COSTAMARE INC.

INTERIM UNAUDITED CONSOLIDATED

FINANCIAL STATEMENTS

JUNE 30, 2010

INDEX TO INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

COSTAMARE INC.

Consolidated Unaudited Balance Sheets
December 31, 2009 and June 30, 2010
(Expressed in thousands of U.S. dollars)

	December 31, 2009	June 30, 2010 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,282	$ 2,454
Restricted cash	4,248	4,398
Receivables	3,135	3,338
Inventories (Note 5)	11,479	9,894
Due from related parties (Note 3)	419	8,695
Fair value of derivatives (Note 14)	44	-
Insurance claims receivable	676	744
Accrued charter revenue (Note 9)	3,218	6,771
Prepayments and other	1,665	2,735
Investments (Note 4)	8,188	14,124
Vessels held for sale	2,951	-
Total current assets	48,305	53,153
FIXED ASSETS, NET:		
Advances for vessel acquisitions (Note 3)	94,455	-
Vessels, net (Note 6)	1,465,644	1,547,923
Total fixed assets, net	1,560,099	1,547,923
OTHER NON CURRENT ASSETS:		
Investments (Note 4)	6,190	-
Deferred charges, net (Note 7)	27,519	32,940
Due from related companies (Note 3)	7,887	-
Restricted cash	40,252	38,971
Accrued charter revenue (Note 9)	20,048	34,907
Deferred Initial Public Offering Cost	-	778
Total assets	$ 1,710,300	$ 1,708,672
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt (Note 8)	$ 93,856	$ 92,506
Accounts payable	8,822	5,467
Due to related parties (Note 3)	7,253	6,578
Accrued liabilities	6,356	8,590
Unearned revenue (Note 9)	2,136	2,024
Fair value of derivatives (Note 14)	52,305	56,306
Dividends payable	10,000	-
Other current liabilities	2,543	1,679
Total current liabilities	183,271	173,150
NON-CURRENT LIABILITIES:		
Long-term debt, net of current portion (Note 8)	1,341,737	1,299,027
Fair value of derivatives, net of current portion (Note 14)	28,855	66,695
Unearned revenue, net of current portion	1,215	899
Total non-current liabilities	1,371,807	1,366,621
COMMITMENTS AND CONTINGENCIES	-	-
STOCKHOLDERS' EQUITY:		
Common Stock (Note 11)	-	-
Additional paid-in capital	372,034	372,034
Other comprehensive loss	(60,648)	(92,605
Retained earnings (accumulated deficit)	(156,164)	(110,528
Total stockholders' equity/(deficit)	155,222	168,901
Total liabilities and stockholders' equity	$ 1,710,300	$ 1,708,672

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

COSTAMARE INC.

Consolidated Unaudited Statements of Income
For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands of U.S. dollars)

	2009	2010
REVENUES:		
Voyage revenue	$ 207,855	$ 178,824
EXPENSES:		
Voyage expenses	2,381	1,023
Vessels' operating expenses	61,349	51,751
General and administrative expenses	259	665
Management fees—related party (Note 3)	6,378	5,479
Amortization of dry-docking and special survey costs (Note 7)	3,891	4,079
Depreciation (Note 6)	36,109	34,447
Gain on sale of vessels (Note 6)	(3,864)	(7,853)
Foreign exchange gains / (losses)	544	147
Operating income	100,808	89,086
OTHER INCOME (EXPENSES):		
Interest income	1,578	636
Interest and finance costs (Note 12)	(48,808)	(34,184)
Other	4,284	280
Gain (loss) on derivative instruments (Note 14)	12,407	(10,182)
Total other expenses	(30,539)	(43,450)
Net Income	$ 70,269	$ 45,636
Earnings per common share, basic and diluted	$ 1.50	$ 0.97
Weighted average number of shares, basic diluted	47,000,000	47,000,000

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

COSTAMARE INC.

Consolidated Unaudited Statements of Stockholders' Equity
For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands of U.S. dollars—except for share and per share data)

	Comprehensive Income	Common Stock # of shares	Common Stock Par value	Additional Paid-in Capital	Accumulated Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
BALANCE, December 31, 2008		**1,000,000**	**-**	**325,482**	**(103,369)**	**(232,863)**	**(10,750)**
- Net income	70,269	-	-	-	-	70,269	70,269
- Contribution of shares of Uriza Shipping Co. (Note 1)		-	-	46,552	-	-	46,552
- Dividends paid		-	-	-	-	(3,000)	(3,000)
- Unrealized loss on cash flow hedges and unrealized gain on securities available for sale, net	47,167	-	-	-	47,167	-	47,167
- Comprehensive loss	$ 117,436						
BALANCE, June 30, 2009		**1,000,000**	**-**	**372,034**	**(56,202)**	**(165,594)**	**150,238**

	Comprehensive Income	Common Stock # of shares	Common Stock Par value	Additional Paid-in Capital	Accumulated Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Total
BALANCE, December 31, 2009		**1,000,000**	**-**	**372,034**	**(60,648)**	**(156,164)**	**155,222**
- Net income	45,636	-	-	-	-	45,636	45,636
- Unrealized gain on cash flow hedges and unrealized gain on securities available for sale, net	(31,957)	-	-	-	(31,957)	-	(31,957)
- Comprehensive income	$ 13,679						
BALANCE, June 30, 2010		**1,000,000**	**-**	**372,034**	**(92,605)**	**(110,528)**	**168,901**

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

COSTAMARE INC.

