Costamare Inc.
Form 20-F
March 01, 2013

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

FORM 20-F

(Mark One)

£ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

S **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

£ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

£ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

COSTAMARE INC.
(Exact name of Registrant as specified in its charter)

NOT APPLICABLE
(Translation of Registrant s name into English)

Republic of The Marshall Islands
(Jurisdiction of incorporation or organization)
60 Zephyrou Street &
Syngrou Avenue
17564 Athens Greece
(Address of principal executive offices)
Konstantinos Zacharatos Secretary
60 Zephyrou Street &
Syngrou Avenue
17564 Athens Greece

Greece Telephone : +30-210-949-0050 Facsimile : +30-210-949-6454
(Name, Address, Telephone Number and Facsimile Number of Company contact person)

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.0001 par value per share	New York Stock Exchange
Preferred stock purchase rights	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT TO SECTION 15(d) OF THE ACT: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report. As of December 31, 2012, there were 74,800,000 shares of the registrant s common stock outstanding.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes £ No S

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes £ No S

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes S No £

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer £ Accelerated filer S Non-accelerated filer £

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

U.S. GAAP S International Financial Reporting Standards as issued by the International Accounting Standards Board £ Other £

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 £ Item 18 £

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes £ No S

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ABOUT THIS REPORT

In this annual report, unless otherwise indicated, references to Costamare , the Company , we , our , us or similar t when used in a historical context refer to Costamare Inc., or any one or more of its subsidiaries or their predecessors, or to such entities collectively.

FORWARD-LOOKING STATEMENTS

All statements in this annual report that are not statements of historical fact are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. The disclosure and analysis set forth in this annual report includes assumptions, expectations, projections, intentions and beliefs about future events in a number of places, particularly in relation to our operations, cash flows, financial position, plans, strategies, business prospects, changes and trends in our business and the markets in which we operate. These statements are intended as forward- looking statements. In some cases, predictive, future-tense or forward-looking words such as believe , intend , anticipate , estimate , project , forecast , plan , potential , may , should , could and expect and similar e intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. In addition, we and our representatives may from time to time make other oral or written statements which are forward-looking statements, including in our periodic reports that we file with the Securities and Exchange Commission (SEC), other information sent to our security holders, and other written materials.

Forward-looking statements include, but are not limited to, such matters as:

general market conditions and shipping industry trends, including charter rates, vessel values and factors affecting supply and demand;

our continued ability to enter into time charters with our customers, including the re-chartering of vessels upon the expiry of existing charters, or to secure profitable employment for our vessels in the spot market;

our contracted revenue;

future operating or financial results and future revenues and expenses;

our financial condition and liquidity, including our ability to make required payments under our credit facilities, comply with our loan covenants and obtain additional financing in the future to fund capital expenditures, acquisitions and other corporate activities, as well as our ability to refinance indebtedness;

the overall health and condition of the U.S. and global financial markets, including the value of the U.S. dollar relative to other currencies;

the financial stability of our counterparties, both to our time charters and our credit facilities, and the ability of such counterparties to perform their obligations;

future, pending or recent acquisitions of vessels or other assets, business strategy, areas of possible expansion and expected capital spending or operating expenses;

our expectations relating to dividend payments and our ability to make such payments;

our expectations about availability of existing vessels to acquire or newbuilds to purchase, the time that it may take to construct and deliver new vessels, including our newbuild vessels currently on order, or the useful lives of our vessels;

availability of key employees and crew, length and number of off-hire days, dry-docking requirements and fuel and insurance costs;

our anticipated general and administrative expenses;

our ability to leverage to our advantage our managers relationships and reputation within the container shipping industry;

expected compliance with financing agreements and the expected effect of restrictive covenants in such agreements;

- environmental and regulatory conditions, including changes in laws and regulations or actions taken by regulatory authorities;
- risks inherent in vessel operation, including terrorism, piracy and discharge of pollutants;
- potential liability from future litigation; and
- other factors discussed in Item 3. Key Information D. Risk Factors of this annual report.

Many of these statements are based on our assumptions about factors that are beyond our ability to control or predict and are subject to risks and uncertainties that are described more fully in Item 3. Key Information D. Risk Factors of this annual report. Any of these factors or a combination of these factors could materially affect future results of operations and the ultimate accuracy of the forward-looking statements. Factors that might cause future results to differ include, but are not limited to, the following:

- changes in law, governmental rules and regulations, or actions taken by regulatory authorities;
- changes in economic and

- competitive conditions affecting our business;

- potential liability from future litigation;

- length and number of off-hire periods and dependence on affiliated managers; and

- other factors discussed in Item 3. Key Information D. Risk Factors of this annual report.

We caution that the forward-looking statements included in this annual report represent our estimates and assumptions only as of the date of this annual report and are not intended to give any assurance as to future results. Assumptions, expectations, projections, intentions and beliefs about future events may, and often do, vary from actual results and these differences can be material. The reasons for this include the risks, uncertainties and factors described under Item 3. Key Information D. Risk Factors . As a result, the forward-looking events discussed in this annual report might not occur and our actual results may differ materially from those anticipated in the forward-looking statements. Accordingly, you should not unduly rely on any forward-looking statements.

We undertake no obligation to update or revise any forward-looking statements contained in this annual report, whether as a result of new information, future events, a change in our views or expectations or otherwise. New factors emerge from time to time, and it is not possible for us to predict all of these factors. Further, we cannot assess the impact of each such factor on our business or the extent to which any factor, or combination of factors, may cause actual results to be materially different from those contained in any forward-looking statement.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

The following table presents selected consolidated financial and other data of Costamare Inc. for each of the five years in the five-year period ended December 31, 2012. The table should be read together with Item 5. Operating and Financial Review and Prospects . The selected consolidated financial data of Costamare Inc. is a summary of, is derived from, and is qualified by reference to, our audited consolidated financial statements and notes thereto, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP . Our audited consolidated statements of income, stockholders equity and cash flows for the years ended December 31, 2010, 2011 and 2012 and the consolidated balance sheets at December 31, 2011 and 2012, together with the notes thereto, are included in Item 18. Financial Statements and should be read in their entirety.

