

Costamare Inc.  
Form 6-K  
October 25, 2012

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR  
15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of October 2012**

**Commission File Number: 001-34934**

**COSTAMARE INC.**

(Translation of registrant's name into English)

**60 Zephyrou Street & Syngrou Avenue, 17564 Athens, Greece**  
(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  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):

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):

## **INCORPORATION BY REFERENCE**

This Report on Form 6-K shall be incorporated by reference into our registration statement on Form F-3, as filed with the Securities and Exchange Commission on January 30, 2012 (File No. 333-179244), to the extent not superseded by documents or reports subsequently filed by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, in each case as amended.

## **EXHIBIT INDEX**

- 99.1 Unaudited interim condensed consolidated financial statements of Costamare Inc. (the Company ) for the nine-month period ended September 30, 2012, and the accompanying notes thereto.

**SIGNATURES**

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

Date: October 25, 2012

COSTAMARE INC.

By:	/s/ Gregory G. Zikos
Name:	Gregory G. Zikos
Title:	Chief Financial Officer

**COSTAMARE INC.****Consolidated Balance Sheets****As of December 31, 2011 and September 30, 2012**

(Expressed in thousands of U.S. dollars)

	<b>December 31, 2011</b>	<b>September 30, 2012 (Unaudited)</b>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 97,996	\$ 217,131
Restricted cash	7,371	5,454
Receivables	2,150	2,816
Inventories (Note 5)	9,335	11,080
Due from related parties (Note 3)	3,585	3,354
Fair value of derivatives (Note 16)	-	258
Insurance claims receivable	3,076	2,923
Accrued charter revenue (Note 10)	13,428	5,041
Prepayments and other	1,910	2,528
<b>Total current assets</b>	<b>138,851</b>	<b>250,585</b>
<b>FIXED ASSETS, NET:</b>		
Advances for vessel acquisitions (Note 6)	148,373	257,421
Vessels, net (Note 7)	1,618,887	1,606,489
<b>Total fixed assets, net</b>	<b>1,767,260</b>	<b>1,863,910</b>
<b>NON CURRENT ASSETS:</b>		
Deferred charges, net (Note 8)	32,641	33,605
Restricted cash	38,707	41,902
Accrued charter revenue (Note 10)	5,086	14,405
<b>Total assets</b>	<b>\$ 1,982,545</b>	<b>\$ 2,204,407</b>
<b><u>LIABILITIES AND STOCKHOLDERS EQUITY</u></b>		
<b>CURRENT LIABILITIES:</b>		
Current portion of long-term debt (Note 9)	\$ 153,176	\$ 158,520
Accounts payable	4,057	5,457
Accrued liabilities	13,455	12,979

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Unearned revenue (Note 10)	6,901	8,557
Fair value of derivatives (Note 15)	46,481	54,725
Other current liabilities	2,519	2,406
<b>Total current liabilities</b>	<b>226,589</b>	<b>242,644</b>
<b>NON CURRENT LIABILITIES:</b>		
Long-term debt, net of current portion (Note 9)	1,290,244	1,396,733
Fair value of derivatives, net of current portion (Note 15)	125,194	138,040
Unearned revenue, net of current portion (Note 10)	10,532	13,942
<b>Total non-current liabilities</b>	<b>1,425,970</b>	<b>1,548,715</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 11)</b>		
<b>STOCKHOLDERS EQUITY:</b>		
Common stock (Note 12)	6	7
Additional paid-in capital (Note 12)	519,971	620,554
Accumulated deficit	(48,854)	(43,549)
Accumulated other comprehensive loss (Notes 15 and 17)	(141,137)	(163,964)
<b>Total stockholders equity</b>	<b>329,986</b>	<b>413,048</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 1,982,545</b>	<b>\$ 2,204,407</b>

The accompanying notes are an integral part of these interim unaudited consolidated financial statements.

**COSTAMARE INC.****Unaudited Consolidated Statements of Income****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of US dollars, except share and per share data)

	<b>2011</b>	<b>2012</b>
<b>REVENUES:</b>		
Voyage revenue	\$ 280,165	\$ 290,962
<b>EXPENSES:</b>		
Voyage expenses	(3,320)	(3,990)
Voyage expenses - related parties (Note 3)	(2,110)	(2,161)
Vessels - operating expenses	(83,312)	(84,700)
General and administrative expenses	(3,567)	(3,086)
Management fees-related parties (Note 3)	(11,275)	(11,418)
Amortization of dry-docking and special survey costs (Note 8)	(6,139)	(6,017)
Depreciation (Note 7)	(58,092)	(60,182)
Gain (loss) on sale/disposal of vessels, net (Note 7)	10,771	(4,296)
Foreign exchange gains	(4)	167
<b>Operating income</b>	<b>123,117</b>	<b>115,279</b>
<b>OTHER INCOME (EXPENSES):</b>		
Interest income	354	1,173
Interest and finance costs (Note 13)	(55,953)	(57,840)
Other	572	(93)
Gain (loss) on derivative instruments (Note 15)	(6,580)	(321)
<b>Total other income (expenses)</b>	<b>(61,607)</b>	<b>(57,081)</b>
<b>Net Income</b>	<b>\$ 61,510</b>	<b>\$ 58,198</b>
Earnings per common share, basic and diluted (Note 12)	\$ 1.02	\$ 0.89
Weighted average number of shares, basic and diluted	60,300,000	65,582,847

The accompanying notes are an integral part of these interim unaudited consolidated financial statements.

**COSTAMARE INC.****Unaudited Consolidated Statements of Comprehensive Income****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of US dollars)

	<b>2011</b>	<b>2012</b>
<b>Net income for the period</b>	\$ 61,510	\$ 58,198
Other comprehensive income / (loss)		
Unrealized loss on cash flow hedges (Note 15)	(59,012)	(20,511)
Unrealized gain on available for sale securities	7	-
Net settlements on interest rate swaps qualifying for cash flow hedge (Note 9)	(1,984)	(2,316)
<b>Other comprehensive income/(loss) for the period</b>	<b>\$ (60,989)</b>	<b>\$ (22,827)</b>
<b>Total comprehensive income for the period</b>	<b>\$ 521</b>	<b>\$ 35,371</b>

The accompanying notes are an integral part of these interim unaudited consolidated financial statements.

**COSTAMARE INC.****Unaudited Consolidated Statements of Stockholder s Equity****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except share and per share data)

	<b>Common Stock</b>	<b>Par</b>	<b>Additional</b>	<b>Accumulated</b>	<b>Retained</b>	
	<b># of</b>	<b>value</b>	<b>Paid-in</b>	<b>Comprehensive</b>	<b>Earnings</b>	
	<b>shares</b>		<b>Capital</b>	<b>Income (Loss)</b>	<b>(Accumulated</b>	<b>Total</b>
					<b>Deficit)</b>	
<b>BALANCE,</b>						
<b>January 1, 2011</b>	60,300,000	\$ 6	\$ 519,971	\$ (82,895)	\$ (74,940)	\$ 362,142
- Net income	-	-	-	-	61,510	61,510
- Dividends	-	-	-	-	(45,225)	(45,225)
- Other comprehensive income/(loss)	-	-	-	(60,989)	-	(60,989)
<b>BALANCE,</b>						
<b>September 30, 2011</b>	60,300,000	\$ 6	\$ 519,971	\$ (143,884)	\$ (58,655)	\$ 317,438
<b>BALANCE,</b>						
<b>January 1, 2012</b>	60,300,000	\$ 6	\$ 519,971	\$ (141,137)	\$ (48,854)	\$ 329,986
- Net income	-	-	-	-	58,198	58,198
- Dividends	-	-	-	-	(52,893)	(52,893)
- Other comprehensive income/(loss)	-	-	-	(22,827)	-	(22,827)
- Follow-on offering proceeds, net	7,500,000	1	100,583	-	-	100,584
<b>BALANCE,</b>						
<b>September 30, 2012</b>	67,800,000	\$ 7	\$ 620,554	\$ (163,964)	\$ (43,549)	\$ 413,048

The accompanying notes are an integral part of these interim unaudited consolidated financial statements.



