(18,976)
Amortization of Series C issuance costs								628	(628)		
Balance, June 30, 2013	64,354,986	200,000	14,000,000	3,105,000	$ 644	$ 173	$ (432)	$ 1,887,846	$ (466,783)	$ (43,435)	$ 1,378,013

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Interim Consolidated Statements of Cash Flows

(Unaudited)

(Expressed in thousands of United States dollars)

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
Cash provided by (used in):				
Operating activities:				
Net earnings (loss)	$ 127,154	$ (6,749)	$ 182,760	$ 44,509
Items not involving cash:				
Depreciation and amortization	42,840	42,284	85,593	80,215
Share-based compensation (note 10)	6,630	1,943	9,441	2,529
Amortization of deferred charges (note 5)	2,266	2,205	4,376	3,766
Amounts reclassified from other comprehensive loss to interest expense	1,384	2,194	2,963	4,736
Unrealized change in fair value of financial instruments	(102,988)	51,354	(131,857)	25,571
Gain on vessel		(9,773)		(9,773)
Equity loss on investment	35		69	134
Changes in assets and liabilities:				
Accounts receivable and prepaid expenses	23,385	6,897	(899)	25,387
Other assets and deferred charges	(951)	(6,344)	(953)	(8,586)
Accounts payable and accrued liabilities	3,170	10,180	497	(19,437)
Deferred revenue	(1,324)	(682)	(15,641)	(1,477)
Other long-term liabilities	(40)	(1,314)	(505)	(5,620)
Cash from operating activities	101,561	92,195	135,844	141,954
Financing activities:				
Draws on credit facilities (note 7)		69,997	9,000	115,487
Repayment of credit facilities (note 7)	(12,219)	(2,760)	(33,226)	(12,802)
Shares repurchased, including related expenses		(329)		(170,938)
Other long-term liabilities	(9,787)	(8,335)	(19,860)	(32,984)
Financing fees (note 5)	(2,903)	198	(14,780)	182
Dividends on common shares	(11,266)	(14,811)	(20,438)	(22,178)
Dividends on preferred shares	(9,857)	(8,312)	(18,976)	(16,625)
Cash from (used in) financing activities	(46,032)	35,648	(98,280)	(139,858)
Investing activities:				
Expenditures for vessels	(33,065)	(77,640)	(92,294)	(164,275)
Short term investments	(15,323)	141	(45,596)	(10,073)
Cash acquired on acquisition of Seaspan Management Services Ltd. (note 2)				23,910
Restricted cash (note 1)	(500)	2,100	(1,900)	(3,900)
Other assets	(24,595)	(6,511)	(23,477)	530
Investment in affiliate			(1,111)	
Cash used in investing activities	(73,483)	(81,910)	(164,378)	(153,808)
Increase (decrease) in cash and cash equivalents	(17,954)	45,933	(126,814)	(151,712)
Cash and cash equivalents, beginning of period	272,518	283,478	381,378	481,123

Cash and cash equivalents, end of period	$ 254,564	$ 329,411	$ 254,564	$ 329,411

Supplementary cash flow information (note 11)

See accompanying notes to interim consolidated financial statements.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

1. Basis of Presentation:

The accompanying interim financial information of Seaspan Corporation (the Company) have been prepared in accordance with United States generally accepted accounting principles (U.S. GAAP), on a basis consistent with those followed in the December 31, 2012 audited annual consolidated financial statements. The accompanying interim financial information is unaudited and reflects all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for a fair presentation of results for the interim periods presented. These unaudited interim consolidated financial statements do not include all the disclosures required under U.S. GAAP for annual financial statements and should be read in conjunction with the December 31, 2012 consolidated financial statements filed with the Securities and Exchange Commission in the Company s 2012 Annual Report on Form 20-F.

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.

The Company has recast the 2012 consolidated balance sheet and statements of cash flows for the three and six months ended June 30, 2012 to separately present balances of and movements in restricted cash, included in other assets, from cash and cash equivalents. This reclassification, which is immaterial, had no impact on the comparative consolidated statements of operations.