Consolidated Unaudited Statements of Cash Flows
For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands of U.S. dollars)

	2009	2010
Cash Flows from Operating Activities:		
Net income:	$ 70,269	$ 45,636
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	36,109	34,447
Amortization of financing costs	351	451
Amortization of deferred drydocking and special survey	3,891	4,079
Amortization of unearned revenue	(732)	(322)
Loss (gain) on derivative instruments	(12,407)	10,182
Gain on sale of vessels	(3,864)	(7,853)
Gain on sale of investments	(108)	-
Changes in operating assets and liabilities:		
Receivables	(3,507)	(203)
Due from related parties	2,205	(389)
Inventories	2,368	1,585
Claims receivable	680	(68)
Prepayments and other	283	(1,070)
Accounts payable	2,064	(4,355)
Due to related parties	3,321	(675)
Accrued liabilities	(5,564)	2,070
Unearned revenue	(3,035)	580
Other liabilities	(1,619)	(864)
Drydockings	(5,392)	(8,770)
Accrued charter revenue	(2,367)	(18,412)
Net Cash provided by Operating Activities	82,946	56,049
Cash Flows from Investing Activities:		
Vessel acquisitions / Additions to vessel cost	-	(28,281)
Purchase of available for sale securities	-	-
Proceeds from sale of available for sale of securities	17,266	-
Proceeds from the sale of vessels	15,456	19,067
Net Cash provided by (used in) Investing Activities	32,722	(9,214)
Cash Flows from Financing Activities:		
Proceeds from long-term debt	-	-
Repayment of long-term debt	(49,755)	(44,060)
Payment of financing costs	-	(2,956)
Distribution paid to stockholders with reorganization (Note 1)	(131,000)	-
Dividends paid	(3,000)	(10,000)
Initial public offering related costs	-	(778)
(Increase) decrease in restricted cash	1,506	1,131
Net Cash used in Financing Activities	(182,249)	(56,663)
Net decrease in cash and cash equivalents	(66,581)	(9,828)
Cash and cash equivalents at beginning of the period	**90,262**	**12,282**
Cash and cash equivalents at end of the period	$ 23,681	$ 2,454
SUPPLEMENTAL CASH INFORMATION		
Cash paid during the year for interest, net of amounts capitalized	$ 35,083	$ 9,017

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

COSTAMARE INC.

Notes to Unaudited Statements
For the six-month periods ended June 30, 2009 and 2010
(Expressed in thousands of U.S. dollars)

1. Basis of Presentation and General Information:

Costamare Inc. ("Costamare"), a Marshall Islands corporation was incorporated on April 21, 2008, as part of a reorganization to acquire the ownership interest in 53 ship-owning companies (collectively the "predecessor companies") owned by the Konstantakopoulos Family (Vasileios Konstantakopoulos and his three sons, Kostantinos Konstantakopoulos, Achillefs Konstantakopoulos and Christos Konstantakopoulos, together the "Family"). Unless otherwise indicated, references hereafter to the "Company" refer to Costamare Inc. and any one or more of its subsidiaries or their predecessors, or to such entities collectively.

The Family as shareholders of 53 predecessor companies and 53 predecessor companies along with Costamare Shipping Company S.A. ("Costamare Shipping" or "Manager"), a ship management company wholly owned by Vasileios Konstantakopoulos, as agent for the Family and 53 predecessor companies entered, as of May 30, 2008, into a Master Sales Agreement ("MSA") with Costamare in respect of the above mentioned reorganization. Under the MSA, the Family agreed to sell shares or vessels of each of the predecessor companies to Costamare or to newly formed subsidiaries of Costamare, at Costamare's option, by April 30, 2009. As a result, subsidiaries of Costamare acquired 28 vessels and part of their related assets from 28 of the predecessor companies and assumed or repaid related bank debt and other liabilities and Costamare acquired the shares of each of 25 predecessor companies during the period from June 25 to November 20, 2008; in return Costamare made a distribution to the shareholders of the predecessor companies totaling $400,000 through Costamare Shipping, as agent for the sellers ($269,000 of which was paid as of December 31, 2008 and $131,000 during the period from January 1, 2009 to April 23, 2009). In addition, Costamare agreed to assume Costamare Shipping's guarantees with respect to the performance of 22 charters and six loans of subsidiaries.

As the Family is the sole shareholder of Costamare, holding all of the issued and outstanding share capital of Costamare which consists of 1,000,000 shares, par value of $0.0001 each, and previously owned 100% of the predecessor companies, there is no change in ownership or control of the business, and therefore the transaction constitutes a reorganization of companies under common control, and is accounted for in a manner similar to a pooling of interests. Accordingly, the financial statements of the predecessor companies along with Costamare from the date of its inception have been presented using combined historical carrying costs of the assets and liabilities of the predecessor companies, and present the consolidated financial position and results of operations as if Costamare and its wholly owned subsidiaries and the predecessor companies (collectively referred to as the Company) were consolidated for all periods presented.

In June 2009 the Family, being the shareholders of Uriza Shipping Co., owner of a vessel under construction (Note 16(b)), transferred their shares of Uriza Shipping Co. to the Company. Since the Family was the ultimate shareholder of Uriza Shipping Co. before and after the transfer of shares, the transaction was accounted for at historical cost.

As of June 30, 2010 the Company owned and operated a fleet of 42 container vessels with a total carrying capacity of approximately 213,348 TEUs 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.