**COSTAMARE INC.****Unaudited Consolidated Statements of Cash Flows****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of US dollars)

	<b>2011</b>		<b>2012</b>
<b>Cash Flows From Operating Activities:</b>			
<b>Net income:</b>	\$ 61,510	\$	58,198
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	58,092		60,182
Amortization and write off of financing costs	2,026		849
Amortization of deferred drydocking and special survey	6,139		6,017
Amortization of unearned revenue	(486)		(396)
Net settlements on interest rate swaps qualifying for cash flow hedge	(1,984)		(2,316)
Loss (gain) on derivative instruments	6,580		321
Loss (gain) on sale/disposal of vessels, net	(10,771)		4,296
Loss (gain) on sale of investments	7		-
<b>Changes in operating assets and liabilities:</b>			
Receivables	1,563		(666)
Due from related parties	(3,919)		231
Inventories	(1,831)		(1,745)
Insurance claims receivable	(2,163)		153
Prepayments and other	(80)		(618)
Accounts payable	(23)		1,400
Accrued liabilities	1,853		1,024
Unearned revenue	447		756
Other current liabilities	356		(113)
Drydockings	(6,122)		(8,071)
Accrued charter revenue	23,218		3,909
<b>Net Cash provided by Operating Activities</b>	<b>134,412</b>		<b>123,411</b>
<b>Cash Flows From Investing Activities:</b>			
Advances for vessel acquisitions	(147,257)		(109,048)
Vessels acquisitions / Additions to vessel cost	(136,209)		(73,743)

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Proceeds from sale of available for sale securities	6,082	-
Proceeds from the sale of vessels, net	20,761	20,814
<b>Net Cash used in Investing Activities</b>	<b>(256,623)</b>	<b>(161,977)</b>
<b>Cash Flows From Financing Activities:</b>		
Follow-on offering proceeds, net of related expenses	-	100,584
Proceeds from long-term debt	169,013	241,160
Repayment of long-term debt	(83,944)	(129,327)
Payment of financing costs	(5,231)	(545)
Dividends paid	(45,225)	(52,893)
(Increase) decrease in restricted cash	(1,563)	(1,278)
<b>Net Cash provided by Financing Activities</b>	<b>33,050</b>	<b>157,701</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(89,161)</b>	<b>119,135</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>159,774</b>	<b>97,996</b>
<b>Cash and cash equivalents at end of the period</b>	<b>\$ 70,613</b>	<b>\$ 217,131</b>
<b>Supplemental Cash Information</b>		
Cash paid during the period for interest	\$ 14,596	\$ 19,337

The accompanying notes are an integral part of these interim unaudited consolidated financial statements.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**1. Basis of Presentation and General Information:**

The accompanying consolidated financial statements include the accounts of Costamare Inc. ( Costamare ) and its wholly-owned subsidiaries (collectively, the Company ). Costamare was formed on April 21, 2008, under the laws of the Republic of Marshall Islands.

Costamare was incorporated as part of a reorganization to acquire the ownership interest in 53 ship-owning companies (the predecessor companies ) owned by the Konstantakopoulos family (Vasileios Konstantakopoulos and his three sons Messrs. Konstantinos Konstantakopoulos, Achillefs Konstantakopoulos and Christos Konstantakopoulos, together the Family ). The reorganization was completed in November 2008. On November 4, 2010, Costamare completed its initial public offering in the United States under the United States Securities Act of 1933, as amended. Furthermore, on March 22, 2012, the Company completed a follow-on public offering in the United States under the United States Securities Act of 1933, as amended. In this respect 7,500,000 shares at par value \$0.0001 were issued at a public offering price of \$14.10 per share, increasing the issued share capital to 67,800,000 shares. At September 30, 2012, members of the Family owned, directly or indirectly, approximately 70.4% of the outstanding common shares, in the aggregate.

As of December 31, 2011 and September 30, 2012, the Company owned and operated a fleet of 46 and 47 container vessels, respectively, with a total carrying capacity of approximately 233,980 TEU and 239,498 TEU, respectively, through wholly-owned subsidiaries incorporated in the Republic of Liberia, providing worldwide marine transportation services by chartering its container vessels to some of the world's leading liner operators under long, medium and short-term time charters.

At September 30, 2012, Costamare had 83 wholly owned subsidiaries, all incorporated in the Republic of Liberia out of which, 47 operate vessels, 25 sold or disposed their vessels and became dormant, ten were established in 2010 and 2011, to be used for the acquisition of ten newbuild vessels (Note 6) and one was established to be used for future vessel acquisitions.

Revenues for the nine-month periods ended September 30, 2011 and 2012, derived from significant charterers individually accounting for 10% or more of revenues (in percentages of total revenues) were as follows:

	<b>2011</b>	<b>2012</b>
<b>A</b>	34%	33%
<b>B</b>	17%	23%
<b>C</b>	16%	17%
<b>D</b>	10%	10%
<b>Total</b>	77%	83%

**2. Significant Accounting Policies and Recent Accounting Pronouncements:**

A discussion of the Company's significant accounting policies can be found in the Company's Consolidated Financial Statements included in the Annual Report on Form 20-F for the year ended December 31, 2011. There have been no material changes to these policies in the nine-month period ended September 30, 2012.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**3. Transactions with Related Parties:**

**(a) Costamare Shipping Company S.A. (*the Manager or Costamare Shipping*):** Costamare Shipping is a ship management company wholly-owned by Mr. Konstantinos Konstantakopoulos, the Company's Chief Executive Officer and as such is not part of the consolidated group of the Company, but is a related party. With effect from the consummation of the Company's Initial Public Offering on November 4, 2010 (Note 1), Costamare Shipping receives a daily fee of \$0.850 for each containership that is subject to any charter other than a bareboat charter (\$0.700 prior to November 4, 2010) and \$0.425 in the case of a containership subject to a bareboat charter, prorated for the calendar days the Company owns each containership and for the three-month period following the date of the sale of a vessel, for providing the Company with general administrative services, certain commercial services, director and officer related insurance services and the provision of officers (but not for payment of such officer's compensation for their services). With effect from the consummation of the Company's Initial Public Offering on November 4, 2010 (Note 1), Costamare Shipping receives \$1,000 annually on a prorated basis for the services of the Company's officers in aggregate. Furthermore, Costamare Shipping is providing the Company's vessels flying the Greek, the Hong Kong and Liberian flags (Prosper and Stadt Luebeck), with technical, commercial, insurance, accounting, provisions, sale and purchase, crewing and bunkering services, subcontracting certain of these services in respect of the Hong Kong and Liberian flag vessel (Prosper) and Liberian flag vessel (Stadt Luebeck) to Shanghai Costamare Ship Management Co., Ltd. (Shanghai Costamare), also a related party, and to Bernard Schulte Shipmanagement (Cyprus) Ltd., not a related party, respectively, under separate management agreements executed between Costamare Shipping and Shanghai Costamare and Bernard Schulte Shipmanagement (Cyprus) Ltd. for each vessel in exchange for a daily fixed fee. The Company also pays to Costamare Shipping (i) a flat fee of \$700 for the supervision of the construction of any newbuild vessel contracted by the Company and (ii) a fee of 0.75% on all gross freight, demurrage, charter hire, ballast bonus or other income earned with respect to each containership in the Company's fleet. Costamare Shipping has also undertaken the commercial management of the Company's vessels flying flags other than Greek, Hong Kong and Liberian (Prosper and Stadt Luebeck) under separate commercial management agreements with each respective ship-owning company. The technical management of such vessels is performed by CIEL Shipmanagement S.A. (CIEL), a related party, pursuant to separate agreements signed between each ship-owning company and CIEL in exchange for a daily fixed fee.