	Year Ended December 31,				
	2008	**2009**	**2010**	**2011**	**20**
	(Expressed in thousands of U.S. dollars, except for share and per share data)				
STATEMENT OF INCOME					
Revenues:					
Voyage revenue	$ 426,348	$ 399,939	$ 353,151	$ 382,155	$ 3
Expenses:					
Voyage expenses	3,735	3,075	2,076	4,218	
Voyage expenses related parties			410	2,877	
Charter agreement early termination fee			9,500		
Vessels operating expenses	148,350	114,515	102,771	110,359	1
General and administrative expenses	2,608	1,716	1,224	4,958	
Management	13,541	12,231	11,256	15,349	

fees related parties					
Amortization of dry-docking and special survey costs	6,722	7,986	8,465	8,139	
Depreciation	72,256	71,148	70,887	78,803	
(Gain) / loss on sale of vessels	(95)	(2,854)	(9,588)	(13,077)	
Foreign exchange (gains) / losses	(235)	535	273	(133)	
Other income / (expenses)	(37)				
Operating income	$ 179,503	$ 191,587	$ 155,877	$ 170,662	$ 1
Other Income (expenses):					
Interest income	$ 5,575	$ 2,672	$ 1,449	$ 477	$
Interest and finance costs	(68,420)	(86,817)	(71,949)	(75,441)	(
Other	109	3,892	306	603	
Gain (loss) on derivative instruments	(16,988)	5,595	(4,459)	(8,709)	
Total other income (expenses)	$ (79,724)	$ (74,658)	$ (74,653)	$ (83,070)	$ (
Net Income	$ 99,779	$ 116,929	$ 81,224	$ 87,592	$
Earnings per common share, basic and diluted	$ 2.12	$ 2.49	$ 1.65	$ 1.45	$
Weighted average number of shares, basic and diluted	47,000,000	47,000,000	49,113,425	60,300,000	67,6

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	Year Ended December 31,				
	2008	2009	2010	2011	2012
	(Expressed in thousands of U.S. dollars, except for share, per share and ratio data)				
OTHER FINANCIAL DATA					
Net cash provided by operating activities	$ 247,518	$ 161,893	$ 127,946	$ 195,179	$ 168,114
Net cash (used in) provided by investing activities	(138,301)	12,811	(23,850)	(283,758)	(236,509)
Net cash (used in) provided by financing activities	(22,529)	(252,684)	43,396	26,801	237,720
Net increase (decrease) in cash and cash equivalents	86,688	(77,980)	147,492	(61,778)	169,325
Dividends and distributions paid	(279,778)	(161,230)	(10,000)	(61,506)	(73,089)
Ratio of earnings to fixed charges(1)	2.00	2.16	2.18	2.41	2.54
BALANCE SHEET DATA (at period end)					
Total current assets	$ 121,495	$ 48,305	$ 211,212	$ 138,851	$ 299,924
Total assets	1,815,500	1,710,300	1,828,782	1,982,545	2,311,334
Total current liabilities	287,534	183,271	184,788	226,589	249,411
Total long-term debt, including current portion	1,529,948	1,435,593	1,341,737	1,443,420	1,561,889
Total stockholders equity	(10,750)	155,222	362,142	329,986	520,452

Average for the Year Ended December 31,

	2008	2009	2010	2011	2012
FLEET DATA					
Number of vessels	52.8	47.3	42.4	47.8	46.8
TEU capacity	226,878	218,733	211,185	231,990	237,975

(1) We have not issued any preferred stock as of the date of this prospectus. Accordingly, the ratio of earnings to combined fixed charges and preference dividends is equivalent to the ratio of earnings to fixed charges. For the purpose of computing the consolidated ratio of earnings to fixed charges, earnings consist of net income plus fixed charges less interest capitalized. Fixed charges consist of interest expensed and capitalized, amortization and write-off

of capitalized
expenses
relating to
indebtedness.

B. Capitalization and Indebtedness

The following table sets forth our (i) cash and cash equivalents, (ii) restricted cash and (iii) consolidated capitalization as of December 31, 2012:

This information should be read in conjunction with Item 5. Operating and Financial Review and Prospects , and our consolidated financial statements and the related notes thereto included elsewhere in this annual report.

		As of December 31, 2012 (Expressed in thousands of U.S. dollars)
Cash and cash equivalents	$	267,321
Restricted cash	$	47,322
Debt:		
Total long-term debt(1)(2)	$	1,561,889
Stockholders equity:		
Common stock, par value $0.0001 per share; 1,000,000,000 shares authorized on an actual basis and 1,000,000,000 shares authorized on an as adjusted basis; 74,800,000 shares issued and outstanding on an actual basis	$	8
Additional paid-in capital	$	714,100
Accumulated deficit		(40,814)
Accumulated other comprehensive loss		(152,842)
Total stockholders equity		520,452
Total capitalization	$	2,082,341

(1) As of December 31, 2012, we had $532.7 million of undrawn borrowing capacity under our committed credit facilities for newbuilds on order. See Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Credit Facilities .

(2) All of our existing indebtedness is secured.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Inherent in Our Business

Our growth depends upon continued increases in world and regional demand for chartering containerships, and the continuing global economic slowdown may impede our ability to continue to grow our business.

The ocean-going container shipping industry is both cyclical and volatile in terms of charter rates and profitability. Containership charter rates peaked in 2005 and generally stayed strong until the middle of 2008, when the effects of the recent economic crisis began to affect global container trade, driving rates to their 10-year lows.

Demand for containerships declined significantly during 2008 and 2009. In late 2009 and 2010, there was improvement on Far East-to-Europe and trans-Pacific container trade lanes, alongside improvements also witnessed on other, non-main lane, trade routes including certain intra-Asia and North- South trade routes. However, from the end of the second quarter of 2011, container trade overall has weakened. In 2012, the impact of the continuing European sovereign debt crisis and global economic slowdown, as well as uncertainty regarding the resolution of the fiscal cliff in the United States, negatively impacted international trade while the supply of containerships continued to rise. However, global trade volumes appeared to stabilize towards the end of 2012. Average freight rates continued to decrease in 2012 apart from a short period in the second quarter as liner companies continued to experience a drop-off in container shipping activity. The continuation of such decreased freight rates or any further declines in freight rates would negatively affect the liner companies to which we seek to charter our containerships. The economics of our business have also been affected negatively by the large number of containership newbuild vessels ordered prior to the onset of the downturn. Accordingly, weak conditions in the containership sector may affect our ability to generate cash flows and maintain liquidity, as well as adversely affect our ability to obtain financing.