The Company has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02). ASU 2013-02 amended existing guidance by requiring additional disclosure either on the face of the income statement or in the notes to the financial statements of significant amounts reclassified out of accumulated other comprehensive income. ASU 2013-01 requires prospective adoption, and affects financial statement disclosure only. The adoption of ASU 2013-01 had no effect on the results of operations or financial position of the Company.

The Company adopted FASB ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities (ASU 2013-01). ASU 2013-01 amended existing guidance by requiring additional disclosure about financial instruments and derivative instruments that are either (1) offset in the statement of financial position or (2) subject to an enforceable master netting arrangement. ASU 2013-01 requires retrospective disclosure for all comparative periods. The adoption of ASU 2013-01 did not have a material impact on the financial position of the Company.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

2. Acquisition of Seaspan Management Services Limited:

On January 27, 2012, the Company acquired 100 percent of Seaspan Management Services Limited (the Manager), an affiliated privately owned company that provided technical, administrative and strategic services to the Company. The Company s acquisition of the Manager increased its control over access to the fixed-rate services that the Manager provides to the Company on a long-term basis, and reduced certain conflicts between the Company and its directors who have interests in the Manager.

The aggregate purchase price was $106,518,000, including:

4,220,728 of the Company s Class A common shares	$ 66,899
Contingent consideration	18,437
Settlement of intercompany balances	20,022
Stock based compensation	1,160
Aggregate purchase price	$ 106,518

Under the Share Purchase Agreement, $7,500,000 or 586,212 shares of Class A common shares were deposited in escrow for settlement of potential indemnifiable damages. The escrowed shares were released on January 30, 2013, which was the end of the escrow period.

The value of the Company s Class A common shares issued was determined based on the closing market price of those common shares on January 26, 2012.

The contingent consideration arrangement requires the Company to pay the former owners of the Manager additional consideration of 39,081 of the Company s Class A common shares for each of certain containerships ordered or acquired by the Company, Greater China Intermodal Investments LLC (GCI) or Blue Water Commerce, LLC (collectively, the Contingency Parties) after December 12, 2011 and prior to August 15, 2014 and which are to be managed by the Company. The fair value of the contingent consideration is based on the estimated containership orders and acquisitions of each of the Contingency Parties prior to August 15, 2014. At June 30, 2013, 39,081 contingent shares are issuable.

For the six months ended June 30, 2013, the Company incurred no acquisition-related costs (June 30, 2012 - $497,000) that have been included in general and administrative expense in the Company s consolidated statements of operations.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

3. Related party transactions:

Prior to the acquisition of the Manager on January 27, 2012, the ultimate beneficial owners of the Manager directly and indirectly owned common shares and preferred shares, of the Company. The Company had entered into management agreements with the Manager for the provision of certain technical, strategic and administrative services for fees:

Technical Services - The Manager was responsible for providing ship operating services to the Company in exchange for a fixed fee per day per vessel. The technical services fee did not include certain extraordinary items, as defined in the management agreements.

Administrative and Strategic Services - The Manager provided administrative and strategic services to the Company for the management of the business for a fixed fee of $72,000 per year. The Company also reimbursed all reasonable expenses incurred by the Manager in providing these services to the Company.

The Company incurred the following costs under the management agreements with the Manager which were incurred prior to the date of acquisition:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Technical services	$	$	$	$ 9,700
Dry-dock activities included in technical services				421
Other services				410

The Company incurred the following costs with related parties:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Arrangement fees	$ 1,512	$	$ 4,564	$
Transaction fees	653		1,513	
Reimbursed expenses	18		36	

At June 30, 2013, the Company had $1,567,000 (December 31, 2012 - $1,501,000) due from other related parties included in accounts receivable and $596,000 (December 31, 2012 - nil) included in accounts payable.

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

4. Vessels:

June 30, 2013	Cost	Accumulated depreciation	Net book value
Vessels	$ 5,365,016	$ 636,752	$ 4,728,264
Vessels under construction	174,650		174,650
Vessels	$ 5,539,666	$ 636,752	$ 4,902,914

December 31, 2012	Cost	Accumulated depreciation	Net book value
Vessels	$ 5,339,550	$ 553,582	$ 4,785,968
Vessels under construction	77,305		77,305
Vessels	$ 5,416,855	$ 553,582	$ 4,863,273

During the six months ended June 30, 2013, the Company capitalized interest costs of $2,644,000 (June 30, 2012 - $2,493,000) to vessels under construction.