The initial term of the management agreement expires on December 31, 2015 and will be automatically extended in additional one-year increments until December 31, 2020, at which point it will expire. The management fee per day for each containership is fixed until December 31, 2012 and will thereafter be annually adjusted upwards by 4%, with further annual increases permitted to reflect the strengthening of the Euro against the U.S. dollar and/or material unforeseen cost increases. After the initial term expires on December 31, 2015, the Company will be able to terminate the management agreement, subject to a termination fee, by providing written notice to Costamare Shipping at least 12 months before the end of the subsequent one-year term. The termination fee is equal to (a) the lesser of (i) five and (ii) the number of full years remaining prior to December 31, 2020, times (b) the aggregate fees due and payable to Costamare Shipping during the 12-month period ending on the date of termination; provided that the termination fee will always be at least two times the aggregate fees over the 12-month period described above.

Management fees charged by the Manager in the nine-month periods ended September 30, 2011 and 2012, amounted to \$8,873 and \$9,173, respectively and are included in Management fees-related parties in the accompanying consolidated statements of income. In addition, the Manager charged (i) \$2,161 for the nine-month period ended

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September 30, 2012 (\$2,110 for the nine-month period ended September 30, 2011), representing a fee of 0.75% on all gross revenues, as provided in the management agreements and is included in Voyage expenses - related parties in the accompanying consolidated statements of income for the nine-month periods ended September 30, 2011 and 2012 and (ii) \$750 for the services of the Company's officers in aggregate which is included in General and administrative expenses in the accompanying consolidated statements of income for the nine-month periods ended September 30, 2011 and 2012.

The balance due from the Manager at December 31, 2011 and September 30, 2012 amounted to \$2,568 and \$1,768, respectively, and are included in Due from related parties in the accompanying 2011 and 2012 consolidated balance sheets.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**3. Transactions with Related Parties - continued:**

(b) *Ciel Shipmanagement S.A. ( CIEL )*: CIEL, a company incorporated in the Republic of Liberia, is owned 50.2% by the Company's chairman and chief executive officer and 49.8% by Mr. Dimitrios Lemonidis, CIEL's chief executive officer. CIEL is not part of the consolidated group of the Company but is a related party. CIEL provides the Company's vessels flying flags other than Greek, Hong Kong and Liberian (Prosper) certain shipping services such as technical support and maintenance, financial and accounting services, under separate management agreements signed between CIEL and each ship-owning company, in exchange for a daily fixed fee of \$0.600 per vessel (2011: \$0.600). CIEL specializes, although not exclusively, in managing containerships of up to 3,500 TEU. As of September 30, 2012, CIEL provided technical, crewing, provisions, bunkering, sale and purchase and accounting services, as well as certain commercial services, to twelve (twelve at December 31, 2011) of the Company's containerships. Management fees charged by CIEL in the nine-month periods ended September 30, 2011 and 2012 amounted to \$2,402 and \$2,245, respectively, and are included in Management fees - related parties in the accompanying consolidated statements of income. The balance due from CIEL at December 31, 2011 and September 30, 2012, amounted to \$1,017 and \$1,586, respectively, and is included in Due from related parties in the accompanying consolidated balance sheets.

(c) *Shanghai Costamare Ship Management Co. Ltd. ( Shanghai Costamare )*: Shanghai Costamare is owned (indirectly) 70% by the Company's chairman and chief executive officer and 30% (indirectly) by Mr. Zhang Lei, a Chinese national who is Shanghai Costamare's chief executive officer. Shanghai Costamare is a company incorporated in Peoples' Republic of China in September 2004 and is not part of the consolidated group of the Company but is a related party. The technical, crewing, provisions, bunkering, sale and purchase and accounting services, as well as certain commercial services of certain of the Company's vessels has been subcontracted from the Manager to Shanghai Costamare. As of September 30, 2012, Shanghai Costamare provided such services to nine (nine as of December 31, 2011) of the Company's containerships, eight of which are flying the Hong Kong flag and one is flying the Liberian flag (Prosper). The balance due to Shanghai Costamare at both December 31, 2011 and September 30, 2012, was \$0.

**4. Investments:**

As at December 31, 2010, the Company held at fair value one Province of Ontario bond amounting to \$6,080 upon maturity of which, on February 22, 2011, the Company collected the amount of \$6,082 and the amount of \$7 was transferred to Interest income in the accompanying September 30, 2011, consolidated statement of income, from Other Comprehensive Income.

**5. Inventories:**

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

December 31, 2011	September 30, 2012
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Bunkers	-	582
Lubricants	7,448	8,800
Spare parts	1,887	1,698
Total	<b>9,335</b>	<b>11,080</b>

#### **6. Advances for Vessels Acquisitions:**

On September 21, 2010, the Company through its three wholly-owned subsidiaries, Adele Shipping Co., Bastian Shipping Co. and Cadence Shipping Co., contracted, subject to the loan concluded on January 14, 2011 (Note 9), with a shipyard for the construction and purchase of three newbuild vessels (Hulls H1068A, H1069A and H1070A), each of approximately 9,000 TEU capacity at a contract price per newbuild vessel of \$95,080. These three newbuild vessels are scheduled to be delivered between December 2013 and February 2014, and the Company entered into ten-year charter party agreements from their delivery from the shipyard at a daily rate of \$43 each.



**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**6. Advances for Vessels Acquisitions - continued:**

On January 28, 2011, the Company, through its two wholly- owned subsidiaries Jodie Shipping Co. and Kayley Shipping Co., contracted with a shipyard for the construction and purchase of two newbuild vessels (Hulls S 4010 and S 4011), each of approximately 9,000 TEU capacity. These two newbuild vessels are scheduled to be delivered to the Company by February 2013. The Company entered into ten-year charter party agreements from their delivery from the shipyard. Both the contract price and the daily charter rate are similar to those agreed regarding the three 9,000 TEU vessels discussed in the preceding paragraph.

On April 20, 2011, the Company, through its five wholly- owned subsidiaries Undine Shipping Co., Terance Shipping Co., Quentin Shipping Co., Raymond Shipping Co. and Sander Shipping Co., contracted with a shipyard for the construction and purchase of five newbuild vessels, each of approximately 8,800 TEU capacity. The five newbuild vessels are scheduled for delivery in the second and third quarter of 2013 and the Company entered into long-term time charter agreements for the employment of each of the above newbuild vessels immediately upon delivery from the shipyard. Both the contract price and the daily charter rate are similar to those agreed on September 21, 2010, for the three approximately 9,000 TEU vessels discussed above.

The total aggregate price for all ten newbuild vessels is \$953,740, payable in installments until their delivery, of which \$248,181 was paid up to September 30, 2012 (\$143,131 during the year ended December 31, 2011 and \$105,050 during the nine-month period ended September 30, 2012).

The amount of \$148,373 and \$257,421 separately reflected in the accompanying December 31, 2011 and September 30, 2012, consolidated balance sheets respectively, include amounts paid to the shipyards and other costs, as analyzed below:

	<b>December 31, 2011</b>	<b>September 30, 2012</b>
Pre-delivery installments	143,131	248,181
Capitalized interest and finance costs	2,773	6,316
Other capitalized costs	2,469	2,924
Total	148,373	257,421

**7. Vessels, Net:**

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	<b>Vessel Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
<b>Balance, December 31, 2011</b>	<b>2,298,108</b>	<b>(679,221)</b>	<b>1,618,887</b>

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Depreciation	-	(60,182)	(60,182)
Vessel acquisitions and other vessels cost	73,743	-	73,743
Disposals	(43,125)	17,166	(25,959)
<b>Balance, September 30, 2012</b>	<b>2,328,726</b>	<b>(722,237)</b>	<b>1,606,489</b>

During the nine-month period ended September 30, 2012, the Company acquired five second hand containerships MSC Ulsan, Koroni, Kyparissia, Stadt Luebeck and Messini at an aggregate price of \$73,000.

During the nine-month period ended September 30, 2012, the Company sold for scrap the container vessels Gather, Gifted, Genius I and Horizon at an aggregate price of \$22,110 and recognized a net loss of \$4,296 (including the effect of the partial reversal of a provision recorded in 2011 for costs associated with the grounding of the vessel Rena), which is separately reflected in Gain (loss) on sale/disposal of vessels, net in the accompanying consolidated statement of income for the nine-month period ended September 30, 2012.