The factors affecting the supply and demand for containerships are outside of our control, and the nature, timing and degree of changes in industry conditions are unpredictable. The factors that influence demand for containership capacity include:

- supply and demand for products shipped in containers;
- changes in global production of products transported by containerships;
- global and regional economic and political conditions;
- developments in international trade;
- environmental and other regulatory developments;
- the distance container cargo products are to be moved by sea;
- changes in seaborne and other transportation patterns;
- port and canal congestion; and
- currency exchange rates.

The factors that influence the supply of containership capacity include:

- the availability of financing;
- the price of steel and other raw materials;
- the number of newbuild vessel deliveries;
- the availability of shipyard capacity;
- the scrapping rate of older containerships;
- the number of containerships that are out of service;
- changes in environmental and other regulations that may limit the useful lives of containerships;
- the price of fuel; and
- the economics of slow steaming.

Our ability to re-charter our containerships upon the expiration or termination of their current time charters and the charter rates payable under any renewal options or replacement time charters will depend upon, among other things, the prevailing state of the containership charter market, which can be affected by consumer demand for products shipped in containers. If the charter market is depressed when our containerships time charters expire, we may be forced to re-charter our containerships at reduced or even unprofitable rates, or we may not be able to re-charter them at all, which may reduce or eliminate our earnings or make our earnings volatile. The same issues will be faced if we acquire additional vessels and attempt to obtain multi-year time charters as part of our acquisition and financing plan.

Our liner company customers have been placed under significant financial pressure, thereby increasing our charter counterparty risk.

The continuing weakness in demand for container shipping services and any future declines in such demand could result in financial challenges faced by our liner company customers and may increase the likelihood of one or more of our customers being unable or unwilling to pay us contracted charter rates. We expect to generate most of our revenues from these charters and if our charterers fail to meet their obligations to us, we will sustain significant losses which could have a material adverse effect on our financial condition and results of operations.

An oversupply of containership capacity may prolong or further depress the current charter rates and adversely affect our ability to re-charter our existing containerships at profitable rates or at all.

From 2005 through the first quarter of 2010, the percentage of the containership order-book was at historically high levels. Although order-book volumes have decreased as deliveries of previously ordered containerships increased substantially, some renewed ordering in late 2012 and early 2013 of mainly larger vessels has maintained the order-book at above average levels. An oversupply of newbuild vessel and/or re-chartered containership capacity entering the market, combined with any future decline in the demand for containerships, may result in a reduction of charter rates and may decrease our ability to re-charter our containerships other than for reduced rates or unprofitable rates, or we may not be able to re-charter our containerships at all.

Weak economic conditions throughout the world, particularly the Asia Pacific region and recent EU sovereign debt default fears, could have a material adverse effect on our business, financial condition and results of operations.

The global economy remains relatively weak, when compared to the period prior to the 2008-2009 financial crisis. The current global recovery is proceeding at varying speeds across regions and is still subject to downside risks stemming from factors like fiscal fragility in advanced economies, highly accommodative macroeconomic policies and persistent difficulties in access to credit. In particular, concerns regarding the possibility of sovereign debt defaults by European Union member countries, including Greece, disrupted financial markets throughout the world, and may lead to weaker consumer demand in the European Union, the United States, and other parts of the world. The deterioration in the global economy has caused, and may continue to cause, a decrease in worldwide demand for certain goods shipped in containerized form. In addition, if Greece or another European Union member country were to default on its sovereign debt, the impact on the global economy could have a material adverse effect on our business.

We anticipate that a significant number of port calls made by our containerships will continue to involve the loading or unloading of container cargoes in ports in the Asia Pacific region. In recent years, China has been one of the world s fastest growing economies in terms of gross domestic product, which has had a significant impact on shipping demand. However, if China s growth in gross domestic product declines and other countries in the Asia Pacific region experience slowed or experience negative economic growth in the future, this may exacerbate the effect of the significant downturns in the economies of the United States and the European Union, and thus, may negatively impact container shipping demand. For example, the possibility of sovereign debt defaults by European Union member countries, including Greece, and the possibility of market reforms to float the Chinese renminbi, either of which development could weaken the Euro against the Chinese renminbi, could adversely affect consumer demand in the European Union. Moreover, the revaluation of the renminbi may negatively impact the United States demand for imported goods, many of which are shipped from China in containerized form. Such weak economic conditions could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

Disruptions in world financial markets and the resulting governmental action in the United States and in other parts of the world could have a material adverse impact on our results of operations, financial condition and cash flows.

Global financial markets and economic conditions have been severely disrupted and volatile in recent years and remain subject to significant vulnerabilities, such as the deterioration of fiscal balances and the rapid accumulation of public debt, continued deleveraging in the banking sector and a limited supply of credit. Credit markets as well as the debt and equity capital markets were exceedingly distressed during 2008 and 2009 and have been volatile since that time. The current sovereign debt crisis in countries such as Greece, for example, and concerns over debt levels of certain other European Union member states and in other countries around the world, as well as concerns about international banks, have led to increased volatility in global credit and equity markets. These issues, along with the re-pricing of credit risk and the difficulties currently experienced by financial institutions have made, and will likely continue to make, it difficult to obtain financing. As a result of the disruptions in the credit markets and higher capital requirements, many lenders have increased margins on lending rates, enacted tighter lending standards, required more restrictive terms (including higher collateral ratios for advances, shorter maturities and smaller loan amounts), or have refused to refinance existing debt at all. Furthermore, certain banks that have historically been significant lenders to the shipping industry have reduced or ceased lending

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activities in the shipping industry. Additional tightening of capital requirements and the resulting policies adopted by lenders, could further reduce lending activities. We may experience difficulties obtaining financing commitments or be unable to fully draw on the capacity under our committed term loans in the future if our lenders are unwilling to extend financing to us or unable to meet their funding obligations due to their own liquidity, capital or solvency issues. We cannot be certain that financing will be available on acceptable terms or at all. If financing is not available when needed, or is available only on unfavorable terms, we may be unable to meet our future obligations as they come due. Our failure to obtain such funds could have a material adverse effect on our business, results of operations and financial condition, as well as our cash flows, including cash available for dividends to our stockholders. In the absence of available financing, we also may be unable to take advantage of business opportunities or respond to competitive pressures.