5. Deferred charges:

	Dry-docking	Financing fees	Total
December 31, 2012	$ 12,694	$ 31,122	$ 43,816
Cost incurred	1,193	16,355	17,548
Amortization expensed	(1,806)	(4,376)	(6,182)
Amortization capitalized		(477)	(477)
June 30, 2013	$ 12,081	$ 42,624	$ 54,705

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

6. Deferred revenue:

	June 30, 2013	December 31, 2012
Deferred revenue on time charters	$ 6,210	$ 19,861
Deferred interest on lease receivable	10,123	12,503
Other deferred revenue	1,040	650
Deferred revenue	17,373	33,014
Current portion	(11,481)	(25,111)
Deferred revenue	$ 5,892	$ 7,903

7. Long-term debt:

	June 30, 2013	December 31, 2012
Long-term debt:		
Revolving credit facilities	$ 2,278,442	$ 2,287,942
Term loan credit facilities	814,916	803,002
Long-term debt	3,093,358	3,090,944
Current portion	(150,612)	(66,656)
Long-term debt	$ 2,942,746	$ 3,024,288

On January 28, 2013, the Company entered into a LIBOR based term loan facility with an Asian bank of up to $340,000,000 to be used towards the refinancing of existing vessels. The facility bears interest at LIBOR plus a margin. The Company is subject to a commitment fee of 0.4% per annum calculated on the undrawn amount of the loan. At June 30, 2013, no amounts have been drawn under this facility.

On February 28, 2013, the Company entered into two term loans of $4,500,000 each. The proceeds of these term loans were used to fund a portion of the construction cost of two 10000 TEU vessels. The loans are non-interest bearing until the respective delivery dates of the vessels which is expected to be in 2014. Upon delivery of the respective vessels, the loans will begin bearing interest at 6% per annum, payable quarterly, and mature on the third anniversary of the respective delivery date. The Company has an option to extend the term of the loans by two years. The loans will bear interest at 7% per annum, payable quarterly over the extension period.

SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

7. Long-term debt (continued):

On April 25, 2013, the Company entered into a term loan facility with an Asian bank for up to $174,000,000 to be used to fund construction of two 14000 TEU newbuilding containerships. Upon drawdown, interest is payable every three or six months calculated at the LIBOR rate for the relevant three or six month period plus a margin. The Company is subject to a commitment fee of 0.75% per annum calculated on the undrawn amount of the loan. At June 30, 2013, no amounts have been drawn under this facility.

On June 20, 2013, the Company entered into a term loan facility with a U.S bank and an Australian bank for up to $30,000,000 to be used to fund the purchase price of two 4600 TEU containerships. Upon drawdown, interest is payable every three months calculated at the LIBOR rate for the relevant three month period plus a margin. At June 30, 2013, no amounts have been drawn under this facility.

8. Share capital:

Preferred shares:

The Company had the following preferred shares outstanding:

	Shares		Liquidation preference	
Series	Authorized	Issued	June 30, 2013	December 31, 2012
A	315,000	200,000	$ 324,345	$ 305,872
B	260,000			
C	40,000,000	14,000,000	350,000	350,000
D	20,000,000	3,105,000	77,625	77,625
R	1,000,000			

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SEASPAN CORPORATION

Notes to Interim Consolidated Financial Statements

For the three and six months ended June 30, 2013 and 2012

(Unaudited)

(Tabular amounts in thousands of United States dollars, except per share amount and number of shares)

9. Earnings per share:

The Company applies the if-converted method to determine the Earnings Per Share (EPS) impact for the convertible Series A preferred shares. The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS computations.

