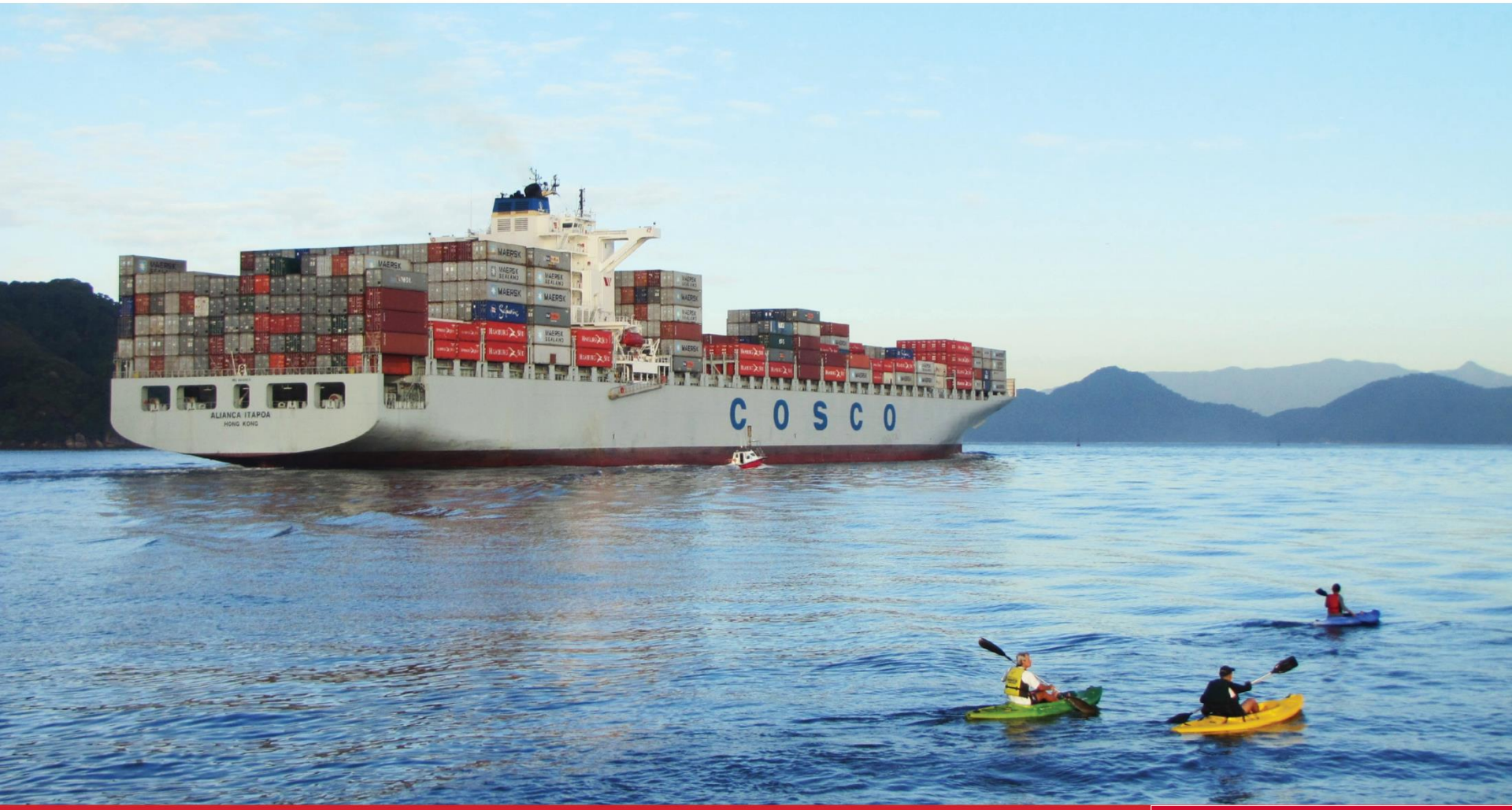
seaspan

THE LEADING INDEPENDENT CONTAINERSHIP OWNER AND MANAGER



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Q2 · 2018 · FINANCIAL RESULTS CONFERENCE CALL ·