In addition, as a result of the ongoing economic turmoil in Greece resulting from the sovereign debt crisis and the related austerity measures implemented by the Greek government, our operations in Greece may be subjected to new regulations that may require us to incur new or additional compliance or other administrative costs and may require that we pay to the Greek government new taxes or other fees. We also face the risk that strikes, work stoppages, civil unrest and violence within Greece may disrupt our shoreside operations and those of our managers located in Greece.

We are dependent on our charterers fulfilling their obligations under agreements with us, and their inability or unwillingness to honor these obligations could significantly reduce our revenues and cash flow.

We expect that our containerships will continue to be chartered to customers mainly under multi-year fixed rate time charters. Payments to us under these time charters are and will be our sole source of operating cash flow. Many of our charterers finance their activities through cash from operations, the incurrence of debt or the issuance of equity. Since 2008, there has been a significant decline in the credit markets and the availability of credit, and the equity markets have been volatile. The combination of a reduction of cash flow resulting from declines in world trade, a reduction in borrowing bases under reserve-based credit facilities and the lack of availability of debt or equity financing may result in a significant reduction in the ability of our charterers to make charter payments to us. Additionally, we could lose a time charter if the charterer exercises certain specified, limited termination rights.

If we lose a time charter because the charterer is unable to pay us or for any other reason, we may be unable to re-deploy the related vessel on similarly favorable terms or at all. Also, we will not receive any revenues from such a vessel while it is un-chartered, but we will be required to pay expenses necessary to maintain and insure the vessel and service any indebtedness on it. The combination of any surplus of containership capacity and the expected increase in the size of the world containership fleet over the next few years may make it difficult to secure substitute employment for any of our containerships if our counterparties fail to perform their obligations under the currently arranged time charters, and any new charter arrangements we are able to secure may be at lower rates. Furthermore, the surplus of containerships available at lower charter rates and lack of demand for our customers liner services could negatively affect our charterers willingness to perform their obligations under our time charters, which in many cases provide for charter rates significantly above current market rates. While we have agreed in certain cases to charter rate re-arrangements entailing reductions for specified periods, we have been compensated for these adjustments by, among other things, subsequent rate increases, so that the aggregate payments under the charters are not materially reduced, and in some cases we also have arranged for term extensions. However, there is no assurance that any future charter re-arrangements will be on similarly favorable terms.

The loss of any of our charterers, time charters or vessels, or a decline in payments under our time charters, could have a material adverse effect on our business, results of operations and financial condition, revenues and cash flow and our ability to pay dividends to our stockholders.

A limited number of customers operating in a consolidating industry comprise a large part of our revenues. The loss of these customers could adversely affect our results of operations, cash flows and competitive position.

Our customers in the containership sector consist of a limited number of liner companies. A.P. Moller-Maersk, MSC and COSCO together represented 75%, 68% and 74% of our revenue in 2010, 2011 and 2012, respectively. We expect that a limited number of leading liner companies will continue to generate a substantial portion of our revenues. The cessation of business with these liner companies or their failure to fulfill their obligations under the time charters for our containerships could have a material adverse effect on our financial condition and results of operations, as well as our cash flows. In addition, any consolidations involving our customers could increase the concentration of our business.

A decrease in the level of China s export of goods or an increase in trade protectionism could have a material adverse impact on our charterers business and, in turn, could cause a material adverse impact on our results of operations, financial condition and cash flows.

China exports considerably more goods than it imports. Our containerships are deployed on routes involving containerized trade in and out of emerging markets, and our charterers container shipping and business revenue may be derived from the shipment of goods from the Asia Pacific region to various overseas export markets including the United States and Europe. Any reduction in or hindrance to the output of China-based exporters could have a material adverse effect on the growth rate of China s exports and on our charterers business. For instance, the government of China has recently implemented economic policies aimed at increasing domestic consumption of Chinese-made goods. This may have the effect of reducing the supply of goods available for export and may, in turn, result in a decrease of demand for container shipping. Additionally, though in China there is an increasing level of autonomy and a gradual shift in emphasis to a market economy and enterprise reform, many of the reforms, particularly some limited price reforms that result in the prices for certain commodities being principally determined by market forces, are unprecedented or experimental and may be subject to revision, change or abolition. The level of imports to and exports from China could be adversely affected by changes to these economic reforms by the Chinese government, as well as by changes in political, economic and social conditions or other relevant policies of the Chinese government.

Our operations expose us to the risk that increased trade protectionism will adversely affect our business. If global economic recovery is undermined by downside risks and the economic downturn continues, governments may turn to trade barriers to protect their domestic industries against foreign imports, thereby depressing the demand for shipping. Specifically, increasing trade protectionism in the markets that our charterers serve has caused and may continue to cause an increase in (i) the cost of goods exported from China, (ii) the length of time required to deliver goods from China and (iii) the risks associated with exporting goods from China, as well as a decrease in the quantity of goods to be shipped.

Any increased trade barriers or restrictions on trade, especially trade with China, would have an adverse impact on our charterers business, operating results and financial condition and could thereby affect their ability to make timely charter hire payments to us and to renew and increase the number of their time charters with us. This could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

We conduct a substantial amount of business in China, including through one of our local managers, Shanghai Costamare, a Chinese corporation, and our time charters with COSCO. The legal system in China is not fully developed and has inherent uncertainties that could limit the legal protections available to us.

The Chinese legal system is based on written statutes and their legal interpretation by the Standing Committee of the National People s Congress. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the Chinese government has been developing a comprehensive system of commercial laws, and considerable progress has been made in

introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve uncertainties. We do a substantial amount of business in China, including through one of our managers, Shanghai Costamare Ship Management Co., Ltd. (Shanghai Costamare), a Chinese corporation which, as of February 22, 2013, operated eight vessels under the Hong Kong flag and one vessel under the Liberian flag that were exclusively manned by Chinese crews, which exposes us to potential litigation in China. Additionally, we have charters with COSCO, a Chinese corporation, and though these charters are governed by English law, we may have difficulties enforcing a judgment rendered by an English court (or other non-Chinese court) in China.

We may be unable to obtain additional debt financing for future acquisitions of vessels.