Three months ended June 30, 2013	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	$ 127,154		
Less:			
Series A preferred share dividends	(9,423)		
Series C preferred share dividends	(8,631)		
Series D preferred share dividends	(1,545)		
Basic EPS:			
Earnings attributable to common shareholders	$ 107,555	64,487,000	$ 1.67
Effect of dilutive securities:			
Share-based compensation		399,000	
Contingent consideration (note 2)		508,000	
Convertible Series A preferred shares	9,423	21,309,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	$ 116,978	86,703,000	$ 1.35

Three months ended June 30, 2012	Earnings (numerator)	Shares (denominator)	Per share amount
Net loss	$ (6,749)		
Less:			
Series A preferred share dividends	(8,371)		
Series C preferred share dividends	(8,569)		

Basic and diluted EPS[1] :			
Loss attributable to common shareholders	$ (23,689)	62,608,000	$ (0.38)

(1) The convertible Series A preferred shares, contingent consideration, shares held in escrow and share-based compensation are not included in the computation of diluted EPS because their effects are anti-dilutive for the period.

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9. Earnings per share (continued):

Six months ended June 30, 2013	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	$ 182,760		
Less:			
Series A preferred share dividends	(18,473)		
Series C preferred share dividends	(17,251)		
Series D preferred share dividends	(3,088)		
Basic EPS:			
Earnings attributable to common shareholders	$ 143,948	64,129,000	$ 2.24
Effect of dilutive securities:			
Share-based compensation		382,000	
Contingent consideration (note 2)		743,000	
Shares held in escrow (note 2)		95,000	
Convertible Series A preferred shares	18,473	21,001,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	$ 162,421	86,350,000	$ 1.88

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9. Earnings per share (continued):

Six months ended June 30, 2012	Earnings (numerator)	Shares (denominator)	Per share amount
Net earnings	$ 44,509		
Less:			
Series A preferred share dividends	(16,499)		
Series C preferred share dividends	(17,102)		
Basic EPS:			
Earnings attributable to common shareholders	$ 10,908	63,153,000	$ 0.17
Effect of dilutive securities:			
Share-based compensation		204,000	
Contingent consideration (note 2)		605,000	
Shares held in escrow (note 2)		504,000	
Diluted EPS:			
Earnings attributable to common shareholders plus assumed conversion	$ 10,908	64,466,000	$ 0.17

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10. Share-based compensation:

A summary of the Company s outstanding restricted shares, phantom share units and stock appreciation rights (SARs) as of and for the six month period ended June 30, 2013 is presented below:

Restricted shares	Number of shares	Weighted average grant date fair value
Outstanding, December 31, 2012	63,653	$ 14.17
Granted	54,990	17.01
Vested	(65,578)	14.25
Cancelled	(4,185)	17.01
June 30, 2013	48,880	$ 17.01

Phantom share units	Number of shares	Weighted average grant date fair value
Outstanding, December 31, 2012	562,000	$ 13.13
Granted	95,000	19.30
June 30, 2013	657,000	$ 14.02

Stock appreciation rights	Number of SARs	Weighted average grant date fair value
Outstanding, December 31, 2012	5,674,148	$ 2.03
Granted	1,664,457	3.51
June 30, 2013	7,338,605	$ 2.37

As vested outstanding phantom share units are only exchanged for common shares upon written notice from the holder, the phantom share units that are exchanged for common shares may include units that vested in prior periods. At June 30, 2013, 460,000 (December 31, 2012 - 328,000) of the outstanding phantom share units were vested and available for exchange by the holder. At June 30, 2013, there are 738,514 (December 31, 2012 - 884,319) remaining shares left for issuance under this Plan.

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10. Share-based compensation (continued):

On March 27, 2013, the Company granted 1,664,457 SARs to certain members of management (the Participants) which vest and become exercisable in three tranches when and if the fair market value of the common shares equals or exceeds the applicable base price for each tranche for any 20 consecutive trading days on or before the expiration date of each tranche. The Participants may exercise each vested tranche of SARs and receive common shares with a value equal to the difference between the applicable base price and the fair market value of the common shares on the exercise date. The common shares received on the exercise of SARs are subject to a retention requirement where the Participant is required to retain ownership of 50% of the net after tax number of shares until the later of March 22, 2018 or 120 days after the exercise date.