CORRECTED[1] ON
AUGUST 6, 2018

(1) Refer to slide 8, Footnote 2 for detail

Notice on Forward Looking Statements

This presentation contains forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act) concerning Seaspan's operations, cash flows, and financial position, including, in particular, the likelihood of its success in developing and expanding its business. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "continue," "expects," "anticipates," "intends," "plans," "believes," "estimates," "projects," "forecasts," "will," "may," "potential," "should," "guidance," and similar expressions are forward-looking statements. These forward-looking statements represent Seaspan's estimates and assumptions only as of the date of this presentation and are not intended to give any assurance as to future results. As a result, you are cautioned not to rely on any forward-looking statements. Forward-looking statements appear in a number of places in this presentation. Although these statements are based upon assumptions Seaspan believes to be reasonable based upon available information, they are subject to risks and uncertainties. These risks and uncertainties include, but are not limited to: future growth prospects and ability to expand Seaspan's business; Seaspan's expectations as to impairments of its vessels, including the timing and amount of currently anticipated impairments; the future valuation of Seaspan's vessels and goodwill; potential acquisitions, vessel financing arrangements and other investments, and Seaspan's expected benefits from such transactions; future time charters and vessel deliveries, including future long-term charters for certain existing vessels and for two newbuilding vessels under construction; estimated future capital expenditures needed to preserve the operating capacity of Seaspan's fleet including, its capital base, and comply with regulatory standards, its expectations regarding future dry-docking and operating expenses, including ship operating expense and general and administrative expenses; Seaspan's expectations about the availability of vessels to purchase, the time that it may take to construct new vessels, the delivery dates of new vessels, the commencement of service of new vessels under long-term time charter contracts and the useful lives of its vessels; availability of crew, number of off-hire days and dry-docking requirements; general market conditions and shipping market trends, including charter rates, increased technological innovation in competing vessels and other factors affecting supply and demand; Seaspan's financial condition and liquidity, including its ability to borrow and repay funds under its credit facilities, to refinance its existing facilities and to obtain additional financing in the future to fund capital expenditures, acquisitions and other general corporate activities; Seaspan's continued ability to meet its current liabilities as they become due; Seaspan's continued ability to maintain, enter into or renew primarily long-term, fixed-rate time charters with its existing customers or new customers, including, among other vessels, four of its 10000 TEU newbuilding containerships; the potential for early termination of long-term contracts and Seaspan's potential inability to enter into, renew or replace long-term contracts; the introduction of new accounting rules for leasing and exposure to currency exchange rates and interest rate fluctuations; conditions inherent in the operation of ocean-going vessels, including acts of piracy; acts of terrorism or government requisition of Seaspan's containership during periods of war or emergency; adequacy of Seaspan's insurance to cover losses that result from the inherent operational risks of the shipping industry; lack of diversity in Seaspan's operations and in the type of vessels in its fleet; conditions in the public equity market and the price of Seaspan's shares; Seaspan's ability to leverage to its advantage its relationships and reputation in the containership industry; compliance with and changes in governmental rules and regulations or actions taken by regulatory authorities, and the effect of governmental regulations on Seaspan's business; the financial condition of Seaspan's customers, lenders, refund guarantors and other counterparties and their ability to perform their obligations under their agreements with us;

Seaspan's continued ability to meet specified restrictive covenants and other conditions in its financing and lease arrangements, its debt instruments and its preferred shares; any economic downturn in the global financial markets and export trade and increase in trade protectionism and potential negative effects of any recurrence of such disruptions on Seaspan's customers' ability to charter Seaspan's vessels and pay for Seaspan's services; the recent departure of Seaspan's former chief executive officer and former chief financial officer and the upcoming departure of Seaspan's current general counsel and chief operating officer and the ability to retain key employees in the future; some of Seaspan's directors and investors may have separate interest which may conflict with those of its shareholders and they may be difficult to replace given the anti-takeover provisions in Seaspan's organizational documents; taxation of Seaspan's company and of distributions to its shareholders; Seaspan's exemption from tax on U.S. source international transportation income; the ability to bring claims in China and Marshall Island, where the legal systems are not well-developed; potential liability from future litigation; and other factors detailed from time to time in Seaspan's periodic reports.

Forward-looking statements in this presentation are estimates and assumptions reflecting the judgment of senior management and involve known and unknown risks and uncertainties. These forward-looking statements are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond Seaspan's control. Actual results may differ materially from those expressed or implied by such forward-looking statements. Accordingly, these forward-looking statements should be considered in light of various important factors listed above and including, but not limited to, those set forth in "Item 3. Key Information—D. Risk Factors" in Seaspan's Annual Report for the year ended December 31, 2017 on Form 20-F filed on March 6, 2018 and in the "Risk Factors" in our upcoming periodic report for Q2 on Form 6-K.