As of February 22, 2013, we had no undrawn borrowing capacity beyond the $525.1 million of available borrowing capacity under four credit facilities concluded during 2011 that are committed to finance part of the pre-delivery and delivery installments of the construction of our ten newbuild vessels on order. We intend to borrow against unencumbered containerships in our existing fleet and vessels we may acquire in the future as part of our growth plan. The actual or perceived credit quality of our charterers, and any defaults by them, and any decline in the market value of our fleet may materially affect our ability to obtain the additional capital resources that we will require to purchase additional vessels or may significantly increase our costs of obtaining such capital. Our inability to obtain additional financing or committing to financing on unattractive terms could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

Our ability to pay dividends may be limited by the amount of cash we generate from operations following the payment of fees and expenses, by the establishment of any reserves, by restrictions in our debt instruments and by additional factors unrelated to our profitability.

We intend to pay regular quarterly dividends. The declaration and payment of dividends is, however, subject to the discretion of our board of directors and the requirements of Marshall Islands law. The timing and amount of any dividends declared will depend on, among other things (a) our earnings, financial condition, cash flow and cash requirements, (b) our liquidity, including our ability to obtain debt and equity financing on acceptable terms as contemplated by our vessel acquisition strategy, (c) restrictive covenants in our existing and future debt instruments and (d) provisions of Marshall Islands law governing the payment of dividends.

The international containership industry is highly volatile, and we cannot predict with certainty the amount of cash, if any, that will be available for distribution as dividends in any period. Also, there may be a high degree of variability from period to period in the amount of cash, if any, that is available for the payment of dividends. The amount of cash we generate from operations and the actual amount of cash we will have available for dividends will vary based upon, among other things:

- the charter-hire payments we obtain from our charters as well as the rates obtained upon the expiration of our existing charters;

our fleet expansion strategy and associated uses of our cash and our financing requirements;

delays in the delivery of newbuild vessels and the beginning of payments under charters relating to those vessels;

the level of our operating costs, such as the costs of crews, lubricants and insurance;

the number of unscheduled off-hire days for our fleet and the timing of, and number of days required for, scheduled dry-docking of our containerships;

prevailing global and regional economic and political conditions;

changes in interest rates;

- the effect of governmental regulations and maritime self-regulatory organization standards on the conduct of our business;

- changes in the basis of taxation of our activities in various jurisdictions;

- modification or revocation of our dividend policy by our board of directors; and

- the amount of any cash reserves established by our board of directors.

The amount of cash we generate from our operations may differ materially from our net income or loss for the period, which will be affected by non-cash items. We may incur other expenses or liabilities that could reduce or eliminate the cash available for distribution as dividends.

In addition, our credit facilities and other financing agreements prohibit the payment of dividends, if an event of default has occurred and is continuing or would occur as a result of the payment of such dividends.

For more information regarding our financing arrangements, please read Item 5. Operating and Financial Review and Prospects .

In addition, Marshall Islands law generally prohibits the payment of dividends other than from surplus (retained earnings and the excess of consideration received for the sale of shares above the par value of the shares) or if there is no surplus, from the net profits for the current and prior fiscal year, or while a company is insolvent or if it would be rendered insolvent by the payment of such a dividend. We may not have sufficient surplus or net profits in the future to pay dividends, and our subsidiaries may not have sufficient funds, surplus or net profits to make distributions to us. As a result of these and other factors, we may pay dividends during periods when we record losses and may not pay dividends during periods when we record net income. We can give no assurance that dividends will be paid in the future.

We may have difficulty properly managing our growth through acquisitions of new or secondhand vessels and we may not realize expected benefits from these acquisitions, which may negatively impact our cash flows, liquidity and our ability to pay dividends to our stockholders.

We intend to grow our business by ordering newbuild vessels and through selective acquisitions of high-quality secondhand vessels. Our future growth will primarily depend on:

- the operations of the shipyards that build any newbuild vessels we may order;
- locating and identifying suitable high-quality secondhand vessels;
- obtaining required financing on acceptable terms;
- consummating vessel acquisitions;
- enlarging our customer base;
- hiring additional shore-based employees and seafarers; and
- managing joint ventures or significant acquisitions.

In addition, any vessel acquisition may not be profitable at or after the time of acquisition and may not generate cash flows sufficient to justify the investment. Other risks associated with vessel acquisitions that may harm our business, financial condition and operating results include the risks that we may:

fail to realize anticipated benefits, such as new customer relationships, cost-savings or cash flow enhancements;

be unable to hire, train or retain qualified shore and seafaring personnel to manage and operate our growing business and fleet;

decrease our liquidity by using a significant portion of available cash or borrowing capacity to finance acquisitions;

significantly increase our interest expense or financial leverage if we incur additional debt to finance acquisitions;

incur or assume unanticipated liabilities, losses or costs associated with

any vessels or
businesses
acquired; or

- incur other significant charges, such as impairment of goodwill or other intangible assets, asset devaluation or restructuring charges.

Unlike newbuild vessels, secondhand vessels typically do not carry warranties as to their condition. While we generally inspect existing vessels prior to purchase, such an inspection would normally not provide us with as much knowledge of a vessel s condition as we would possess if it had been built for us and operated by us during its life. Repairs and maintenance costs for secondhand vessels are difficult to predict and may be substantially higher than for vessels we have operated since they were built. These costs could decrease our cash flows, liquidity and our ability to pay dividends to our stockholders.

Delay in the delivery of our newbuild vessels on order, or any future newbuild vessel orders, could adversely affect our earnings.

The expected delivery dates under our current shipbuilding contracts for newbuild vessels, and any additional shipbuilding contracts we may enter into in the future, may be delayed for reasons not under our control, including, among other things:

- quality or engineering programs;
- changes in governmental regulations or maritime self-regulatory organization standards;
- work stoppages or other labor disturbances at the shipyard;
- bankruptcy of or other financial crisis involving the

shipyard;

financial instability of the lenders under our committed credit facilities, resulting in potential delay or inability to draw down on such facilities;

financial instability of the charterers under our agreed time charters for the newbuild vessels, resulting in potential delay or inability to charter the newbuild vessels;

a backlog of orders at the shipyard;

political, social or economic disturbances;

weather interference or a catastrophic event, such as a major earthquake or fire;

requests for changes to the original vessel specifications;

- shortages of or delays in the receipt of necessary construction materials, such as steel; and

- an inability to obtain requisite permits or approvals.

If the seller of any newbuild vessel we have contracted to purchase is not able to deliver the vessel to us as agreed, or if we cancel a purchase agreement because a seller has not met his obligations, it may result in a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

Rising crew and other vessel operating costs may adversely affect our profits.