The assumptions used in the Monte Carlo model to calculate the grant date fair value of the SARs were as follows:

Average expected term	3.8 years
Expected volatility	39.73%
Dividend yield	4.97%
Average risk free rate	0.50%

	Number of SARs	Base price	Expiration date
Tranche 1	531,885	$ 21.50	December 31, 2015
Tranche 2	556,946	24.00	December 31, 2016
Tranche 3	575,626	26.50	December 31, 2017
Total	1,664,457		

During the three and six months ended June 30, 2013, the Company recognized $701,000 and $1,300,000 (June 30, 2012 - $656,000 and $1,404,000) related to restricted share units and phantom share units and $150,000 and $300,000 (June 30, 2012 - $188,000 and $375,000) in share-based compensation expenses related to other stock-based awards.

During the three and six months ended June 30, 2013, the first tranche of SARs vested earlier than what had been estimated using the Monte Carlo model. As a result, recognition of $2,550,000 in share-based compensation expense related to the first tranche of SARs was accelerated during the three and six months ended June 30, 2013 (June 30, 2012 nil and nil). The total share-based compensation expense related to SARs, including the accelerated expense of $2,550,000 described above, for the three and six months ended June 30, 2013 was $5,780,000 and $7,842,000 (June 30, 2012 nil and nil).

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10. Share-based compensation (continued):

In addition, during the three and six months ended June 30, 2013, the Company recognized $382,000 and $756,000 (June 30, 2012 - nil and $184,000) in other stock-based awards that were capitalized to vessels under construction.

During the three and six months ended June 30, 2013, the total fair value of shares vested was $33,000 and $935,000 (June 30, 2012 - nil and $563,000) and the total fair value of shares cancelled was $71,000 (June 30, 2012 - nil and nil).

At June 30, 2013, there was $11,336,000 (December 31, 2012 - $12,519,000) of total unrecognized compensation costs relating to unvested share-based compensation awards and SARs, which are expected to be recognized over a weighted average period of 20 months.

11. Supplemental cash flow information:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Interest paid on debt	$ 14,313	$ 15,030	$ 30,293	$ 26,337
Interest received	605	12	1,392	246
Undrawn credit facility fee paid	225	338	506	780
Non-cash transactions:				
Dividends on Series A preferred shares	9,423	8,371	18,473	16,499
Dividend reinvestment	8,726	916	15,348	5,277
Other long-term liabilities for vessels under construction				84,787
Long-term debt for vessels under construction	10,040	71,400	26,640	71,400
Acquisition of the Manager for shares, excluding cash received				73,795
Proceeds on sale of vessel		52,104		52,104
Loan repayment for vessels under construction			3,080	

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12. Commitments:

(a) As of June 30, 2013, based on the contractual delivery dates, the outstanding commitments for the purchase of additional vessels and installment payments for vessels under construction is as follows:

Remainder of 2013	$ 44,380
2014	418,640
2015	235,380
	$ 698,400

(b) As of June 30, 2013, the minimum future revenues to be received on committed time charter party agreements and interest income from sales-type capital leases are approximately:

Remainder of 2013	$ 334,922
2014	693,794
2015	743,864
2016	706,349
2017	636,481
Thereafter	3,041,855
	$ 6,157,265

The minimum future revenues are based on 100% utilization, relate to committed time charter party agreements in effect at June 30, 2013 and assume no renewals or extensions.

(c) As of June 30, 2013, the commitment under operating leases is as follows:

Remainder of 2013	$ 3,403
2014	6,882
2015	6,893
2016	6,911
2017	6,969
Thereafter	24,088
	$ 55,146

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13. Concentrations:

The Company s revenue is derived from the following customers:

	Three months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2013	Six months ended June 30, 2012
COSCON	$ 74,671	$ 72,584	$ 149,268	$ 129,786
CSCL Asia	34,645	38,877	69,242	78,678
K-Line	18,984	18,983	37,762	37,969
HL USA	14,739	14,697	29,319	29,176
Other	24,747	22,496	47,119	45,460
	$ 167,786	$ 167,637	$ 332,710	$ 321,069

14. Financial instruments:

(a) Fair value:

The carrying values of cash and cash equivalents, short-term investments, accounts receivable and accounts payable and accrued liabilities approximate their fair values because of their short term to maturity. As of June 30, 2013, the fair value of the Company s long-term debt is $2,671,593,000 (December 31, 2012 - $2,641,016,000). As of June 30, 2013, the fair value of the Company s other long-term liabilities is $601,687,000 (December 31, 2012 - $631,041,000). The fair value of long-term debt and other long-term liabilities are estimated based on expected interest and principal repayments, discounted by forward rates plus a margin appropriate to the credit risk of the Company.