During the year ended December 31, 2011, the Company acquired ten secondhand containerships: Prosper, MSC Pylos, Zagora, Marina, Konstantina, MSC Sudan II, MSC Sierra II, MSC Namibia II, MSC Romanos and MSC Methoni. The aggregate acquisition cost of the ten containerships was \$193,063, of which \$3,830 was advanced to the sellers as of December 31, 2010.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**7. Vessels, Net - continued:**

During the nine-month period ended September 30, 2011, the Company contracted to sell for scrap the vessels MSC Namibia, MSC Sierra, MSC Sudan at an aggregate price of \$20,387. The vessels were delivered to their scrap buyers in April and May 2011 and recognized a gain of \$10,771, which is separately reflected in the accompanying consolidated unaudited statement of income for the nine-month period ended September 30, 2011.

As of September 30, 2012, one of the Company's vessels, having total carrying value of \$4,751, was fully depreciated.

Forty-three of the Company's vessels, having a total carrying value of \$1,477,143 as of September 30, 2012, have been provided as collateral to secure the long-term debt discussed in Note 9.

**8. Deferred Charges:**

The amounts in the accompanying consolidated balance sheets are analyzed as follows:

	<b>Financing Costs</b>	<b>Dry-docking and Special Survey Costs</b>	<b>Total</b>
<b>Balance, December 31, 2011</b>	<b>11,923</b>	<b>20,718</b>	<b>32,641</b>
Additions	545	8,071	8,616
Amortization	(835)	(6,017)	(6,852)
Write-off	(14)	(786)	(800)
<b>Balance, September 30, 2012</b>	<b>11,619</b>	<b>21,986</b>	<b>33,605</b>

Financing costs represent fees paid to the lenders for the conclusion of the bank loans discussed in Note 9. The amortization of loan financing costs is included in interest and finance costs in the accompanying consolidated statements of income and the amortization of the dry-docking and special survey costs is separately reflected in the accompanying consolidated statements of income.

During the nine-month periods ended September 30, 2011 and 2012, eight vessels and six vessels, respectively, underwent their special survey.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**9. Long-Term Debt:**

The amounts shown in the accompanying consolidated balance sheets are analyzed as follows:

<b>Borrower(s)</b>		<b>December 31, 2011</b>	<b>September 30, 2012</b>
1.	<b>Credit Facility</b>	857,055	789,637
2.	<b>Term Loans:</b>		
1.	Costis Maritime Corporation and Christos Maritime Corporation	118,500	114,000
2.	Mas Shipping Co.	62,250	54,750
3.	Montes Shipping Co. and Kelsen Shipping Co.	114,000	108,000
4.	Marathos Shipping Inc.	5,700	1,900
5.	Capetanissa Maritime Corporation	65,000	60,000
6.	Rena Maritime Corporation	62,500	57,500
7.	Bulow Investments Inc.	3,500	1,000
8.	Merin Shipping Co., Lytton Shipping Co., Venor Shipping Co. and Volk Shipping Co.	10,437	-
9.	Costamare Inc.	79,538	107,456
10.	Adele Shipping Co., Bastian Shipping Co. and Cadence Shipping Co.	-	-
11.	Costamare Inc.	26,740	53,480
12.	Undine Shipping Co., Quentin Shipping Co. and Sander Shipping Co.	22,920	53,480
13.	Raymond Shipping Co. and Terance Shipping Co.	15,280	38,200
14.	Costamare Inc.	-	115,850
		586,365	765,616
	<b>Total</b>	1,443,420	1,555,253
	<b>Less-current portion</b>	(153,176)	(158,520)
	<b>Long-term portion</b>	1,290,244	1,396,733

**1. Credit Facility:** On July 22, 2008, the Company signed a loan agreement with a consortium of banks, for a \$1,000,000 Credit Facility (the Facility) for general corporate and working capital purposes. The Company used \$631,340 of the proceeds from the Facility to repay existing indebtedness. The Facility bears interest at the 3, 6, 9 or

12 months (at the Company's option) LIBOR plus margin. Upon the sale of MSC Antwerp in May 2009, the Company repaid \$10,655 of the Facility. On April 4, 2011, the Company, following the sale of vessel MSC Namibia, repaid \$6,610 of the Facility. Furthermore, on April 11, 2011, the Company drew down the amount of \$80,852 under the Facility, which equaled the undrawn balance of the Facility as of that date of \$74,242 and the amount of \$6,610 discussed above. The drawdown was secured by a first priority mortgage on vessel Cosco Hellas.

The outstanding balance of the Facility as of September 30, 2012, is repayable in 23 equal, consecutive quarterly installments, of \$22,473 each plus a balloon payment of \$272,758 payable together with the last installment. The quarterly installments were calculated using a formula specified in the agreement, following the amalgamation of the Facility's compounds on June 30, 2011, as documented in the third supplemental agreement to the Facility that the Company entered into on September 6, 2011.

**COSTAMARE INC.**

**Notes to Unaudited Consolidated Financial Statements (Continued)**

**For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**9. Long-Term Debt - continued:**

On June 22, 2010, the Company entered into the second supplemental agreement to the Facility, which provided that during a two-year period ending December 31, 2011, (i) the Security Requirement ratio was reduced from 125% to 80% and the minimum cash amount equal to 3% of the loan outstanding (maintained in accordance with the Facility) is included in the Security Requirement calculation, (ii) the payment of interest at an increased margin over LIBOR during the period from June 15, 2010 to December 31, 2011, half of which (amounting to \$ 2,995) was paid upfront upon execution of the supplemental agreement and is included in Deferred charges, net and was amortized through December 31, 2011, and (iii) subject to no Event of Default having occurred and being continuing, no lenders' consent shall be required for the payment of dividends if the ratio of Total Liabilities (after deducting all Cash and Cash Equivalents) to Market Value Adjusted Total Assets (after deducting all Cash and Cash equivalents) does not exceed 0.80:1.

The Facility, as of September 30, 2012, was secured with, among other things, first priority mortgages over 17 of the Company's vessels, first priority assignment of vessels' insurances and earnings, charter party assignments, first priority pledges over the operating accounts and corporate guarantees of 17 ship-owning companies.

The Facility and certain of the term loans described under Note 9.2 below include among others, financial covenants requiring (i) the ratio of Total Liabilities (after deducting cash and cash equivalents) to Market Value Adjusted Total Assets (after deducting cash and cash equivalents) not to be greater than 0.75 to 1.00; (ii) minimum liquidity of the greater of \$30,000 or 3% of the total debt of the Company, (iii) the ratio of EBITDA to net interest expense not be less than 2.50 to 1 and (iv) Market Value Adjusted Net Worth, defined as the amount by which the Market Value Adjusted Total Assets exceed the Total Liabilities, shall exceed \$500,000. The Company's other term loans described under Note 9.2 below also contain financial covenants that are either equal to or less stringent than the foregoing financial covenants.

**2. Term loans:**

1. In May 2008, Costis Maritime Corporation and Christos Maritime Corporation entered into a loan agreement with a bank for an amount of up to \$150,000 in the aggregate (\$75,000 each) on a joint and several basis in order to partly finance the acquisition cost of the vessels Sealand New York and Sealand Washington. As at September 30, 2012, the outstanding balance of the loan of \$114,000 is repayable in 12 equal semi-annual installments of \$4,500, each from November 2012 to May 2018 and a balloon payment of \$60,000 payable together with the last installment.

2. In January 2008, Mas Shipping Co. entered into a loan agreement with a bank for an amount of up to \$75,000 in order to partly finance the acquisition cost of vessel Maersk Kokura. As at September 30, 2012, the outstanding balance of the loan of \$54,750 is repayable in 11 variable semi-annual installments from February 2013 to February 2018 and a balloon payment of \$10,000 payable together with the last installment.