Revenues for the six-month periods ended June 30, 2009 and 2010 derived from significant charterers as follows (in percentages of total revenues):

	2009	2010
A	39%	36%
B	16%	19%
C	18%	19%
D	-	10%
Total	73%	84%

1. Basis of Presentation and General Information (continued):

At December 31, 2009 and June 30, 2010, Costamare has 58 wholly-owned subsidiaries, all incorporated in the Republic of Liberia out of which 13 sold their vessels in 2009 and the six-month period ended June 30, 2010 and became dormant and three were established in 2008 to be used for future vessel acquisitions.

The accompanying interim consolidated unaudited financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information. Accordingly, they do not include all the information and notes required by U.S. GAAP for complete financial statements. These statements and the accompanying notes should be read in conjunction with the Company's financial statements for the year ended December 31, 2009 included in the prospectus. These interim consolidated unaudited financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. Operating results for the six-month period ended June 30, 2010 are not necessarily indicative of the results that might be expected for the fiscal year ending December 31, 2010.

2. Significant Accounting Policies and Recent Accounting Pronouncements:

A discussion of the Company's significant accounting policies can be found in the Audited Consolidated Financial Statements for the fiscal year ended December 31, 2009. There have been no material changes to these policies in the six-month period ended June 30, 2010.

The following Accounting Standards Updates were effective for the Company during the six-month period ended June 30, 2010:

In January 2010, the FASB issued an Accounting Standards Update (ASU) No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements." The updated guidance requires new disclosures to separately disclose the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and describe the reasons for the transfers; and in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances and settlements. The updated guidance also clarifies existing disclosures related to the level of disaggregation and disclosures about inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the rollforward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods with those fiscal years. The application of ASU 2010-06 did not have a material impact on the Company's unaudited condensed consolidated financial statements.

In January 2010, the FASB issued ASU 2010-01, Accounting for Distributions to Shareholders with Components of Stock and Cash which amends FASB ASC 505, Equity in order to clarify that the stock portion of a distribution to shareholders that allows the shareholder to elect to receive cash or stock with a potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate is considered a share issuance that is reflected in earnings per share prospectively and is not a stock dividend for purposes of applying FASB ASC 505, Equity and FASB ASC 260, Earnings Per Share. ASU 2010-01 is effective for interim or annual periods ending on or after December 15, 2009, and is adopted retrospectively. The Company has not been involved in any such distributions and thus, the impact to the Company cannot be determined until any such distribution occurs.

In February 2010, the FASB issued ASU 2010-09, Subsequent Events (Topic 855). ASU 2010-09 amends ASC 855 to clarify which entities are required to evaluate subsequent events through the date the financial statements are issued and the scope of the disclosure requirements related to subsequent events. The amendments remove the requirement for an SEC filer to disclose the date through which management evaluated subsequent events in both issued and revised financial statements. Revised financial statements include financial statements revised as a result of either correction of an error or retrospective application of U.S. GAAP. Additionally, the FASB has clarified that if the financial statements have been revised, then an entity that is not an SEC filer should disclose both the date that the financial statements were issued or available to be issued and the date the revised financial statements were issued or available to be issued. Those amendments remove potential conflicts with the SEC's literature. All of the amendments in this Update are effective upon its issuance, except for the use of the issued date for conduit debt obligors. That amendment is effective for interim or annual periods ending after June 15, 2010. The adoption of the above amendments of ASU 2010-09 did not have any impact (other than disclosure) on the Company's unaudited interim consolidated financial statements.

2. Significant Accounting Policies and Recent Accounting Pronouncements (continued):

In March 2010, the FASB issued ASU 2010-11, Derivatives and Hedging-Scope Exception Related to Embedded Credit Derivatives (Topic 815) which addresses application of the embedded derivative scope exception in ASC 815-15-15-8 and 15-9. The ASU primarily affects entities that hold or issue investments in financial instruments that contain embedded credit derivative features, however, other entities may also benefit from the ASU's transition provisions, which permit entities to make a special one-time election to apply the fair value option to any investment in a beneficial interest in securitized financial assets, regardless of whether such investments contain embedded derivative features. The ASU is effective for each reporting entity at the beginning of its first fiscal quarter beginning after June 15, 2010. Early adoption is permitted at the beginning of any fiscal quarter beginning after March 5, 2010. The Company has not been engaged in any such contracts and thus, the impact to the Company cannot be determined until any such contact is entered.

Recent Accounting Standards Updates: In April 2010, the FASB issued ASU 2010-13, Compensation-Stock Compensation, Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in which the Underlying Equity Security Trades a consensus of the FASB Emerging Issues Task Force (Topic 718) which Update addresses the classification of a share-based payment award with an exercise price denominated in the currency of a market in which the underlying equity security trades. Topic 718 is amended to clarify that a share-based payment award with an exercise price denominated in the currency of a market in which a substantial portion of the entity's equity securities trades shall not be considered to contain a market, performance, or service condition. Therefore, such an award is not to be classified as a liability if it otherwise qualifies as equity classification. The amendments in this Update are effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2010. The amendments in this Update should be applied by recording a cumulative-effect adjustment to the opening balance of retained earnings. The cumulative-effect adjustment should be calculated for all awards outstanding as of the beginning of the fiscal year in which the amendments are initially applied, as if the amendments had been applied consistently since the inception of the award. The cumulative effect adjustment should be presented separately. Earlier application is permitted. The Company is currently assessing the potential impacts, if any, on its consolidated financial statements.