Seaspan does not intend to revise any forward-looking statements in order to reflect any change in Seaspan's expectations or events or circumstances that may subsequently arise. Seaspan expressly disclaims any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in Seaspan's views or expectations, or otherwise. You should carefully review and consider the various disclosures included in this Annual Report and in Seaspan's other filings made with the Securities and Exchange Commission, or the SEC, that attempt to advise interested parties of the risks and factors that may affect Seaspan's business, prospects and results of operations.

Please refer to the appendices at the end of this presentation or our earnings release for descriptions and reconciliations of non-GAAP financial measures such as cash available for distribution to common shareholders, normalized net earnings, normalized earnings per share and adjusted EBITDA, which earnings release is available on our website at www.seaspancorp.com.

Q2 Highlights

Q2 Operational and Financial Performance

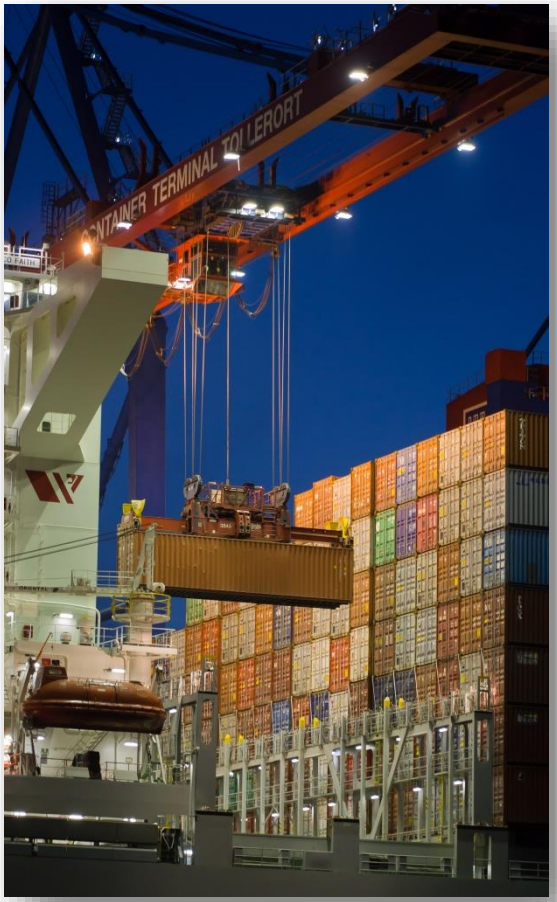
- Revenue of $281.7 million
- Adjusted EBITDA[1] of $178.6 million
- EPS per diluted share of $0.34 and Normalized EPS[1] of $0.23
- Vessel utilization of 98.6% during the quarter

Vessel Deliveries

- Accepted delivery of four 10000 TEU vessels, each on a long-term charter with CMA CGM

Additional Fairfax Holdings Investment

- Additional $500 million equity investment from Fairfax, which increases their total investment to $1.0 billion
- Further strengthens our equity capital base, improves our access to capital, and helps position us closer to achieving an investment grade credit rating



(1) Normalized EPS and Adjusted EBITDA are non-GAAP measures. Please refer to the appendices at the back of this presentation or our earnings release that is available on our website at www.seaspancorp.com for definitions of this and other non GAAP terms, and reconciliations of such measures to measures under GAAP.

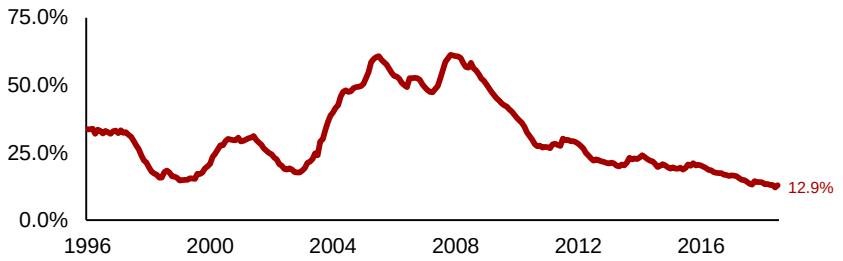
Key Priorities

- Operational Excellence
- Customer Partnerships
- Financial Strength and Stability
- Pursuit of Growth Opportunities
- Capital Allocation