The Company s interest rate derivative financial instruments are re-measured to fair value at the end of each reporting period. The fair values of the interest rate derivative financial instruments have been calculated by discounting the future cash flow of both the fixed rate and variable rate interest rate payments. The discount rate was derived from a yield curve created by nationally recognized financial institutions adjusted for the associated credit risk. The fair values of the interest rate derivative financial instruments are determined based on inputs that are readily available in public markets or can be derived from information available in publicly quoted markets. Therefore, the Company has categorized the fair value of these derivative financial instruments as Level 2 in the fair value hierarchy.

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14. Financial instruments (continued):

(b) Interest rate derivative financial instruments:

As of June 30, 2013, the Company had the following outstanding interest rate derivatives:

Fixed per annum rate swapped for LIBOR	Notional amount as of June 30, 2013	Maximum notional amount [(1)]	Effective date	Ending date
5.6400%	$714,500	$714,500	August 31, 2007	August 31, 2017[(2)]
5.1750%	607,149	663,399	July 16, 2012	July 15, 2016
5.4200%	438,462	438,462	September 6, 2007	May 31, 2024
5.6000%	194,000	200,000	June 23, 2010	December 23, 2021[(2)]
5.0275%	111,000	158,000	May 31, 2007	September 30, 2015
5.5950%	106,800	106,800	August 28, 2009	August 28, 2020
5.2600%	106,800	106,800	July 3, 2006	February 26, 2021 [(2) (3)]
5.2000%	90,240	96,000	December 18, 2006	October 2, 2015
5.4975%	59,700	59,700	July 31, 2012	July 31, 2019
5.1700%	24,000	55,500	April 30, 2007	May 29, 2020
5.8700%		620,390	August 31, 2017	November 28, 2025

(1) Over the term of the interest rate swaps, the notional amounts increase and decrease. These amounts represent the peak notional during the term of the swap.

(2) Prospectively de-designated as an accounting hedge in 2008.

(3) The Company has entered into a swaption agreement with a bank (Swaption Counterparty A) whereby Swaption Counterparty A has the option to require the Company to enter into an interest rate swap to pay LIBOR and receive a fixed rate of 5.26%. This is a European option and is open for a two hour period on February 26, 2014 after which it expires. The notional amount of the underlying swap is $106,800,000 with an effective date of February 28, 2014 and an expiration date of February 26, 2021. If Swaption Counterparty A exercises the swaption, the underlying swap effectively will offset the Company s 5.26% pay fixed LIBOR swap from February 28, 2014 to February 26, 2021.

In addition to the swaps listed above, the Company has entered into swaption agreements with a bank (Swaption Counterparty B) whereby Swaption Counterparty B has the option to require the Company to enter into interest rate swaps, by February 28, 2017, to pay LIBOR and receive a fixed rate of 1.183% and to pay 0.5% and receive LIBOR, respectively. The notional amounts of the underlying swaps are each $200,000,000 with an effective date of March 2, 2017 and an expiration date of March 2, 2027.

The swaption agreements with Swaption Counterparty B are subject to a master netting agreement but are each recorded at the gross amount on the balance sheet. At June 30, 2013, these swaptions had asset and liability values of $52,143,000 and $41,764,000, respectively (December 31, 2012 - asset of $41,031,000 and liability of $30,547,000).

Counterparties to the derivative financial instruments are major financial institutions. Due to the nature of the counterparties and the fact that the instruments were primarily in favor of counterparties at June 30, 2013, the risk of credit loss related to these counterparties is considered to be immaterial at June 30, 2013.