Acquiring and renewing long-term time charters with leading liner companies depends on a number of factors, including our ability to man our containerships with suitably experienced, high-quality masters, officers and crews. In recent years, the limited supply of and increased demand for well- qualified crew, due to the increase in the size of the global shipping fleet, has created upward pressure on crewing costs, which we generally bear under our time charters. Increases in crew costs and other vessel operating costs such as insurance, repairs and maintenance, and lubricants may adversely affect our profitability. In addition, if we cannot retain sufficient numbers of quality on-board seafaring personnel, our fleet utilization will decrease, which could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

Rising fuel prices may have an adverse effect on our profits.

The cost of fuel is a significant factor in negotiating charter rates and can affect us in both direct and indirect ways. This cost will be borne by us when our containerships are employed on voyage charters or contracts of affreightment. We currently have no voyage charters or contracts of affreightment, but we may enter into such arrangements in the future, and to the extent we do so, an increase in the price of fuel beyond our expectations may adversely affect our profitability. Even where the cost of fuel is borne by the charterer, which is the case with all of our existing time charters, that cost will affect the level of charter rates that charterers are prepared to pay.

The price and supply of fuel is unpredictable and fluctuates based on events outside our control, including geo-political developments, supply and demand for oil, actions by members of the OPEC and other oil and gas producers, economic or other sanctions levied against oil and gas producing countries, war and unrest in oil producing countries and regions, regional production patterns and environmental concerns and regulations.

We must make substantial capital expenditures to maintain the operating capacity of our fleet and acquire vessels, which may reduce or eliminate the amount of cash for dividends to our stockholders.

We must make substantial capital expenditures to maintain the operating capacity of our fleet and we generally expect to finance these maintenance capital expenditures with cash balances or credit facilities. In addition, we will need to make substantial capital expenditures to acquire vessels in accordance with our growth strategy. Expenditures could increase as a result of, among other things, the cost of labor and materials, customer requirements and governmental regulations and maritime self-regulatory organization standards relating to safety, security or the environment. Significant capital expenditures, including to maintain the operating capacity of our fleet, may reduce or eliminate the amount of cash available for distribution to our stockholders.

The aging of our fleet may result in increased operating costs in the future, which could adversely affect our earnings.

In general, the cost of maintaining a vessel in good operating condition increases with the age of the vessel. As our fleet ages, we will incur increased costs. Older vessels may require longer and more expensive dry-dockings, resulting in more off-hire days and reduced revenue. Older vessels are typically less fuel efficient and more costly to maintain than more recently constructed vessels due to improvements in engine technology. In addition, older vessels are often less desirable to charterers. Governmental regulations and safety or other equipment standards related to the age of a vessel may also require expenditures for alterations or the addition of new equipment to our vessels and may restrict the type of activities in which our containerships may engage. Our current fleet of 57 containerships, including 10 newbuild vessels on order, as of February 22, 2013 had an average age (weighted by TEU capacity) of 9.5 years and included one containership over 30 years old. See Item 4. Information on the Company B. Business Overview Our Fleet, Acquisitions and Newbuild Vessels . We cannot assure you that, as our vessels age, market conditions will justify such expenditures or will enable us to profitably operate our older vessels.

Unless we set aside reserves or are able to borrow funds for vessel replacement, at the end of the useful lives of our vessels our revenue will decline, which would adversely affect our business, results of operations and financial condition.

Our current fleet of 57 containerships, including 10 newbuild vessels on order, as of February 22, 2013, had an average age (weighted by TEU capacity) of 9.5 years and included one containership over 30 years old. See Item 4. Information on the Company B. Business Overview Our Fleet, Acquisitions and Newbuild Vessels . Unless we maintain reserves or are able to borrow or raise funds for vessel replacement, we will be unable to replace the older vessels in our fleet. Our cash flows and income are dependent on the revenues earned by the chartering of our containerships. The inability to replace the vessels in our fleet upon the expiration of their useful lives could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders. Any reserves set aside for vessel replacement will not be available for dividends.

Containership values decreased significantly in 2008 and 2009 and have remained at depressed levels through 2012. Containership values may decrease further and over time may fluctuate substantially. If these values are low at a time when we are attempting to dispose of a vessel, we could incur a loss.

Containership values can fluctuate substantially over time due to a number of different factors, including:

- prevailing economic conditions in the markets in which containerships operate;
- reduced demand for containerships, including as a result of a substantial or extended decline in world trade;
- increases in the supply of containership capacity;
- prevailing charter rates; and
- the cost of retrofitting or modifying existing ships to respond to technological advances in vessel design or equipment, changes in applicable environmental or other regulations or standards, or otherwise.

If the market values of our vessels further deteriorate, we may be required to record an impairment charge in our financial statements, which could adversely affect our results of operations. In addition, any such deterioration in the market values of our vessels could trigger a breach under our credit facilities, which could adversely affect our operations. If a charter expires or is terminated, we may be unable to re-charter the vessel at an acceptable rate and, rather than continue to incur costs to maintain the vessel, may seek to dispose of it. Our inability to dispose of the containership at a reasonable price could result in a loss on its sale and adversely affect our results of operations and financial condition.

Our growth depends on our ability to expand relationships with existing charterers and to obtain new time charters, for which we will face substantial competition from new entrants and established companies with significant resources.

One of our principal objectives is to acquire additional containerships in conjunction with entering into additional multi-year time charters for these vessels. The process of obtaining new multi-year time charters is highly competitive and generally involves an intensive screening process and competitive bids, and often extends for several months. Generally, we compete for charters based upon charter rate, customer relationships, operating expertise, professional reputation and containership specifications, including size, age and condition.

In addition, as vessels age, it can be more difficult to employ them on profitable time charters, particularly during periods of decreased demand in the charter market. Accordingly, we may find it difficult to continue to find profitable employment for our older vessels, including the one vessel in our fleet over 30 years of age as of February 22, 2013.

We face substantial competition from a number of experienced companies, including state-sponsored entities. Some of these competitors have significantly greater financial resources than we do, and can therefore operate larger fleets and may be able to offer better charter rates. In the future, we may also face competition from reputable, experienced and well-capitalized marine transportation companies that do not currently own containerships, but may choose to do so. Any increased competition may cause greater price competition for time charters, as well as for the acquisition of high-quality secondhand vessels and newbuild vessels. Further, since the charter rate is generally considered to be one of the principal factors in a charterer s decision to charter a vessel, the rates offered by our competitors can place downward pressure on rates throughout the charter market. As a result of these factors, we may be unable to re-charter our containerships, expand our relationships with existing customers or to obtain new customers on a profitable basis, if at all, which could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

Due to our lack of diversification, adverse developments in the containership transportation business could reduce our ability to service our debt obligations and pay dividends to our stockholders.