Improvement in Industry's Ability to Manage Supply

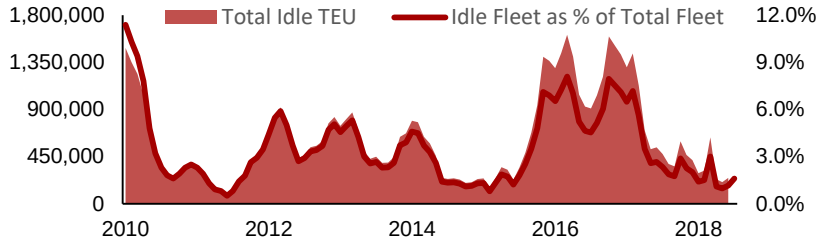
- Market remains disciplined, with limited ordering and declining orderbook
- Orderbook-to-fleet ratio currently at 12.9%[1]
- Orderbook delivery schedule continues to get pushed out

Orderbook at Historically Low Levels[1,3]



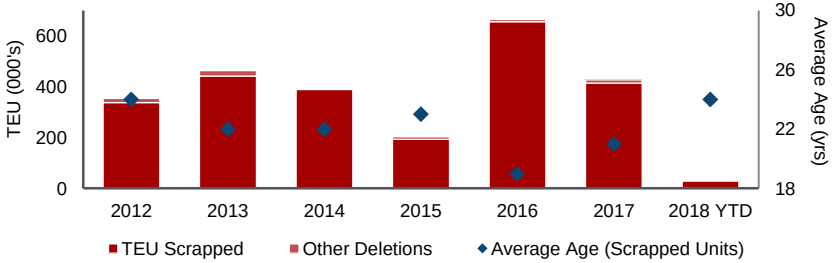
- Continued decline in idle fleet driven by industry supply rationalization and demand improvement, supporting time charter rate improvement
- Idle containership fleet over 500 TEU of 1.6% of the global fleet[2]

Idle Fleet Continues to Decline (% TEU)[2,3]



- 2016 demolition reached an all-time high and remained elevated in 2017
- Scrapping down to ~29k[1] TEU YTD as market recovery continues

Historical Demolition Volumes[1]

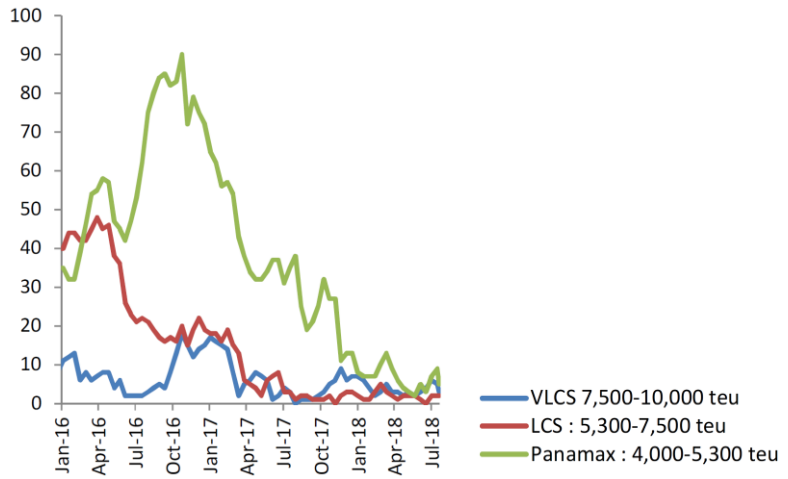


(1) Alphaliner Monthly Monitor – July 2018
(2) Alphaliner Weekly – Volume 2018 issue 31
(3) Clarksons Research – July 2018

Demand Growth and Supply Constraint Driving Rate Improvement

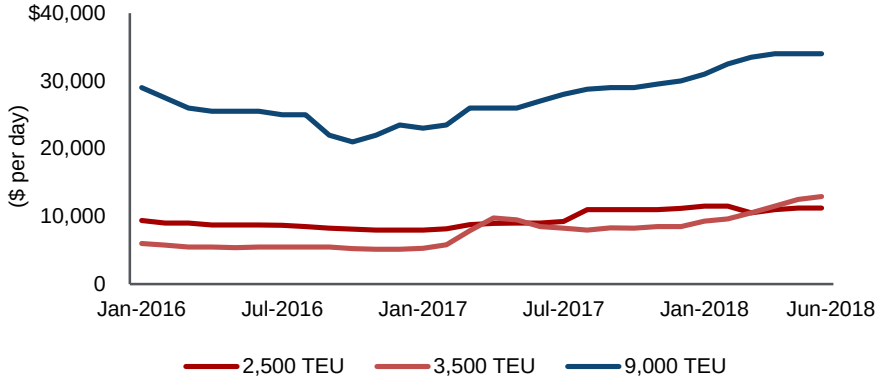
- Limited supply of available tonnage between 4,000 TEU and 10,000 TEU
- LCS segment continues to be viewed by liners as attractive for the long-term
- Supply of tonnage rising under 2000 TEU, pressuring rates