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14. Financial instruments (continued):

(b) Interest rate derivative financial instruments (continued):

The following provides information about the Company s interest rate derivatives:

Fair value of asset and liability derivatives:

	June 30, 2013	December 31, 2012
Fair value of financial instruments asset	$ 52,143	$ 41,031
Fair value of financial instruments liability	485,995	606,740

The following table provides information about losses included in net earnings and reclassified from accumulated other comprehensive loss (AOCL) into earnings:

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Gain/(Loss) on derivatives recognized in net earnings:				
Change in fair value of financial instruments	$ 71,193	$ (82,084)	$ 68,527	$ (86,760)
Loss reclassified from AOCL to net earnings[1]				
Interest expense	(1,384)	(2,194)	(2,963)	(4,736)
Depreciation and amortization	(219)	(218)	(442)	(384)

(1) The effective portion of changes in unrealized loss on interest rate swaps was recorded in accumulated other comprehensive income until September 30, 2008 when these contracts were de-designated as accounting hedges. The amounts in accumulated other comprehensive income will be recognized in earnings when and where the previously hedged interest is recognized in earnings.

The estimated amount of AOCL expected to be reclassified to net earnings within the next 12 months is approximately $5,724,000.

(c) Foreign exchange derivative instruments:

We are exposed to market risk from foreign currency fluctuations. We have entered into foreign currency forward contracts to manage foreign currency fluctuations. At June 30, 2013, the notional amount of the foreign exchange forward contracts is $14,600,000 (December 31, 2012 - $7,000,000) and the fair value liability is $505,000 (December 31, 2012 - $12,000).

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15. Subsequent events:

(a) On July 4, 2013, the Company accepted delivery of the MOL Efficiency. The 4600 TEU vessel is on charter to Mitsui O.S.K. Lines Ltd. under a two-year, fixed-rate time charter.

(b) On July 16, 2013, the Company declared quarterly dividends of $0.59375 and $0.496875 per Series C and Series D preferred share, respectively, representing a total distribution of $9,855,000. The dividends were paid on July 30, 2013 to all shareholders of record on July 29, 2013.

(c) On July 19, 2013 the Company entered into contracts for the construction of newbuilding containerships with a major Asian shipbuilder. The vessels are scheduled for delivery in 2015 and have an aggregate purchase price of approximately $550,000,000.

(d) On July 24, 2013, the Company declared a quarterly dividend of $0.3125 per common share. The dividend is payable on August 21, 2013 to all shareholders of record as of August 12, 2013.

(e) On July 25, 2013 the Company entered into a term loan facility with a leading European bank for up to $83,000,000 to fund the construction of one 14000 TEU newbuilidng containership to be chartered to Yang Ming Marine Transport Corp.

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ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading independent charter owner and manager of containerships, which we charter primarily pursuant to long-term, fixed-rate time charters with major container liner companies. As of June 30, 2013, we operated a fleet of 70 containerships (including eight vessels under long-term leases) and we have entered into contracts for the purchase of an additional eight newbuilding containerships and one existing vessel, which have scheduled delivery dates through May 2015. Each of our newbuilding vessels will commence operation under long-term, fixed-rate charters upon delivery, and the existing vessel will commence operation under a short-term, fixed-rate charter upon delivery. The average age of the 70 vessels in our operating fleet was approximately six years as of June 30, 2013.

We primarily deploy our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term time charters. As of June 30, 2013, the charters on the 70 vessels in our operating fleet had an average remaining term of approximately six years, excluding the effect of charterers options to extend certain time charters.

Customers for our operating fleet as at June 30, 2013 were as follows:

Customers for Current Fleet
COSCON
CSAV
CSCL Asia
HL USA

Hapag-Lloyd
K-Line

MSC
MOL
Yang Ming

Customers for Additional 9 Vessel Deliveries
Hanjin

MOL

Yang Ming Marine

Our primary objective is to continue to grow our business through accretive vessel acquisitions as market conditions allow. Please read Our Fleet for more information about our vessels and time charter contracts. Most of our customers containership business revenues are derived from the shipment of goods from the Asia Pacific region, primarily China, to various overseas export markets in the United States and in Europe.

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Significant Developments

Vessel Deliveries

In June 2013, we accepted delivery of the MOL Excellence, bringing our operating fleet to a total of 70 vessels as of June 30, 2013. The MOL Excellence, a 2003-built 4600 TEU vessel, is on charter to MOL under a two-year, fixed-rate time charter.