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 Vasileios Konstantakopoulos until June 2010 and since June 2010 by Konstantinos Konstantakopoulos, and as such is not part of the consolidated group of the Company, but is a related party, providing both the commercial and technical management of the Company's vessels flying the Greek and the Hong Kong flags, subcontracting the technical management of the latter to Shanghai Costamare Ship Management Co., Ltd. or "Shanghai Costamare", also a related party, under separate management agreements executed between Costamare Shipping and Shanghai Costamare for each vessel in exchange for a daily fixed fee. Costamare Shipping is providing a wide range of shipping services such as technical support and maintenance, insurance consulting, financial and accounting services, under separate management agreements signed between the Manager and each vessel owning company, in exchange for a daily fixed fee. Costamare Shipping has also undertaken the commercial management of the Company's vessels flying flags other than Greek and Hong Kong under separate commercial management agreements with each respective shipowning company. The technical management of such vessels is performed by Ciel Shipmanagement S.A. ("CIEL"), a related party company incorporated in Liberia pursuant to separate agreements signed between each ship-owning company and CIEL in exchange for a daily fixed fee. Costamare Shipping performs its services in exchange for a daily fixed fee of $0.70 (2009: $0.70). The management agreements may be terminated by either party giving two months notice at any time. In addition the Manager is responsible for the commercial management of vessels flying flags other than Greek and Hong Kong at a fixed daily fee of $0.10 (2009: $0.10). Management fees charged by the Manager in the six-month periods ended June 30, 2009 and 2010, amounted to $5,214 and $4,466, respectively, and are included in management fees in the accompanying consolidated statements of income.

The balance due to the Manager at December 31, 2009 and June 30, 2010, amounted to $7,253 and $6,578, respectively, and is separately reflected in Due to related companies in the accompanying consolidated balance sheets.

Furthermore, on September 5, 2008, the Company assumed from Costamare Shipping the interest rate collar swap agreement discussed in Note 14(b)(ii) at its then fair value which was a liability of $7,887. The amount is payable by Costamare Shipping within 30 months from September 5, 2008 and is separately reflected in current assets in the accompanying 2010 consolidated balance sheet.

3. Transactions with Related Parties (continued):

(b) ***Ciel Shipmanagement S.A. ("CIEL"):*** CIEL, a Liberian corporation, is owned 50.2% by the Company's chairman and chief executive officer and 49.8% by Dimitrios Lemonidis, CIEL's chief executive officer. As such, 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 and Hong Kong a wide range of shipping services such as technical support and maintenance, insurance consulting, financial and accounting services, under separate management agreements signed between CIEL and each vessel owning company, in exchange for a daily fixed fee of $0.60 per vessel (2009: $0.60). The management agreements may be terminated by either party giving two months' notice at any time. Management fees charged by CIEL in the six-month periods ended June 30, 2009 and 2010 amounted to $1,084 and $973, respectively, and are included in management fees in the accompanying consolidated statements of income. The balance due from CIEL at December 31, 2009 and June 30, 2010 amounted to $419 and $808, respectively, and is included in Due from related companies in the accompanying consolidated balance sheets. In 2009, following the sale of the vessels MSC Romania II, MSC Venice, MSC Austria and following the reflagging of Horizon, CIEL charged $80 for accounting and administrative fees ($20 per vessel) which are included in Management fees in the accompanying consolidated statements of income. In 2010, following the sale of the vessels MSC Germany and MSC Mexico, CIEL charged $40 for accounting and administrative fees ($20 per vessel) which are included in Management fees in the accompanying consolidated statements of income.

(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% by Zhang Lei, a Chinese national who is Shanghai Costamare's chief executive officer. Shanghai Costamare is a related company incorporated in Peoples' Republic of China in September 2004, where our chairman and chief executive officer holds a 70% interest, and as such is not part of the consolidated group of the Company, but is a related party. The technical and crew management, as well as the procurement operation of certain of the Company's vessels that fly the Hong Kong flag has been sub-contracted from the Manager to Shanghai Costamare. The balance due to Shanghai Costamare at December 31, 2009 and June 30, 2010, was $nil.

(d) ***Under construction vessel—Hull1512A:*** In June 2009, the Family, being the shareholders of Uriza Shipping Co., owner of the then under construction vessel Hull 1512A, transferred their shares of Uriza Shipping Co. to the Company. The contract price amounted to $116,000 and as of December 31, 2009, the amount of $92,000 was paid to the shipyard and is included in Advances for vessel acquisitions in the accompanying 2009 consolidated balance sheet. In May 2010, the Company paid to the shipyard the amount of $24,000, and took delivery of the new-building vessel MSC Navarino. (Note 16(b)).

4. Investments:

During 2008 the Company purchased bonds issued by the US Government and by the Province of Ontario as follows:

(a) In October 2008, two bonds issued by the US Government with principal amount of $45,000 at a purchase price of $45,686 in the aggregate. The US Government bonds have Coupon rates at 2.375% and 2.000% and mature in August and September 2010, respectively. During 2008, the Company sold part of the two above mentioned US Government bonds of principal amount of $21,000 which were purchased at $21,333 and realized a gain of $341 and in 2009 the Company sold another part of the two above mentioned US Government bonds of principal amount of $21,000 with mark-to-market value as at December 31, 2008, of $21,501 and realized a gain of $108.

(b) In December 2008, two bonds issued by the Province of Ontario with principal amount of $11,000 at a purchase price of $11,195 in the aggregate. The two Province of Ontario bonds have Coupon rates at 3.125% and 2.750% and mature in September 2010 and February 2011, respectively.