Available Vessels in Short Supply[1]



- Improving fundamentals driving charter rate improvement across asset classes
- Support from limited number of deliveries scheduled for 2018 and 2019, and continuing restraint on newbuild ordering

Charter Rate Improvement[2]

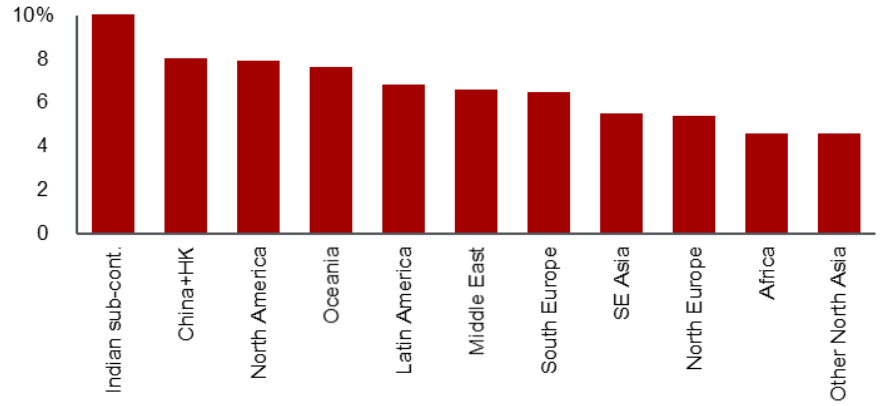


(1) Alphaliner Weekly – Volume 2018 issue 31
(2) Clarksons Research – July 2018

Broad Based Global Seaborne Trade Growth

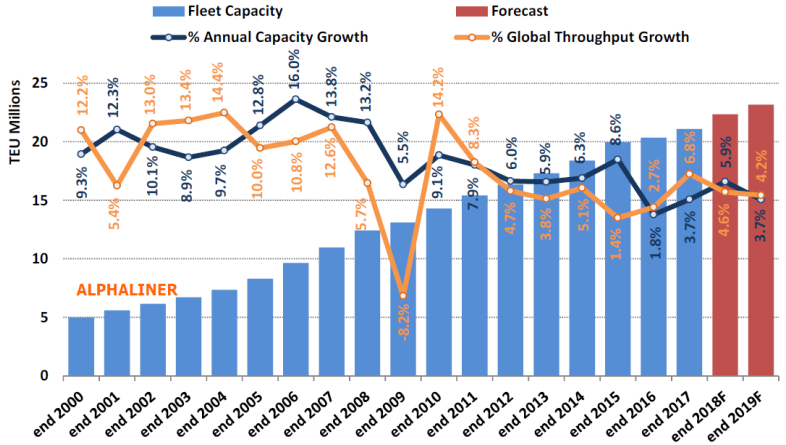
- Balanced growth across regions
- 2017 growth was broad based, in both primary and secondary trade lanes
- Supported by strong economic fundamentals in emerging and developed markets

2017 Growth Rates by Region[1]



- Demand growth now outperforms supply
- Global seaborne container trade grew by 6.8% in 2017, the highest since 2011
- Improving supply / demand balance supporting charter rates
- Trade growth exceeded fleet growth in 2016 and 2017

Annual Capacity and Throughput Growth[1]



(1) Alphaliner Monthly Monitor – July 2018; Global port throughput includes empty container and transhipment cargo.