Subsequent to the second quarter, on July 4, 2013, we accepted delivery of the MOL Efficiency, bringing our operating fleet to 71 vessels. The MOL Efficiency, a 2003-built 4600 TEU vessel, is on charter to MOL under a two-year, fixed-rate time charter.

Time Charters

In July 2013, three vessels were re-delivered to us and these were subsequently re-chartered. The Seaspan Chiwan commenced a time charter for up to seven months. The Seaspan Dalian and Seaspan Felixstowe commenced time charters for up to 30 months with an additional option period of six to 12 months. The Seaspan Ningbo was re-delivered to us on August 1, 2013 and will be off-charter until a charter is entered into.

Newbuilding Contracts

In January 2013, we entered into contracts for the construction of five 14000 TEU newbuilding containerships with HHI. The vessels are scheduled for delivery in 2015, and will be constructed using our fuel efficient SAVER design. Concurrently, we signed long-term, fixed-rate time charters for these vessels with Yang Ming Marine. After the initial long-term charter periods, Yang Ming Marine may extend the charter for each vessel for up to two additional years. Pursuant to our right of first refusal agreement with Greater China Intermodal Investments, LLC, or GCI, we will retain three of the 14000 TEU newbuilding containerships and GCI will acquire the remaining two vessels.

In January 2013, we entered into contracts for the construction of four 10000 TEU newbuilding containerships with New Jiangsu and Jiangsu Xinfu. The vessels are scheduled for delivery in 2014 and will be constructed using our fuel efficient SAVER design. Concurrently, we signed long-term, fixed-rate time charters for these vessels with MOL. After the initial long-term charter periods, MOL may extend the charter for each vessel for up to two additional years. In connection with this transaction, we also agreed to purchase from MOL four existing 2003-built 4600 TEU vessels and have signed two year short-term fixed-rate time charters for these vessels with MOL. As of July 4, 2013, two of these vessels have been delivered and the remaining two vessels are expected to be delivered by early 2014. Pursuant to our right of first refusal agreement with GCI, we will retain two of the 10000 TEU newbuilding containerships and two of the existing vessels and GCI will acquire the remaining two 10000 TEU newbuilding containerships and two existing vessels.

We will supervise the construction of all nine newbuilding vessels and manage all 13 vessels included in these transactions.

Loan Facility Transactions

On April 25, 2013, we entered into a term loan facility with an Asian bank for up to $174.0 million to be used to fund the construction of two 14000 TEU newbuilding containerships to be chartered to Yang Ming Marine.

On June 20, 2013, we entered into a term loan facility with a U.S. bank and an Australian bank for up to $30.0 million to be used to fund the purchase price of two 4600 TEU containerships on charter to MOL. We drew the full $30.0 million of this facility on July 9, 2013.

Recent Developments

Newbuilding Contracts

On July 19, 2013, we entered into contracts with a major Asian shipbuilder for certain newbuilding containerships. The vessels are scheduled for delivery in 2015 and have an aggregate purchase price of approximately $550 million. We expect to sign long-term time charters with one of the liner majors shortly.

Loan Facility Transaction

On July 25, 2013, we entered into a term loan facility with a leading European bank for up to $83.0 million to fund the construction of one of our 14000 TEU newbuilding containerships to be chartered to Yang Ming Marine. With this transaction, all three 14000 TEU newbuilidng containerships to be chartered to Yang Ming Marine are now financed.

Dividends

On July 24, 2013, our board of directors declared a quarterly dividend of $0.3125 per share on our Class A common stock. The dividend will be paid on August 21, 2013 to all shareholders of record as of August 12, 2013. We expect common share dividends for the four quarters ending December 31, 2013 to total $1.25 per share.

On July 30, 2013, we paid quarterly dividends of $0.59375 and $0.496875 per share on our 9.5% Series C preferred shares and 7.95% Series D preferred shares, respectively. The dividends, representing a total distribution of $9.9 million, were paid to all Series C and Series D preferred shareholders of record as of July 29, 2013 for the period from April 30, 2013 to July 29, 2013.

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Our Fleet

Our Current Fleet

The following table summarizes key facts regarding our 70 operating vessels as of June 30, 2013:

Vessel Name	Vessel Class (TEU)	Year Built	Charter Start Date	Charterer