3. In December 2007, Montes Shipping Co. and Kelsen Shipping Co. entered into a loan agreement with a bank for an amount of up to \$150,000 in the aggregate (\$75,000 each) on a joint and several basis in order to partly finance the

acquisition cost of the vessels Maersk Kawasaki and Maersk Kure. As at September 30, 2012, the outstanding balance of the loan of \$108,000 is repayable in 11 semi-annual installments of \$6,000 each from December 2012 to December 2017 and a balloon payment of \$42,000 payable together with the last installment.

4. In June 2006, Marathos Shipping Inc. entered into a loan agreement with a bank for an amount of up to \$24,800, in order to partly finance the acquisition cost of the vessel Maersk Mandraki. As at September 30, 2012, the outstanding balance of the loan of \$1,900 is repayable in one installment of \$1,900 in February 2013.

5. In June 2006, Capetanissa Maritime Corporation entered into a loan agreement with a bank for an amount of up to \$90,000, in order to partly finance the acquisition cost of the vessel Cosco Beijing. As at September 30, 2012, the outstanding balance of the loan of \$60,000 is repayable in 12 equal semi-annual installments of \$2,500 each from February 2013 to August 2018 and a balloon payment of \$30,000 payable together with the last installment.

6. In February 2006, Rena Maritime Corporation entered into a loan agreement with a bank for an amount of up to \$90,000 in order to partly finance the acquisition cost of the vessel Cosco Guangzhou. As at September 30, 2012, the outstanding balance of the loan of \$57,500 is repayable in 11 equal semi-annual installments of \$2,500 each from February 2013 to February 2018 and a balloon payment of \$30,000 payable together with the last installment.

**COSTAMARE INC.**

**Notes to Unaudited Consolidated Financial Statements (Continued)**

**For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**9. Long-Term Debt - continued:**

7. In February 2005, Bulrow Investments Inc. entered into a loan agreement with a bank for an amount of up to \$31,000 in order to partly finance the acquisition cost of the vessel Maersk Mykonos. As at September 30, 2012, the outstanding balance of the loan of \$1,000 is repayable in February 2013.

8. In December 2009, Merin Shipping Co., Lytton Shipping Co., Venor Shipping Co. and Volk Shipping Co. entered into a loan agreement with a bank for an amount of up to \$30,000 in order to partly finance the acquisition cost of the vessels Gather, Garden, Genius and Gifted. Following the sale of Garden in December 2011, the Company repaid the amount of \$2,921 and following the sale of Gather (Note 7) in March 2012, the Company repaid the amount of \$3,479. In May 2012 the Company repaid the remaining balance of the loan, amounting to \$6,958, following the sale of Gifted and Genius I (Note 7).

9. On November 19, 2010, Costamare entered into a term loan agreement with a consortium of banks for an amount of up to \$120,000, which was available for drawing for a period up to 18 months. As of September 30, 2012, the Company has drawn the amount of \$38,500 (tranche a), the amount of \$42,000 (tranche b), the amount of \$21,000 (tranche c), the amount of \$7,470 (tranche d) and the amount of \$7,470 (tranche e) under this term loan agreement in order to finance part of the acquisition cost of MSC Romanos, MSC Methoni, MSC Ulsan, Koroni and Kyparissia respectively. As at September 30, 2012, the outstanding balance of the tranche (a) of the loan of \$34,650 is repayable in 28 quarterly installments of \$962.5 from November 2012 to November 2018 and a balloon payment of \$7,700 payable together with the last installment. As at September 30, 2012, the outstanding balance of the tranche (b) of the loan of \$38,850 is repayable in 29 quarterly installments of \$1,050 from October 2012 to October 2019 and a balloon payment of \$8,400 payable together with the last installment. As at September 30, 2012, the outstanding balance of the tranche (c) of the loan of \$19,950 is repayable in 30 quarterly installments of \$525 from November 2012 to February 2019 and a balloon payment of \$4,200 payable together with the last installment. As at September 30, 2012, the outstanding balance of the tranche (d) of the loan of \$7,003 is repayable in 11 quarterly installments of \$466.9 from November 2012 to August 2015 and a balloon payment of \$1,867.5 payable together with the last installment. As at September 30, 2012, the outstanding balance of the tranche (e) of the loan of \$7,003 is repayable in 11 quarterly installments of \$466.9 from November 2012 to August 2015 and a balloon payment of \$1,867.5 payable together with the last installment.

10. On January 14, 2011, Adele Shipping Co., Bastian Shipping Co. and Cadence Shipping Co., wholly-owned subsidiaries of Costamare, concluded a credit facility with a consortium of banks, as joint-and-several borrowers, for an amount of up to \$203,343 to finance part of the acquisition and construction cost of hulls H1068A, H1069A and H1070A (Note 6). The drawdown of the facility will be made in three tranches, one for each hull. The credit facility is repayable in forty consecutive quarterly installments, the first thirty-nine (1-39) in the amount of \$1,412 per tranche each, and a final (fortieth) installment of \$12,713 per tranche. As of September 30, 2012, the Company had not drawn any amounts under this credit facility.



**COSTAMARE INC.**

**Notes to Unaudited Consolidated Financial Statements (Continued)**

**For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**9. Long-Term Debt - continued:**

11. On April 7, 2011, Costamare, as borrower, concluded a credit facility with a consortium of banks, for an amount up to the lesser of \$140,000 and 70% of the contract price of the vessels, to finance part of the acquisition and construction cost of hulls S4010 and S4011 (Note 6). The credit facility is repayable in 16 consecutive quarterly installments, the first 15 (1-15) in the amount of 1/30 of the loan outstanding commencing at the time of delivery of hulls S4010 and S4011 and a final installment in an amount equal to the 50% of the loan outstanding at the time of delivery of hulls S4010 and S4011. In April 2011, the Company drew down the amount of \$26,740 in order to partly refinance the first pre-delivery installment of hulls S4010 and S4011. Furthermore, during the nine-month period ended September 30, 2012, the Company drew down the amount of \$26,740, in aggregate, in order to partly finance the second and third pre-delivery installments of hulls S4010 and S4011.

12. On August 16, 2011, Undine Shipping Co., Quentin Shipping Co. and Sander Shipping Co., wholly-owned subsidiaries of Costamare, concluded a credit facility with a consortium of banks, as joint-and-several borrowers, for an amount of up to \$229,200 to finance part of the acquisition and construction cost of hulls S4020, S4022 and S4024 (Note 6). The drawdown of the facility will be made in three tranches, one for each hull. The credit facility is repayable in 28 consecutive quarterly installments, the first twenty-seven (1-27) in the amount of \$1,273.3 per tranche each and a final (twenty- eighth) installment of \$42,021 per tranche. On August 26, 2011, the Company drew down an amount of \$22,920 in order to partly refinance the first pre-delivery installment of hulls S4020, S4022 and S4024. In April 2012 and May 2012, the Company drew down the amounts of \$7,640 and \$7,640 respectively, in order to partly finance the second pre-delivery installments of hulls S4020 and S4022. In August 2012, the Company drew down the amount of \$15,280 in order to partly finance the second and the third pre-delivery installments of hulls S4024 and S4020.

13. On October 12, 2011, Raymond Shipping Co. and Terance Shipping Co., wholly-owned subsidiaries of the Company concluded a credit facility with a bank, as joint and several borrowers, for an amount of up to \$152,800 for the financing part of the construction and acquisition cost of hulls S4021 and S4023 (Note 6). The drawdown of the facility will be made in two tranches, one for each hull. The credit facility is repayable in 28 consecutive quarterly installments, the first twenty-seven (1-27) in the amount of \$1,364.3 per tranche each and a final (twenty-eighth) installment of \$39,563.9 per tranche. On October 25, 2011, the Company drew down an amount of \$15,280 in order to partly refinance the first pre-delivery installment of hulls S4021 and S4023. In April 2012 the Company drew down the amount of \$7,640 in order to partly finance the second pre-delivery installment of hull S4021. In July 2012 and September 2012 the Company drew-down the amounts of \$7,640 and \$7,640, in order to partly finance the second and the third pre-delivery installments of hulls S4023 and S4021, respectively.