(Expressed in thousands of U.S. dollars)

4. Investments (continued):

As at June 30, 2010 the Company held the following bonds at fair value, all maturing within the following next 12 months:

Issuer	Principal amount	Invested amount	Coupon rate	Maturity	Market Value June 30, 2010
US Government	3,000	3,041	2.000%	September 30, 2010	3,026
Province of Ontario	5,000	5,112	3.125%	September 8, 2010	5,023
Province of Ontario	6,000	6,083	2.750%	February 22, 2011	6,075
Total	14,000	14,236			14,124

The total fair value change of the bonds during the six-month period ended June 30, 2009 amounted to an unrealized gain of $185 which is included in Other Comprehensive Income/Loss and the total fair value change of the bonds for the six-month period ended June 30, 2010, amounted to an unrealized loss of $254 which is included in Other Comprehensive Income/Loss.

5. Inventories:

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

	December 31, 2009	June 30, 2010
Lubricants	9,912	8,354
Spare parts	1,567	1,540
Total	**11,479**	**9,894**

6. Vessels, Net:

The amount in the accompanying June 30, 2010 consolidated balance sheet is analyzed as follows:

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2009	**2,037,774**	**(572,130)**	**1,465,644**
- Depreciation	-	(34,447)	(34,447)
- Vessel acquisitions and other vessels' cost	123,736	-	123,736
- Disposals	(19,560)	12,550	(7,010)
Balance, June 30, 2010	**2,141,950**	**(594,027)**	**1,547,923**

During 2007, the Company concluded two Memoranda of Agreement to acquire two secondhand container vessels, the Gem and Maersk Kokura for $115,000 in aggregate. The Company took delivery of these two secondhand container vessels, for an aggregate cost of $115,450 ($115,000 of contract price and $450 of brokerage commission cost) during the first quarter of 2008. Both of the vessels acquired were under existing time charter agreements which the Company agreed to assume through arrangements with the respective charterers. The Company, upon delivery of each of the above vessels, evaluated the charter contracts assumed and recognized a liability of $2,000 with a corresponding increase in the vessels' purchase price.

The unamortized balance of the liability derived from the assumed charter discussed above as at December 31, 2009 and June 30, 2010, totaled $1,865 and $1,543, respectively and is included in current and non-current Unearned revenue (Note 9).

(Expressed in thousands of U.S. dollars)

6. Vessels, Net (continued):

During the six-months ended June 30, 2010, the Company sold for scrap the container vessels MSC Germany, MSC Toba and MSC Mexico at an aggregate price of $20,979 and realized an aggregate capital gain of $7,853 which is included in Gain (loss) on sale of vessels, net in the accompanying six-months ended June 30, 2010 consolidated statement of income.

On May 6, 2010 the Company took delivery from the ship-yard of the newbuilding container vessel MSC Navarino at a total cost of $123,230 including $1,000 discretionary bonus paid to the shipyard on July 1, 2010 (Note 16(b)).

During the six-month period ended June 30, 2009, the Company sold for scrap the container vessels MSC Austria, MSC Yokohama, MSC Venice, MSC Romania II and MSC Antwerp at an aggregate price of $16,179 and realized an aggregate capital net gain of $3,864 which is included in Gain (loss) on sale of vessels, net in the accompanying 2009 consolidated statement of income.

On June 9, 2009, the Company concluded a Memorandum of agreement to scrap the vessel MSC Togo at a price of $3,465 resulting to a loss of $1,033. On July 22, 2009, the vessel MSC Togo was delivered to her scrap buyer.

On December 17, 2009, the Company concluded a Memorandum of agreement to scrap the vessel MSC Germany at a price of $5,770. Therefore the vessel's carrying value at December 31, 2009 has been classified as Asset held for sale in current assets in the accompanying 2009 balance sheet. On January 4, 2010, the vessel MSC Germany was delivered to her scrap buyer.

As of June 30, 2010, all of the Company's vessels were operating under time charters, the last of which expires in May 2018. As of June 30, 2010, seven of the Company's vessels having total carrying value of $14,971 were fully depreciated.

Thirty-two of the Company's vessels, having a total carrying value of $1,268,026 as of June 30, 2010, have been provided as collateral to secure the long-term debt discussed in Note 8.

7 Deferred Charges:

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

	Financing Costs	Dry-docking and Special Survey Costs	Total
Balance, December 31, 2009	**4,008**	**23,511**	**27,519**
- Additions	2,956	8,770	11,726
- Amortization	(451)	(4,079)	(4,530)
- Write-off	-	(1,775)	(1,775)
Balance, June 30, 2010	**6,513**	**26,427**	**32,940**

Financing costs represent fees paid to the lenders for the conclusion of the bank loans discussed in Note 8. 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 drydocking and special survey costs is separately reflected in the accompanying consolidated statements of income.

During the six-months period ended June 30, 2009 and 2010, five vessels and seven vessels, respectively, underwent their special survey.

(Expressed in thousands of U.S. dollars)

8. Long-Term Debt:

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

Borrower(s)	December 31, 2009	June 30, 2010
1. **Credit Facility**	881,758	863,758
2. **Term Loans:**		
1. Lang Shipping Co	4,900	4,900
2. Dino Shipping Co.	-	-
3. Mera Shipping Co., Convey Shipping Co., Douro Shipping Co. and Cornas Shipping Co.	6,135	2,785
4. Costis Maritime Corporation and Christos Maritime Corporation	136,500	132,000
5. Mas Shipping Co	71,500	70,000
6. Montes Shipping Co. and Kelsen Shipping Co.	134,000	130,000
7. Marathos Shipping Inc.	13,300	11,400
8. Capetanissa Maritime Corporation	75,000	72,500
9. Rena Maritime Corporation	72,500	70,000
10. Bullow Investments Inc.	10,000	8,000
11. Merin Shipping Co., Lytton Shipping Co., Venor Shipping Co., Volk Shipping Co.	30,000	26,190
	553,835	527,775
Total	1,435,593	1,391,533
Less-current portion	(93,856)	(92,506)
Long-term portion	1,341,737	1,299,027

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. From the Facility proceeds $631,340 were used to repay existing indebtedness. The Facility comprises of (a) a revolving credit facility of an amount of up to $300,000 and (b) a term loan facility of an amount of up to $700,000. The balance of the Facility at June 30, 2010 is repayable in 32 variable, consecutive quarterly installments, the first four in an amount of $9,000 each and the remaining 28 to be calculated using a formula specified in the agreement. 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 loan. As of June 30, 2010 the Company had drawn $936,413. Following the repayment of the amount of $10,655 discussed above the undrawn balance of the Facility as of June 30, 2010 totaled $74,242.