We rely exclusively on the cash flow generated from charters for our containerships. Due to our lack of diversification, an adverse development in the container shipping industry would have a significantly greater impact on our financial condition and results of operations than if we maintained more diverse assets or lines of business. An adverse development could also impair our ability to service debt or pay dividends to our stockholders.

We may have more difficulty entering into multi-year, fixed-rate time charters if a more active short-term or spot container shipping market develops.

One of our principal strategies is to enter into multi-year, fixed-rate time charters in both strong and weak charter rate environments, although in weaker charter rate environments we would generally expect to target somewhat shorter charter terms. If more containerships become available for the spot or short-term charter market, we may have difficulty entering into additional multi-year, fixed-rate time charters for our containerships due to the increased supply of containerships and the possibility of lower rates in the spot market. As a result, we will then have to charter more of our containerships for shorter periods and our revenues, cash flows and profitability could then reflect, to some degree, fluctuations in the short-term charter market.

We may be unable to re-charter our vessels at profitable rates, if at all, upon their time charter expiry.

As of February 22, 2013, the current time charters for 9 of our 47 containerships in the water will reach their maturities before the end of 2013. While we generally expect to be able to obtain time charters for our vessels within a reasonable period prior to their time charter expiry, we cannot be assured that this will occur in any particular case, or at all. In addition, demand for containerships has been weakening, and we may be unable to secure re-chartering rates that are as profitable as the current time charters. If we are unable to obtain new time charters for these containerships at favorable rates, it could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

We are a holding company and we depend on the ability of our subsidiaries to distribute funds to us in order to satisfy our financial obligations and to make dividend payments.

We are a holding company and our subsidiaries conduct all of our operations and own all of our operating assets. We have no significant assets other than the equity interests in our subsidiaries. As a result, our ability to pay our obligations and to make dividend payments depends entirely on our subsidiaries and their ability to distribute funds to us. The ability of a subsidiary to make these distributions could be affected by a claim or other action by a third party, including a creditor, or by the law of their respective jurisdictions of incorporation which regulates the payment of dividends. If we are unable to obtain funds from our subsidiaries, our board of directors may exercise its discretion not to declare or pay dividends.

Our credit facilities or other financing arrangements contain payment obligations and restrictive covenants that may limit our liquidity and our ability to expand our fleet. A failure by us to meet our obligations under our credit facilities could result in an event of default under such credit facilities and foreclosure on our vessels.

Our credit facilities impose certain operating and financial restrictions on us. These restrictions in our existing credit facilities generally limit Costamare Inc., and our subsidiaries ability to, among other things:

- pay dividends if an event of

default has occurred and is continuing or would occur as a result of the payment of such dividends;

purchase or otherwise acquire for value any shares of our subsidiaries capital;

- make or repay loans or advances, other than repayment of the credit facilities;
- make investments in other persons;
- sell or transfer significant assets, including any vessel or vessels mortgaged under the credit facilities, to any person, including Costamare Inc. and our subsidiaries;
- create liens on assets; or
- allow the Konstantakopoulos family s direct or indirect holding in Costamare Inc. to fall below 40% of the total issued share capital.

Our existing credit facilities also require Costamare Inc. and certain of our subsidiaries to maintain the aggregate of (a) the market value, primarily on an inclusive charter basis, of the mortgaged vessel or vessels and (b) the market value of any additional security provided to the lenders, above a percentage ranging between 100% to 125% of the then outstanding amount of the credit facility and any related swap exposure.

Costamare Inc. is required to maintain compliance with the following financial covenants:

- the ratio of our total liabilities (after deducting all cash and cash equivalents) to market value adjusted total assets (after deducting all cash and cash equivalents) may not exceed 0.75:1;

the ratio of EBITDA over net interest expense must be equal to or higher than 2.5:1;

the aggregate amount of all cash and cash equivalents may not be less than the greater of (i) $30 million or (ii) 3% of the total debt, *provided*, *however*, that under two of our credit facilities, a minimum cash amount equal to 3% of the loan outstanding must be maintained in accounts with the lender; and

- the market value adjusted net worth must at all times exceed $500 million.

A failure to meet our payment and other obligations could lead to defaults under our credit facilities. Our lenders could then accelerate our indebtedness and foreclose on the vessels in our fleet securing those credit facilities, which could result in the acceleration of other indebtedness that we may have at such time and the commencement of similar foreclosure proceedings by other lenders. The loss of these vessels would have a material adverse effect on our operating results and financial condition. For additional information see Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Credit Facilities .

Substantial debt levels could limit our ability to obtain additional financing and pursue other business opportunities.

As of December 31, 2012, we had outstanding indebtedness of $1.56 billion and we expect to incur additional indebtedness as we grow our fleet. This level of debt could have important consequences to us, including the following:

- our ability to obtain additional financing for working capital, capital expenditures, acquisitions or other purposes may be impaired or such financing may be unavailable on favorable terms;

- we may need to use a substantial portion of our cash from operations to make principal and interest payments on our debt, thereby reducing the funds that would otherwise be available for operations, future business opportunities and dividends to our stockholders;

our debt level could make us more vulnerable than our competitors with less debt to competitive pressures or a downturn in our business or the economy generally; and

our debt level may limit our flexibility in responding to changing business and economic conditions.

Our ability to service our debt will depend upon, among other things, our future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond our control. If our operating income is not sufficient to service our current or future indebtedness, we will be forced to take actions such as reducing or delaying our business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may not be able to effect any of these remedies on satisfactory terms, or at all.

The derivative contracts we have entered into to hedge our exposure to fluctuations in interest rates could result in higher than market interest rates and reductions in our stockholders equity, as well as charges against our income.

We have entered into interest rate swaps generally for purposes of managing our exposure to fluctuations in interest rates applicable to indebtedness under our credit facilities which were advanced at floating rates based on LIBOR. As of December 31, 2012, the aggregate notional amount of interest rate swaps relating to our fleet as of such date was $1.25 billion, and the aggregate notional amount of interest rate swaps relating to the committed credit facilities for our newbuilds on order was $0.57 billion, which will become effective as amounts are drawn under such facilities to finance the newbuildings. We have also entered into certain currency hedges. There is no assurance that our derivative contracts will provide adequate protection against adverse changes in interest rates or currency exchange ratios or that our bank counterparties will be able to perform their obligations. In addition, as a result of the implementation of new regulation of the swaps markets in the United States, the European Union and elsewhere over the next few years, the cost and availability of interest rate and currency hedges may increase or suitable hedges may not be available.