14. On October 6, 2011, the Company concluded a loan facility with a bank for an amount of up to \$120,000, in order to partly finance the aggregate market value of eleven vessels in its fleet. In March, 2012, the Company drew the amount of \$113,700. Furthermore, on June 29, 2012, the Company entered into a supplemental agreement, for a further amount of \$11,300 to finance the acquisition of the vessel Stadt Luebeck (Note 7). The Company drew-down the amount of \$11,300 in August 2012 upon the delivery of the vessel Stadt Luebeck. As at September 30, 2012, the outstanding balance of \$115,850 is repayable in 25 quarterly variable consecutive installments from December 2012

to December 2018 and a balloon payment of \$47,850 payable together with the last installment.

The term loans discussed above bear interest at LIBOR plus a spread and are secured by, inter alia, (a) first priority mortgages over the financed vessels, (b) first priority assignments of all insurances and earnings of the mortgaged vessels and (c) corporate guarantees of Costamare or its subsidiaries, as the case may be. The loan agreements contain usual ship finance covenants including restrictions as to changes in management and ownership of the vessels, additional indebtedness, mortgaging of vessels as well as minimum requirements regarding hull Value Maintenance Clauses ( VMC ) in the range of 80% to 125% and dividend payments if an event of default has occurred and is continuing or would occur as a result of the payment of such dividend.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**9. Long-Term Debt - continued:**

The annual principal payments required to be made after September 30, 2012, are as follows:

<b>Year ending December 31,</b>	<b>Amount</b>
2012	37,944
2013	165,069
2014	194,009
2015	194,501
2016	179,395
2017 and thereafter	784,335
	1,555,253

The interest rates of Costamare's long-term debt at December 31, 2011 and September 30, 2012, were in the range of 1.21% - 6.75% and 1.47% - 6.75%, respectively. The weighted average interest rate as at December 31, 2011 and September 30, 2012, was 4.8% and 4.4%, respectively.

Total interest expense incurred on long-term debt (including the effect of the interest rate swaps discussed in Note 15) for the nine-month periods ended September 30, 2011 and September 30, 2012, amounted to \$55,296 and \$58,809, respectively and is included in Interest and finance costs in the accompanying consolidated statements of income. Of the above amount incurred in the nine-month period ended September 30, 2011, \$3,885 was capitalized and is included in (a) Advances for vessel acquisitions (\$1,901) and (b) in the statement of comprehensive income (loss) (\$1,984), representing net settlements on interest rate swaps qualifying for cash flow hedge, in the September 30, 2011 consolidated balance sheet. Of the above amount incurred in the nine-month period ended September 30, 2012, \$5,859 was capitalized and is included in (a) Advances for vessel acquisitions (\$3,543) and (b) in the statement of comprehensive income (loss) (\$2,316), representing net settlements on interest rate swaps qualifying for cash flow hedge, in the accompanying September 30, 2012 consolidated balance sheet.

**10. Accrued Charter Revenue, Current and Non-Current and Unearned Revenue, Current and Non-Current:**

**(a) Accrued charter revenue, Current and Non-Current:** The amounts presented as current and non-current accrued charter revenue in the accompanying consolidated balance sheets as of December 31, 2011 and September 30, 2012, reflect revenue earned, but not collected, resulting from charter agreements providing for varying annual charter rates over their term, which were accounted for on a straight line basis at their average rates. As at December 31, 2011, the net accrued charter revenue totaling to \$6,549 is comprised of \$13,428, separately reflected in Current assets, \$5,086

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separately reflected in Non - current assets and \$11,965 (discussed in (b) below) included in Unearned revenue in current and non-current liabilities in the accompanying December 31, 2011 consolidated balance sheet. As at September 30, 2012, the net accrued charter revenue totaling to \$2,640 is comprised of \$5,041, separately reflected in Current assets, \$14,405 separately reflected in Non-current assets, and \$16,806 (discussed in (b) below) included in Unearned revenue in current and non-current liabilities in the accompanying September 30, 2012, consolidated balance sheet. The maturities of the net accrued charter revenue as of December 31 of each year is as follows:

<b>Year ending December 31,</b>	<b>Amount</b>
2012	(711)
2013	3,990
2014	6,679
2015	(1,138)
2016	(5,510)
2017 and thereafter	(670)
	2,640

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**10. Accrued Charter Revenue, Current and Non-Current and Unearned Revenue, Current and Non-Current - continued:**

*(b) Unearned Revenue, Current and Non-Current:* The amounts presented as current and non-current unearned revenue in the accompanying consolidated balance sheets as of December 31, 2011 and September 30, 2012, reflect (a) cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met, (b) any unearned revenue resulting from charter agreements providing for varying annual charter rates over their term, which were accounted for on a straight-line basis at their average rate and, (c) the unamortized balance of the liability associated with the acquisition of vessels in 2007, with charter parties assumed at values below their fair market value at the date of delivery of the vessels.

	<b>December 31, 2011</b>	<b>September 30, 2012</b>
Hires collected in advance	4,903	5,659
Charter revenue resulting from varying charter rates	11,965	16,806
Unamortized balance of charters assumed	565	34
<b>Total</b>	<b>17,433</b>	<b>22,499</b>
<b>Less current portion</b>	<b>(6,901)</b>	<b>(8,557)</b>
<b>Non-current portion</b>	<b>10,532</b>	<b>13,942</b>

**11. Commitments and Contingencies:**

*(a) Long-term time charters:* As at September 30, 2012, the Company has entered into time charter arrangements on all of its vessels in operation, including the ten hulls under construction, with the exception of vessel Prosper, with international liner operators. These arrangements as at September 30, 2012, have remaining terms of up to 136 months (including the time charter agreements for vessels under construction as at September 30, 2012). As of the same date, future minimum contractual charter revenues assuming 365 revenue days per annum per vessel and the earliest redelivery dates possible, based on vessels committed, non-cancelable, long-term time charter contracts, are as follows:

<b>Year ending December 31,</b>	<b>Amount</b>
2012	95,703

2013	422,345
2014	461,538
2015	440,602
2016	417,300
2017 and thereafter	982,778
	2,820,266

(b) As at September 30, 2012, as further disclosed in Note 6, the Company has entered into ten shipbuilding contracts for the construction and acquisition of ten newbuild vessels. The total aggregate price for all ten newbuild vessels is \$953,740, payable in installments until their delivery, of which \$143,131 was paid during the year ended December 31, 2011 and \$105,050 was paid during the nine-month period ended September 30, 2012. The remaining balance as of September 30, 2012 of \$705,559 is payable as follows:

<b>Year ending December 31,</b>	<b>Amount</b>
2012	85,565
2013	600,978
2014	19,016
	<b>705,559</b>

**COSTAMARE INC.**

**Notes to Unaudited Consolidated Financial Statements (Continued)**

**For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**11. Commitments and Contingencies - continued:**

*(c) Other:* Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. Currently, management is not aware of any such claims not covered by insurance or contingent liabilities, which should be disclosed, or for which a provision has not been established in the accompanying consolidated financial statements.

The Company accrues for the cost of environmental liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure. Currently, management is not aware of any other claims or contingent liabilities which should be disclosed or for which a provision should be established in the accompanying consolidated financial statements. The Company is covered for liabilities associated with the individual vessels' actions to the maximum limits as provided by Protection and Indemnity (P&I) Clubs, members of the International Group of P&I Clubs.

**12. Common Stock and Additional Paid-In Capital:**

*(a) Common Stock and Preferred Stock:* From inception through July 11, 2010, the authorized common stock of Costamare consisted of 2,000,000 shares with a par value of \$0.0001 per share out of which 1,000,000 shares were issued to the Family. On July 12, 2010, the Company's articles of incorporation were amended. Under the amended articles of incorporation, the Company's authorized capital stock consists of 1,000,000,000 shares of common stock, par value \$0.0001 per share and 100,000,000 preferred shares, par value \$0.0001 per share of which no shares were issued. Of these preferred shares, 10,000,000 shares have been designated Series A Participating Preferred Stock in connection with the adoption of a stockholder rights plan. All shares of stock are in registered form.