   On June 22, 2010, the Company entered into the second supplemental agreement to the Facility which provides for a two-year period ending December 31, 2011 (i) the relaxation of the Security Requirement and during this period the Security Requirement ratio is 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 up to December 31, 2011, half of which to be paid upfront upon execution of the supplemental agreement, and (iii) no payments of dividends without the lender's prior consent in case the Company remains private. In case the Company becomes public and subject to no Event of Default having occurred and being continuing, no such 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. Furthermore, the second supplemental agreement provides that the undrawn amount of the Facility at June 15, 2010, if and when drawn, will be drawn at increased margin over LIBOR.

8. Long-term Debt (continued):

The Facility, as of June 30, 2010, was secured, inter alia, with 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 shipowning companies.

The Facility and the term loan described under 8.2.5 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.

2. Term loans:

1. In September 2008, Lang Shipping Co. entered into a loan agreement with a bank for an amount of up to $10,450, in order to partly finance, as part of the internal reorganization process (Note 1), the acquisition cost of the vessel Hyundai Challenger. The outstanding balance of the loan at June 30, 2010 of $4,900 is fully payable in November 2010.

2. In September 2008, Dino Shipping Co. entered into a loan agreement with a bank for an amount of up to $37,500, in order to partly finance, as part of the internal reorganization process (Note 1), the acquisition cost of the vessel Sealand Michigan. On December 16, 2009, the then outstanding balance of the loan of $30,000 was fully repaid.

3. In August 2008, Mera Shipping Co., Convey Shipping Co., Douro Shipping Co. and Cornas Shipping Co. entered into a loan agreement with a bank for an amount of up to $16,088, in order to partly finance, as part of the internal reorganization process (Note 1), the acquisition cost of the vessels MSC Sierra, MSC Austria, MSC Germany and MSC Mexico. The outstanding balance of the loan at June 30, 2010 of $2,785 is fully payable in November 2010.

4. 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 the vessels Sealand New York and Sealand Washington. As at June 30, 2010, the outstanding balance of the loan of $132,000 is repayable in 16 equal semi-annual installments of $4,500, each from November 2010 to May 2018 and a balloon payment of $60,000 payable together with the last installment.

5. 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 June 30, 2010, the outstanding balance of the loan of $70,000 is repayable in 16 variable semi-annual installments from August 2010 to February 2018 and a balloon payment of $10,000 payable together with the last installment.

6. 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 June 30, 2010, the outstanding balance of the loan of $130,000 is repayable in 15 variable semiannual installments from December 2010 to December 2017 and a balloon payment of $42,000 payable together with the last installment.

7. 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 June 30, 2010, the outstanding balance of the loan of $11,400 is repayable in six equal semi-annual installments of $1,900 each, from August 2010 to February 2013.

(Expressed in thousands of U.S. dollars)

8. Long-term Debt (continued):

8. 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 June 30, 2010, the outstanding balance of the loan of $72,500 is repayable in 17 equal semi-annual installments of $2,500 each from August 2010 to August 2018 and a balloon payment of $30,000 payable together with the last installment.

9. 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 June 30, 2010, the outstanding balance of the loan of $70,000 is repayable in 16 equal semi-annual installments of $2,500 each from August 2010 to February 2018 and a balloon payment of $30,000 payable together with the last installment.

10. In February 2005, Bullow 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 June 30, 2010, the outstanding balance of the loan of $8,000 is repayable in six variable semi-annual installments from August 2010 to February 2013.

11. 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. As at June 30, 2010, the outstanding balance of the loan of $26,190 is repayable in five variable semi-annual installments from December 2010 to December 2012.

With the exception of the loan discussed in 8.2.2 above, all term loans bear interest at LIBOR plus a spread. The interest rate for the loan discussed in 8.2.2 above, was fixed from September 2008 until December 2009 when it was fully repaid, at interest rates between 4.42% and 5.82%.

The term loans are secured by, inter alia, (a) first priority mortgages over the borrowers vessels, (b) first priority assignment of all insurances and earnings of the mortgaged vessels and (c) corporate guarantee of Costamare. 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.

The annual principal payments required to be made after June 30, 2010, are as follows:

Year ending December 31,	Amount
2010	49,796
2011	114,598
2012	149,011
2013	132,503
2014	129,978
2015 and thereafter	815,647
	1,391,533

The interest rates of the Company's long-term debt at December 31, 2009 and June 30, 2010, were in the range of 1.13% – 6.75% and 1.23% – 6.75%, respectively, while the weighted average interest rate as at December 31, 2009 and June 30, 2010, was 4.30% and 4.38%, respectively.

Total interest expense incurred on long-term debt for the six-month periods ended June 30, 2009 and 2010 amounted to $32,241 and $8,973, respectively, and is included in Interest and finance costs in the accompanying consolidated statements of income. Of the above amounts, $nil and $1,616 for 2009 and 2010, respectively, were capitalized and are included in Vessels, net in the accompanying consolidated balance sheet.