Q2 Financial Snapshot

Dollar amounts in millions, except per share amounts	Quarter Ended June 30	
INCOME STATEMENT	**2018**	**2017**
Revenue	$281.7	$204.6
Ship operating	$58.8	$44.8
G&A	$9.1	$7.5
Operating lease	$32.3	$28.1
Interest expense at the hedged rate	$64.1	$37.8
EARNINGS		
Net earnings	$68.0	$28.3
EPS, diluted	$0.34	$0.11
Normalized net earnings[1]	$52.5	$35.5
Normalized EPS, diluted[1]	$0.23	$0.17
CASH FLOW		
Adjusted EBITDA[1]	$178.6	$153.9
Cash available for distribution to common shareholders[1]	$90.2	$95.0
BALANCE SHEET	**June 30, 2018**	**December 31, 2017**
Cash and cash equivalents, and short-term investments	$271.5	$253.3
Total borrowings	$4,544	$3,117
Shareholders' equity[2]	$2,091	$1,949

(1) Adjusted EBITDA, cash available for distribution to common shareholders, normalized net earnings and normalized EPS, diluted are non-GAAP measures. Please refer to the appendices at the back of this presentation or our earnings release that is available on our website at www.seaspancorp.com for definitions of these terms and reconciliations of such measures to measures under GAAP.
(2) As corrected on August 6, 2018 to reflect an increase in current liabilities of $35.6 million to accrue for dividends previously announced on June 28, 2018.

Forward Guidance

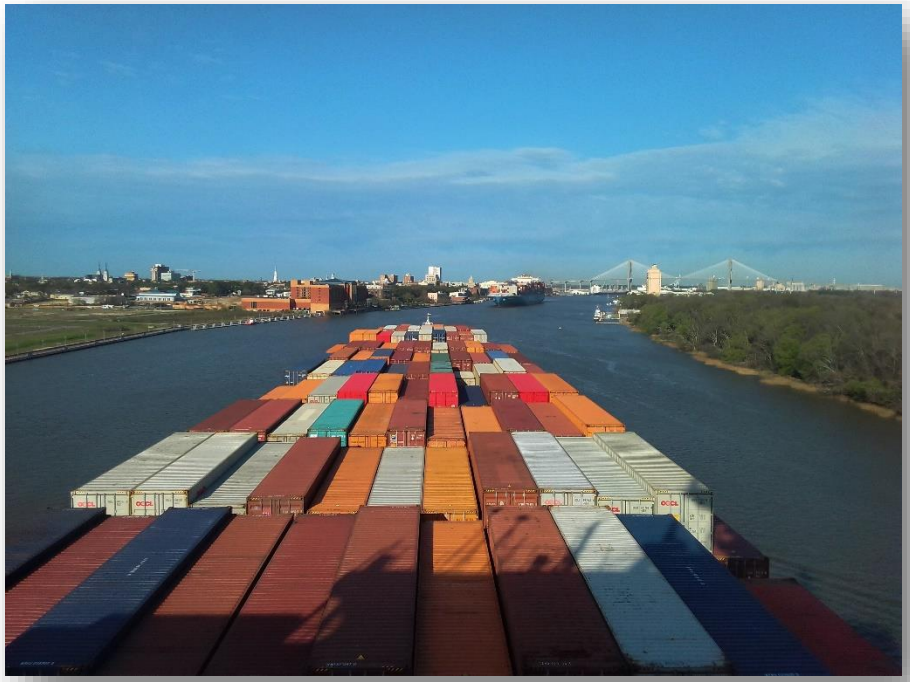
Key Financial Items for Q3 2018

Estimated* as at August 2, 2018, in $ millions	Q3 2018
Revenue	$291 - $295
Ship Operating Expense	$59 - $63
Operating Lease Expense	$32 - $34
Depreciation & Amortization	$63 - $66
G&A	$8 - $10

Notes:
*All estimates are approximate, based on current information, and are subject to change.

Chairman's Message

- Message from David Sokol, Chairman



Appendix

Appendix A: Reconciliation of GAAP to Non-GAAP Measures: Adjusted EBITDA

Adjusted EBITDA (millions of USD)	Quarter Ended June 30	
	2018	2017
Net earnings	$68.0	$28.3
Adjust:		
Interest expense and amortization of deferred financing fees	57.3	28.3
Interest income	(0.5)	(1.2)
Undrawn credit facility fees	0.1	0.6
Depreciation and amortization	62.1	49.8
Share-based compensation	0.9	2.0
Gain on sale (1)	-	31.3
Termination fee (2)	-	6.3
Amortization of deferred gain (3)	(5.6)	(5.1)
Bareboat charter adjustment, net (4)	2.2	-
Change in fair value of financial instruments (5)	(5.9)	13.7
Adjusted EBITDA	**$178.6**	**$153.9**

Appendix B: Reconciliation of GAAP to Non-GAAP Measures: Cash Available for Distribution to Common Shareholders