On July 20, 2010, pursuant to a rights offering authorized by the Board of Directors on July 14, 2010, the Company issued 24,000,000 shares of common stock in exchange of \$2,400, increasing the issued share capital of the Company to 25,000,000 shares of common stock.

On October 19, 2010, within the context of the Initial Public Offering completed in November 2010, the Company effected a dividend of 0.88 shares for each share of common stock outstanding on the record date of August 27, 2010 (the Stock Split). As a result of this dividend, the Company issued 22,000,000 additional shares in respect of its 25,000,000 shares of the then outstanding common stock.

On November 4, 2010, the Company completed its Initial Public Offering in the United States under the United States Securities Act of 1933, as amended. In this respect 13,300,000 common shares at par value \$0.0001 were issued at a public offering price of \$12.00 per share, increasing the issued share capital to 60,300,000 shares. The net proceeds of the Initial Public Offering were \$145,543.

On March 22, 2012, the Company completed a follow-on public equity offering in the United States under the United States Securities Act of 1933, as amended. In this respect 7,500,000 shares at par value \$0.0001 were issued at a public offering price of \$14.10 per share, increasing the issued share capital to 67,800,000 shares. The net proceeds of the follow-on offering were \$100,584.

**(b) Additional Paid-in capital:** The amounts shown in the accompanying consolidated balance sheets, as additional paid-in capital, include (i) payments made by the stockholders at various dates to finance vessel acquisitions in excess of the amounts of bank loans obtained, (ii) advances for working capital purposes and (iii) the difference between the par value of the shares issued in the Initial Public Offering in November 2010 and the follow-on offering in March 2012 and the net proceeds obtained for those shares.

**(c) Dividends paid:** During the nine-month period ended September 30, 2011, the Company declared and paid, to its common shareholders, (i) the amount of \$15,075 or \$0.25 per common share for the fourth quarter of 2010 and (ii) the amount of \$15,075 or \$0.25 per common share for the first quarter of 2011 and (iii) the amount of \$15,075 or \$0.25 per common share for the second quarter of 2011. During the nine-month period ended September 30, 2012, the Company declared and paid, to its common shareholders, (i) the amount of \$16,281 or \$0.27 per common share for the fourth quarter of 2011 and (ii) the amount of \$18,306 or \$0.27 per common share for the first quarter of 2012 and (iii) the amount of \$18,306 or \$0.27 per common share for the second quarter of 2012.



**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**13. Interest and Finance Costs:**

The amounts in the accompanying consolidated statements of income are analyzed as follows:

	<b>2011</b>	<b>2012</b>
Interest expense	15,111	21,196
Interest capitalized	(3,885)	(5,859)
Swap effect	40,185	37,613
Amortization and write-off of financing costs	2,026	849
Commitment fees	2,375	3,810
Bank charges and other	141	231
	<b>55,953</b>	<b>57,840</b>

**14. Taxes:**

Under the laws of the countries of the companies' incorporation and / or vessels' registration, the companies are not subject to tax on international shipping income; however, they are subject to registration and tonnage taxes, which are included in Vessel operating expenses in the accompanying consolidated statements of income.

The vessel owning companies with vessels that have called on the United States during the relevant year of operation are obliged to file tax returns, with the Internal Revenue Service. The applicable Tax is 50% of 4% of United States related gross transportation income unless an exemption applies. Management believes that based on current legislation the relevant vessel owning companies are entitled to an exemption as they satisfy the relevant requirements because (i) the related vessel owning companies are incorporated in a jurisdiction granting an equivalent exemption to US corporations and (ii) over 50% of the ultimate shareholders of the vessel owning companies are residents of a country granting an equivalent exemption to US persons.

**15. Derivatives:**

**(a) Interest rate swaps that meet the criteria for hedge accounting:** The Company, according to its long-term strategic plan to maintain stability in its interest rate exposure, has decided to minimize exposure to floating interest rates by entering into interest rate swap agreements. To this effect, the Company has entered into interest rate swap transactions with varying start and maturity dates, in order to proactively and efficiently manage its floating rate exposure.

These interest rate swaps are designed to hedge the variability of interest cash flows arising from floating rate debt, attributable to movements in three-month or six-month USD LIBOR. According to the Company's Risk Management Accounting Policy, after putting in place the formal documentation required by ASC 815 in order to designate these swaps as hedging instruments, as from their inception, these interest rate swaps qualified for hedge accounting.

Accordingly, since that time, only hedge ineffectiveness amounts arising from the differences in the change in fair value of the hedging instrument and the hedged item are recognized in the Company's earnings. Assessment and measurement of prospective and retrospective effectiveness for these interest rate swaps are being performed on a quarterly basis. For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognized initially in stockholders' equity and recognized to the statement of income in the periods when the hedged item affects profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognized in the statement of income immediately.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**15. Derivatives - continued:**

The interest rate swap agreements designed as hedging instruments, as of December 31, 2011 and September 30, 2012, were as follows:

<b>Effective date</b>	<b>Termination date</b>	<b>Notional amount on effective date</b>	<b>Fixed rate (Costamare pays)</b>	<b>Floating rate (Costamare receives)</b>	<b>Fair value Dec. 31, 2011</b>	<b>Fair value Sep. 30, 2012</b>
30/6/2008	30/6/2015	425,000	4.03%p.a.	USD LIBOR 3M BBA	(27,494)	(21,530)
30/6/2008	30/6/2015	75,000	4.03%p.a.	USD LIBOR 3M BBA	(4,852)	(3,799)
30/9/2008	30/6/2015	100,000	4.09%p.a.	USD LIBOR 3M BBA	(6,594)	(5,144)
30/9/2008	30/6/2015	250,000	4.02%p.a.	USD LIBOR 3M BBA	(16,051)	(12,629)
16/5/2008	16/5/2014	75,000	3.88%p.a.	USD LIBOR 6M BBA	(4,075)	(3,569)
16/5/2008	16/5/2014	75,000	3.88%p.a.	USD LIBOR 6M BBA	(4,075)	(3,569)
17/6/2008	17/6/2013	73,000	3.57%p.a.	USD LIBOR 6M BBA	(2,288)	(1,608)
17/6/2008	17/6/2013	73,000	3.57%p.a.	USD LIBOR 6M BBA	(2,288)	(1,608)
21/2/2007	21/2/2017	85,000	Zero cost Interest rate Collar*		(12,268)	(11,096)
4/8/2008	5/8/2013	74,000	3.60%p.a.	USD LIBOR 6M BBA	(3,226)	(1,582)
30/6/2011	29/6/2018	50,000	3.45%p.a.	USD LIBOR 3M BBA	(15,478)	(20,763)
30/9/2011	29/6/2018	20,000	4.05%p.a.	USD LIBOR 3M BBA	(19,031)	(26,270)
28/9/2012	29/6/2018	40,000	3.60%p.a.	USD LIBOR 3M BBA	(4,396)	(6,211)
22/8/2011	22/8/2018	65,000	2.79%p.a.		(4,297)	(5,068)

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				USD LIBOR 6M BBA		
15/12/2012	15/12/2020	133,700	3.51%p.a.	USD LIBOR 6M BBA	(11,088)	(16,850)
15/1/2014	15/1/2021	67,781	2.94%p.a.	USD LIBOR 3M BBA	(2,461)	(5,032)
15/2/2014	15/2/2021	67,781	2.99%p.a.	USD LIBOR 3M BBA	(2,524)	(5,091)
15/3/2014	15/3/2021	67,781	3.03%p.a.	USD LIBOR 3M BBA	(2,558)	(5,119)
20/2/2013	20/2/2020	30,000	2.39%p.a.	USD LIBOR 3M BBA	(770)	(1,958)
30/4/2013	30/4/2020	30,000	2.49%p.a.	USD LIBOR 3M BBA	(818)	(2,009)
30/6/2013	30/6/2020	30,000	2.58%p.a.	USD LIBOR 3M BBA	(867)	(2,063)
30/6/2013	30/6/2020	30,000	2.41%p.a.	USD LIBOR 3M BBA	(611)	(1,791)
20/2/2013	20/2/2020	30,000	2.24%p.a.	USD LIBOR 3M BBA	(541)	(1,716)
30/4/2013	30/4/2020	30,000	2.32%p.a.	USD LIBOR 3M BBA	(562)	(1,740)
30/6/2013	30/6/2020	16,400	2.46%p.a.	USD LIBOR 3M BBA	(429)	(1,066)
30/4/2013	30/4/2020	16,400	2.38%p.a.	USD LIBOR 3M BBA	(409)	(1,046)
20/2/2013	20/2/2020	16,400	2.29%p.a.	USD LIBOR 3M BBA	(386)	(1,021)
<b>Total fair value</b>					<b>(150,437)</b>	<b>(170,948)</b>

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 \* Notional amount \$85,000 amortizing zero-cost collar (2.23% - 6.00%) with knock-in floor sold at 2.23% and struck at 6.00%, as a 10 year forward hedge, covering the period from February 2007 to February 2017. The agreement guarantees that the interest rate payable on the Company's loans throughout the 10-year period will always remain between 2.23% and 6.00% excluding margin.