(Expressed in thousands of U.S. dollars)

9. 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, 2009 and June 30, 2010, 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. The amount of accrued charter revenue of $41,678 (including the current portion of $6,771 which is separately reflected in current assets in the accompanying 2009 consolidated balance sheet) in the accompanying 2010 consolidated balance sheet matures as follows:

Year ending December 31,	Amount
2010	3,209
2011	16,788
2012	12,440
2013	4,746
2014	2,596
2015 and thereafter	1,899
	41,678

(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, 2009 and June 30, 2010, 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 one vessel in 2008, three vessels in 2007 and of four vessels in 2005, 2004 and 2003, with a charter party assumed at a value below its fair market value at the date of delivery of the vessels.

	2009	2010
Hires collected in advance	1,201	1,380
Charter revenue resulting from varying charter rates	285	-
Unamortized balance of charters assumed (Note 6)	1,865	1,543
Total	**3,351**	**2,923**
Less current portion	(2,136)	(2,024)
Non-current portion	**1,215**	**899**

10. Commitments and Contingencies:

(a) ***Long-term time charters:*** The Company has entered into time charter arrangements on all of its vessels with international liner operators. These arrangements as at June 30, 2010, have remaining terms of up to 95 months. 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 to non-cancelable, long-term time charter contracts, are as follows:

Year ending December 31,	Amount
2010	177,183
2011	340,518
2012	298,065
2013	246,102
2014	211,357
2015 and thereafter	433,170
	1,706,395

(Expressed in thousands of U.S. dollars)

10. Commitments and Contingencies (continued):

(b) ***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 such 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.

11. Common Stock and Additional Paid-In Capital:

(a) ***Common Stock:*** The authorized common stock of Costamare since inception consists of 2,000,000 shares with a par value of US dollar 0.0001 per share out of which 1,000,000 shares were issued to the Family. In July 2010, the Costamare's articles of incorporation were amended (Note 16(c)).

(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 and (ii) advances for working capital purposes.

12. Interest and Finance Costs:

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

	2009	**2010**
Interest expense	32,241	8,973
Interest capitalized	-	(1,616)
Swap effect	14,503	26,165
Amortization and write-off of financing costs	351	451
Commitment fees	80	132
Swap unwound	1,486	-
Loans breakage cost	87	-
Bank charges and other	60	79
	48,808	**34,184**

13. 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 have called on the United States during the relevant year of operation are obliged to file tax returns with the Internal Revenue Service. Applicable Tax is 50% of 4% of U.S. 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 U.S. corporations and (ii) over 50% of the ultimate shareholders of the vessel owning companies are residents of a country granting an equivalent exemption to U.S. persons.

(Expressed in thousands of U.S. dollars)

14. 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 pro-actively 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, and 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, and, 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.

The interest rate swap agreements designed as hedging instruments, as of December 31, 2009 and June 30, 2010, were as follows:

Contract trade date	Effective date	Termination date	Notional amount on effective date	Fixed rate (Costamare pays)	Floating rate (Costamare receives)	Fairvalue Dec. 31,2009	Fairvalue June 30,2010
22/05/2008	30/06/2008	30/06/2015	425,000	4.03% p.a.	USD LIBOR 3M BBA	(24,277)	(34,940)
22/05/2008	30/06/2008	30/06/2015	75,000	4.03% p.a.	USD LIBOR 3M BBA	(4,284)	(6,166)
3/09/2008	30/9/2008	30/06/2015	100,000	4.09% p.a.	USD LIBOR 3M BBA	(5,929)	(8,433)
4/09/2008	30/9/2008	30/06/2015	250,000	4.02% p.a.	USD LIBOR 3M BBA	(13,726)	(20,442)
13/05/2008	16/5/2008	16/05/2014	75,000	3.88% p.a.	USD LIBOR 6M BBA	(3,678))	(5,472)
13/05/2008	16/5/2008	16/05/2014	75,000	3.88% p.a.	USD LIBOR 6M BBA	(3,678)	(5,472)
13/02/2008	17/6/2008	17/06/2013	73,000	3.57% p.a.	USD LIBOR 6M BBA	(3,076)	(4,019)
13/02/2008	17/6/2008	17/06/2013	73,000	3.57% p.a.	USD LIBOR 6M BBA	(3,076)	(4,019)
30/11/2006	21/2/2007	21/02/2017	85,000	Zero cost Interest rate Collar*		(7,685)	(10,837)
11/03/2008	4/08/2008	5/08/2013	74,000	3.595% p.a.	USD LIBOR 6M BBA	(3,637)	(4,949)
			1,305,000		**Total fair value**	(73,046)	(104,749)

* 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. This interest rate swap was re-designated for hedge accounting as of January 1, 2008.

The total fair value change of the interest rate swaps, qualifying for hedge accounting, for the six-month period ended June 30, 2010, amounted to a loss of $31,703 and for the six-month period ended June 30, 2009 amounted to a gain of $47,293. The effective portion for the 2010 period of the hedge amounted to a loss of $31,703 and for the 2009 period amounted to a gain of $46,982 and are included in Other Comprehensive Income/Loss.

The interest rate swaps included in the table above are for the Credit Facility discussed in Note 8 and the term loans discussed in Note 8.2.4, 8.2.5, 8.2.6 and 8.2.9.