Cash Available for Distribution to Common Shareholders (millions of USD)	Quarter Ended June 30	
	2018	2017
Net earnings	$68.0	$28.3
Adjust:		
Depreciation and amortization	62.1	49.8
Interest expense and amortization of deferred financing fees	57.3	28.3
Share-based compensation	0.9	2.0
Change in fair value of financial instruments (5)	(5.9)	13.7
Bareboat charter adjustment, net (4)	2.2	-
Amortization of deferred gain (3)	(5.6)	(5.1)
Dry-dock reserve adjustment	(6.3)	(5.5)
Gain on sale (1)	-	31.3
Termination fee (2)	-	6.3
Preferred share cash dividends paid	(18.4)	(16.1)
Net cash flows before interest payments	154.3	132.8
Less:		
Interest expense at the hedged rate (6)	(64.1)	(37.8)
Cash available for distribution to common shareholders	**$90.2**	**$95.0**

Appendix C: Reconciliation of GAAP to Non-GAAP Measures: Normalized Net Earnings

Normalized Net Earnings (millions of USD)	Quarter Ended June 30	
	2018	2017
Net earnings	$68.0	$28.3
Adjust:		
Interest expense, excluding amortization of deferred financing fees	54.5	25.1
Change in fair value of financial instruments (5)	(5.9)	13.7
Termination fee (2)	-	6.3
Interest expense at the hedged rate (6)	(64.1)	(37.8)
Normalized net earnings	**$52.5**	**$35.5**

Appendix D: Reconciliation of GAAP to Non-GAAP Measures: Normalized Net Earnings and Normalized Net Earnings per Share

Normalized Net Earnings and Normalized Net Earnings per Share (millions of USD, except per share amounts)	Quarter Ended June 30	
	2018	2017
Normalized net earnings	$52.5	$35.5
Less preferred share dividends:		
Series D	3.9	2.5
Series E	2.8	2.8
Series F	3.7	2.4
Series G	4.0	4.0
Series H	4.4	4.4
Total preferred share dividends	18.8	16.1
Normalized net earnings attributable to common shareholders	**$33.7**	**$19.4**
Weighted average number of shares used to compute earnings per share		
Reported, basic	137.3	114.0
Share-based compensation	0.5	0.0
Fairfax warrants (7)	8.3	-
Reported and normalized, diluted (7, 8)	146.1	114.0
Earnings per share:		
Reported, basic	$0.36	$0.11
Reported, diluted	$0.34	$0.11
Normalized, diluted (9)	**$0.23**	**$0.17**

Appendix E: Notes to Non-GAAP Financial Measures

(1) The gain on sale relates to the proceeds received in excess of vessel cost upon the sale and leaseback transaction of one 14000 TEU vessel during the three and six months ended June 30, 2017. Under this transaction, Seaspan sold the vessel to special purpose companies and is leasing the vessel back. For accounting purposes, the gain is deferred and amortized as a reduction of operating lease expense over the term of the lease.

(2) The termination fee relates to a non-cash payment in 2017 in connection with the termination of the financial services agreement with SFSL, an entity controlled by former Director Graham Porter.

(3) As of June 30, 2018, 11 vessels have been sold and leased back by Seaspan. For GAAP accounting purposes, the gain on sales was deferred and is being amortized as a reduction of operating lease expense over the terms of the leases.

(4) Certain of Seaspan's vessels are on bareboat charters, which are accounted for as direct financing-type leases. Under these arrangements, the vessels were disposed of and a gross investment in lease was recorded, which is amortized to income through revenue. The bareboat charter adjustment in the applicable non-GAAP measure is included to reverse the GAAP accounting treatment and reflect the transaction as if the vessels had not been disposed of. Therefore, the bareboat charter hire is added back and the interest income from leasing, which is recorded in revenue, is deducted, resulting in a net bareboat charter adjustment. The adjustment relates to five 11000 TEU vessels which commenced 17-year bareboat charters with MSC during 2017 and 2018. Upon completion of the bareboat charter period, MSC is obligated to purchase the vessels for pre-determined amounts.

(5) Change in fair value of financial instruments includes realized and unrealized losses (gains) on Seaspan's interest rate swaps, unrealized losses (gains) on Seaspan's foreign currency forward contracts and unrealized losses (gains) on interest rate swaps included in equity income on investment.