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**15. Derivatives - continued:**

The interest rate swaps included in the table above are for the Credit Facility discussed in Note 9 and the term loans discussed in Note 9.2.1, 9.2.2, 9.2.3, 9.2.5, 9.2.6, 9.2.10, 9.2.11 and 9.2.12.

*(b) Interest rate swaps that do not meet the criteria for hedge accounting:* As of both December 31, 2011 and September 30, 2012, the Company had outstanding one interest rate swap agreement for the purpose of managing risks associated with the variability of changing LIBOR-related interest rates. Such agreement did not meet hedge accounting criteria and therefore changes in their fair value are reflected in earnings. More specifically, the swap has a Notional amount \$100,000 non-amortizing zero-cost collar (1.37% - 6.00%) with a knock-in floor sold at 1.37% and struck at 6.00%, as a nine-year forward hedge, covering the period from September 2008 to March 2017. At December 31, 2011 and September 30, 2012, the fair value of this swap was a liability of \$20,254 and \$21,817, respectively and is included in Fair value of derivatives in the accompanying consolidated balance sheets.

In the nine-month periods ended September 30, 2011 and 2012, the realized ineffectiveness of the interest rate swaps discussed under (a) and (b) above was \$0.

*(c) Foreign currency agreements:* As of September 30, 2012, the Company was engaged in six Euro/U.S. dollar contracts totaling \$8,500 at an average forward rate of Euro/U.S. dollar 1.253 expiring in monthly intervals in 2012.

As of December 31, 2011, the Company was engaged in sixteen Euro/U.S. dollar contracts totaling \$25,000 at an average forward rate of Euro/U.S. dollar 1.3422 expiring in monthly intervals in 2012.

The total change of forward contracts fair value for the nine-month period ended September 30, 2011 and 2012, was a loss of \$207 and a gain of \$1,242 and, respectively, and are included in Gain/ (loss) on derivative instruments in the accompanying consolidated statements of income.

**The Effect of Derivative Instruments for the nine-month periods ended September 30, 2011 and 2012**  
**Derivatives in ASC 815 Cash Flow Hedging Relationships**

Amount of Gain (Loss) Recognized in Accumulated		Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion)		
OCI on Derivative (Effective Portion)			2011	2012	
2011	2012			2011	2012
(59,012)	(20,511)			-	-

Interest rate swaps			Gain (loss) on derivative instruments		
<b>Total</b>	<b>(59,012)</b>	<b>(20,511)</b>		-	-

**Derivatives Not Designated as Hedging Instruments  
under ASC 815**

	Location of Gain (Loss) Recognized on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	
		2011	2012
Interest rate swaps	Gain (loss) on derivative instruments	(6,373)	(1,563)
Forward contracts	Gain (loss) on derivative instruments	(207)	1,242
<b>Total</b>		<b>(6,580)</b>	<b>(321)</b>

**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**16. Financial Instruments:**

*(a) Interest rate risk:* The Company's interest rates and loan repayment terms are described in Note 9.

*(b) Concentration of credit risk:* Financial instruments consist principally of cash, trade accounts receivable, investments and derivatives. The Company places its temporary cash investments, consisting mostly of deposits, primarily with high credit rated financial institutions. The Company performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable and does not have any agreements to mitigate credit risk. The Company limits the exposure of non-performance by counterparties to derivative instruments by diversifying among counterparties with high credit ratings and performing periodic evaluations of the relative credit standing of the counterparties.

*(c) Fair value:* The carrying amounts reflected in the accompanying consolidated balance sheet of financial assets and accounts payable approximate their respective fair values due to the short maturity of these instruments. The fair value of long-term bank loans with variable interest rates approximate the recorded values, generally due to their variable interest rates. The fair value of the interest rate swap agreements discussed in Note 15 above are determined through Level 2 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements and are derived principally from or corroborated by observable market data, interest rates, yield curves and other items that allow value to be determined.

The fair value of the interest rate swap agreements discussed in Note 15(a) and (b) equates to the amount that would be paid by the Company to cancel the agreements. As at December 31, 2011 and September 30, 2012, the fair value of these interest rate swaps in aggregate amounted to a liability of \$170,691 and \$192,765, respectively.

The fair market value of the forward contracts discussed in Note 15(c) determined through Level 2 of the fair value hierarchy as at December 31, 2011 and September 30, 2012 amounted to a liability of \$984 and an asset of \$258, respectively.

The following tables summarize the hierarchy for determining and disclosing the fair value of assets and liabilities by valuation technique on a recurring basis as of the valuation date.

	<b>December 31, 2011</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>
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**Recurring measurements:**

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Forward contracts liability position	(984 )	-	(984 )	-
Interest rate swaps liability position	(170,691 )	-	(170,691 )	-
<b>Total</b>	<b>(171,675 )</b>	<b>-</b>	<b>(171,675 )</b>	<b>-</b>



**COSTAMARE INC.****Notes to Unaudited Consolidated Financial Statements (Continued)****For the nine-month periods ended September 30, 2011 and 2012**

(Expressed in thousands of U.S. dollars, except of share and per share data)

**16. Financial Instruments - continued:**

	<b>September 30, 2012</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Unobservable Inputs (Level 3)</b>
<b>Recurring measurements:</b>				
Forward contracts asset position	258	-	258	-
Interest rate swaps liability position	(192,765)	-	(192,765)	-
<b>Total</b>	<b>(192,507)</b>	<b>-</b>	<b>(192,507)</b>	<b>-</b>

**17. Comprehensive Income (loss):**

During the nine-month period ended September 30, 2011, other comprehensive income (loss) decreased with losses of \$60,989 relating to the change of the fair value of derivatives that qualify for hedge accounting, the net settlements on interest rate swaps qualifying for cash flow hedge and the fair value of bonds. During the nine-month period ended September 30, 2012, other comprehensive income (loss) decreased with losses of \$22,827 relating to the change of the fair value of derivatives that qualify for hedge accounting and net settlements on interest rate swaps qualifying for cash flow hedge. As at September 30, 2011 and 2012, comprehensive income (loss) amounted to \$521 and \$35,371, respectively.

**18. Subsequent Events:***(a)*

**Declaration and payment of Dividends:** In October 2012, the Company declared a dividend for the third quarter ended September 30, 2012 of \$20,196 or \$0.27 per share (including the shares discussed in (c) below) payable on

November 6, 2012 to stockholders of record at the close of trading of the Company's common stock on the New York Stock Exchange on October 22, 2012.

*(b)*

***Loan draw-down:*** On October 10, 2012, the Company drew-down the amount of \$10,733 in order to partly finance the second pre-delivery installment of Hull H-1068A (Note 9.2.10).

*(c)*

***Follow-on Offering:*** On October 19, 2012, the Company completed a follow-on public offering of 7,000,000 shares of its common stock at \$14.00 per share. The net proceeds from the offering after the underwriting discount and other offering expenses were approximately \$93,540.