14. Derivatives (continued):

(b) ***Interest rate swaps that do not meet the criteria for hedge accounting:*** As of December 31, 2009 and June 30, 2010 and 2009, the Company had outstanding one interest rate swap agreement (two interest rate swap agreements as at December 31, 2008) for the purpose of managing risks associated with the variability of changing LIBOR-related interest rates. Such agreements did not meet hedge accounting criteria and therefore changes in their fair value are reflected in earnings. More specifically:

(i) Notional amount $100,000 non-amortizing interest rate swap agreement concluded on November 21, 2008 (with effective date on November 25, 2008) for a period of 10 years through November 26, 2018. Under the agreement the Company pays fixed rate at 3.33% and receives floating rate at six-months LIBOR. At December 31, 2008, the fair value of this interest rate swap was a liability of $4,843. In January 2009 the Company unwound this interest rate swap and realized a loss of $1,486 which is included in Interest and finance costs in the accompanying 2009 consolidated statement of income.

(ii) 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. The fair value of this swap when acquired from Costamare Shipping was a liability of $7,887 (2008: liability of $11,460) (Note 3(a)). At December 31, 2009 and June 30, 2010, the fair value of this swap was a liability of $8,114 and $13,748, respectively resulting a loss of $5,634 which is included in Gain (loss) on derivative instruments in the accompanying 2010 consolidated statement of income.

The total fair value change of the interest rate swaps that do not meet the criteria for hedge accounting for the year ended December 31, 2008, amounted to a loss of $8,414 bearing an aggregate negative fair value at December 31, 2008 of $16,301.

In the six-month periods ended June 30, 2009 and June 30, 2010, the realized ineffectiveness of the interest rate swaps discussed under (a) and (b) was a gain of $311 and $nil, respectively.

(c) ***Foreign currency agreements:*** As of June 30, 2010, the Company was engaged in 32 Euro/U.S. dollar contracts totalling $59,000 at an average forward rate of Euro/U.S. dollar 1.3575 expiring in monthly intervals up to December 2011.

As of December 31, 2009, the Company was engaged in six Euro/U.S. dollar contracts totalling $12,000 at an average forward rate of Euro/U.S. dollar 1.4348 expiring in monthly intervals in 2010.

For the six-month period ended June 30, 2010, the fair market value change of the 32 forward Euro/U.S. dollar contracts amounted to a loss of $4,548 and is included in Gain/ (loss) on derivative instruments in the accompanying 2010 consolidated statement of income. For the six-month period ended June 30, 2009, the change of forward contracts fair value amounted to a gain of $893 which is included in Gain/(loss) on derivative instruments in the accompanying 2009 consolidated statement of income.

15 Financial Instruments:

(a) ***Interest rate risk:*** The Company's interest rates and loan repayment terms are described in Note 8.

(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.

(Expressed in thousands of U.S. dollars)

15. Financial Instruments (continued):

(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 investment discussed in Note 4, determined through Level 1 of the fair value hierarchy, equates to the amounts that would be received by the Company in the event of sale of that investment. The fair value of the interest rate swap agreements discussed in Note 14 above are determined through Level 2 of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements 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 14(a) and (b) equates to the amount that would be paid by the Company to cancel the agreements. As at December 31, 2009 and June 30, 2010, the fair value of these interest rate swaps in aggregate amounted to a liability of $81,160 and $118,497, respectively.

The fair market value of the forward contracts discussed in Note 14(c) determined through Level 2 of the fair value hierarchy as at December 31, 2009, amounted to an asset of $44 and as at June 30, 2010 amounted to a liability of $4,504, respectively.

The following table summarizes 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.

	June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Recurring measurements:				
Forward contracts—liability position	(4,504)	-	(4,504)	-
Interest rate swaps—liability position	(118,947)	-	(118,947)	-
Investments—asset position	14,124	14,124	-	-
Total	(109,327)	14,124	(123,451)	-

16. Subsequent Events:

(a) ***Foreign Currency Agreements:*** In July 2010 the Company entered into one forward Euro/U.S. dollar contract totalling $5,000 at a forward rate of Euro/U.S. dollar 1.2732 expiring in September 2010.

(b) ***Delivery of MSC Navarino:*** In July 2010, the Company paid to the shipyard a discretionary bonus in the amount of $1,000 for the satisfactory construction quality of the vessel, in accordance with a Memorandum of Understanding that was concluded together with the shipbuilding contract.

(c) ***Amendment of the Company's Articles of Incorporation and Rights Issue:*** 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.

On July 14, 2010, the Company's Board of Directors authorized a Rights offering pursuant to which all shareholders as at that date could subscribe to purchase up to 32 shares of common stock at $0.10 per share for each share held. Six of the seven shareholders of record holding 750,000 of the then issued shares of the Company elected to participate in the Rights offering subscribing for a total of 24,000,000 shares of common stock.

On July 20, 2010 the Company issued 24,000,000 shares of common stock, at a price of $0.10 per common share, in exchange of $2,400, increasing the issued share capital of the Company to 25,000,000 shares of common stock. The earnings per share calculation in the unaudited interim consolidated financial statements for all periods presented has been restated to reflect the issuance of the 24,000,000 shares of common stock.

16. Subsequent Events (continued):

(d) ***Vessel Acquisitions:*** On September 23, 2010, the Company contracted to acquire four 3,351 TEU secondhand containerships at a purchase price of $11,250 per containership, two to be delivered by December 20, 2010 and two by February 28, 2011. These secondhand containerships were built between 1990 and 1992. The Company intends to finance the acquisition of these vessels with available cash and/or new debt financing.

(e) ***Stock Split:*** On October 19, 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 then outstanding common stock. The earnings per share calculations in the accompanying consolidated financial statements have been restated to reflect the Stock Split for all periods presented.