(6) Interest expense at the hedged rate is calculated as the interest incurred on operating debt at the fixed rate on the related interest rate swaps plus the applicable margin on the related variable rate credit facilities and leases, on an accrual basis. Interest expense on fixed rate borrowings is calculated using the effective interest rate. Interest expense at the hedged rate includes the non-cash interest expense from the amortization of the debt discount on the Fairfax debentures of $1.9 million and $2.9 million, respectively, for the three and six months ended June 30, 2018.

(7) Seaspan issued 38,461,539 warrants to Fairfax in February 2018, each exercisable for one Class A common share at an exercise price of $6.50 per share.

(8) Seaspan's common shares issuable upon conversion of its convertible Series F preferred shares are not included in the computation of diluted earnings per share because their effect is anti-dilutive for the period.

(9) The increase in normalized earnings per share for the three and six months ended June 30, 2018 is detailed below:

Normalized earnings per share, diluted – June 30, 2017	**$0.17**	**$0.32**
Excluding share count changes:		
Increase in normalized earnings (a)	0.15	0.18
Decrease from impact of preferred shares	(0.02)	(0.04)
Share count changes:		
Increase in diluted share count (from 113,980,000 shares to 146,110,000 shares and from 110,406,000 shares to 140,127,000 shares for the three and six months ended, respectively)	(0.07)	(0.10)
Normalized earnings per share, diluted – June 30, 2018	**$0.23**	**$0.36**

(a) The increase in normalized earnings for the three months ended June 30, 2018, compared to the same period in 2017, is primarily due to an increase in revenue of $77.1 million, which is offset by increases in ship operating expense of $13.9 million, depreciation and amortization expense of $12.3 million and operating lease expense of $4.2 million. The increase in normalized earnings for the six months ended June 30, 2018, compared to the same period in 2017, is primarily due to an increase in revenue of $100.5 million, which is offset by increases in ship operating expense of $17.9 million, depreciation and amortization expense of $16.3 million and operating lease expense of $8.9 million.

Appendix F: Description of Non-GAAP Measures

Adjusted EBITDA is defined as net earnings adjusted for interest expense and amortization of deferred financing fees, interest income, undrawn credit facility fees, depreciation and amortization, share-based compensation, expenses related to customer bankruptcy, amortization of deferred gain, bareboat charter adjustment, change in fair value of financial instruments, acquisition-related gain on contract settlement, and certain other items that Seaspan believes are not representative of its operating performance.

Adjusted EBITDA is a non-GAAP measure that Seaspan believes provides useful information to investors in assessing Seaspan's results of operations. Seaspan believes that this measure is useful in assessing performance and highlighting trends on an overall basis. Seaspan also believes that this measure can be useful in comparing its results with those of other companies, even though other companies may not calculate this measure in the same way as Seaspan. The GAAP measure most directly comparable to Adjusted EBITDA is net earnings. Adjusted EBITDA is not defined by GAAP and should not be considered as an alternative to net earnings or any other indicator of Seaspan's performance required to be reported by GAAP.

Cash available for distribution to common shareholders is defined as net earnings adjusted for depreciation and amortization, interest expense and amortization of deferred financing fees, share-based compensation, change in fair value of financial instruments, bareboat charter adjustment, expenses related to customer bankruptcy, acquisition-related gain on contract settlement, amortization of deferred gain, dry-dock reserve adjustment, cash dividends paid on preferred shares, interest expense at the hedged rate, and certain other items that Seaspan believes are not representative of its operating performance.

Cash available for distribution to common shareholders is a non-GAAP measure used to assist in evaluating Seaspan's ability to make quarterly cash dividends before reserves for replacement capital expenditures. Cash available for distribution to common shareholders is not defined by GAAP and should not be considered as an alternative to net earnings or any other indicator of Seaspan's performance required to be reported by GAAP. In addition, this measure may not be comparable to similar measures presented by other companies.

Normalized net earnings is defined as net earnings adjusted for interest expense (excluding amortization of deferred financing fees), expenses related to customer bankruptcy, change in fair value of financial instruments, acquisition-related gain on contract settlement, interest expense at the hedged rate, and certain other items Seaspan believes affect the comparability of operating results.

Normalized net earnings is a non-GAAP measure that Seaspan believes is a useful measure because it excludes those items that Seaspan believes are not representative of its operating performance. Normalized net earnings and normalized earnings per share are not defined by GAAP and should not be considered as an alternative to net earnings, earnings per share or any other indicator of Seaspan's performance required to be reported by GAAP. In addition, this measure may not be comparable to similar measures presented by other companies.