While we monitor the credit risks associated with our bank counterparties, there can be no assurance that these counterparties would be able to meet their commitments under our derivative contracts. Our bank counterparties include financial institutions that are based in European Union countries that have faced and continue to face severe financial stress due to the ongoing sovereign debt crisis. The potential for our bank counterparties to default on their obligations under our derivative contracts may be highest when we are most exposed to the fluctuations in interest and currency rates such contracts are designed to hedge, and several or all of our bank counterparties may simultaneously be unable to perform their obligations due to the same events or occurrences in global financial markets.

To the extent our existing interest rate swaps do not, and future derivative contracts may not, qualify for treatment as hedges for accounting purposes we would recognize fluctuations in the fair value of such contracts in our income statement. In addition, changes in the fair value of our derivative contracts are recognized in Accumulated Other Comprehensive Loss on our balance sheet, and can affect compliance with the net worth covenant requirements in our credit facilities. Changes in the fair value of our derivative contracts that do not qualify for treatment as hedges for accounting and financial reporting purposes affect, among other things, our net income, earnings per share and EBITDA coverage ratio. For additional information see Item 5. Operating and Financial Review and Prospects .

Because we generate all of our revenues in United States dollars but incur a significant portion of our expenses in other currencies, exchange rate fluctuations could hurt our results of operations.

We generate all of our revenues in United States dollars and for the year ended December 31, 2012, we incurred a substantial portion of our vessels operating expenses in currencies other than United States dollars. This difference could lead to fluctuations in net income due to changes in the value of the United States dollar relative to other currencies, in particular the Euro. Expenses incurred in foreign currencies against which the United States dollar falls in value could increase, thereby decreasing our net income. While we have hedged some of this exposure, our U.S. dollar denominated results of operations and financial condition and ability to pay dividends could suffer from adverse currency exchange rate movements. While we believe that we are adequately hedged against this exposure through 2013, future declines in the U.S. dollar versus the Euro could have a material effect on our operating expenses and net income.

Increased competition in technology and innovation could reduce our charter hire income and the value of our vessels.

The charter rates and the value and operational life of a vessel are determined by a number of factors, including the vessel s efficiency, operational flexibility and physical life. Efficiency includes speed and fuel economy. Flexibility includes the ability to enter harbors, utilize related docking

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facilities and pass through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations. If new ship designs currently promoted by shipyards as being more fuel efficient perform as promoted, or if new containerships are built in the future that are more efficient or flexible or have longer physical lives than our vessels, competition from these more technologically advanced containerships could adversely affect our ability to re-charter, the amount of charter-hire payments that we receive for our containerships once their current time charters expire and the resale value of our containerships. This could adversely affect our ability to service our debt or pay dividends to our stockholders.

We are subject to regulation and liability under environmental and operational safety laws that could require significant expenditures and affect our cash flows and net income.

Our business and the operation of our vessels are materially affected by environmental regulation in the form of international, national, state and local laws, regulations, conventions, treaties and standards in force in international waters and the jurisdictions in which our containerships operate, as well as in the country or countries of their registration, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and other contamination, air emissions, water discharges and ballast water management. Because such conventions, laws and regulations are often revised, it is difficult to predict the ultimate cost of compliance with such requirements or their impact on the resale value or useful lives of our containerships.

Environmental requirements can also affect the resale value or useful lives of our vessels, require a reduction in cargo capacity, vessel modifications or operational changes or restrictions, lead to decreased availability of, or more costly insurance coverage for, environmental matters or result in the denial of access to certain jurisdictional waters or ports. Under local, national and foreign laws, as well as international treaties and conventions, we could incur material liabilities, including cleanup obligations and claims for natural resource damages, personal injury and/or property damages in the event that there is a release of petroleum or other hazardous materials from our vessels or otherwise in connection with our operations. Violations of, or liabilities under, environmental requirements can result in substantial penalties, fines and other sanctions, including criminal sanctions, and, in certain instances, seizure or detention of our containerships. Events of this nature or additional environmental conventions, laws and regulations could have a material adverse effect on our financial condition, results of operations and ability to pay dividends to our stockholders.

The operation of vessels is also affected by the requirements set forth in the International Safety Management Code (the ISM Code). The ISM Code requires vessel owners and managers to develop and maintain an extensive Safety Management System that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe vessel operation and describing procedures for dealing with emergencies. Failure to comply with the ISM Code may subject us to increased liability, may decrease or suspend available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports. Each of the containerships in our fleet and each of our affiliated managers are ISM Code-certified and it is anticipated that V.Ships Greece Ltd. (V.Ships Greece) will obtain such certification prior to commencing management of our vessels as described below. However, there can be no assurance that such certifications can be maintained indefinitely.

Governmental regulation of the shipping industry, particularly in the areas of safety and environmental requirements, can be expected to become stricter in the future. In addition, we believe that the heightened environmental, quality and security concerns of insurance underwriters, regulators and charterers will lead to additional requirements, including enhanced risk assessment and security requirements and greater inspection and safety requirements for vessels. In complying with new environmental laws and regulations and other requirements that may be adopted, we may have to incur significant capital and operational expenditures to keep our containerships in compliance, or even to scrap or sell certain containerships altogether. For additional information see Item 4. Information on the Company B. Business Overview Risk of Loss and Liability Insurance Environmental and Other Regulations .

The smuggling of drugs or other contraband onto our vessels may lead to governmental claims against us.

We expect that our vessels will call in ports in South America and other areas where smugglers attempt to hide drugs and other contraband on vessels, with or without the knowledge of crew members. To the extent our vessels are found with contraband, whether inside or attached to the hull of our vessel and whether with or without the knowledge of any of our crew, we may face governmental or other regulatory claims or penalties which could have an adverse effect on our business, results of operations, cash flows, financial condition and ability to pay dividends.

Increased inspection procedures, tighter import and export controls and new security regulations could increase costs and cause disruption of our containership business.

International container shipping is subject to security and customs inspection and related procedures in countries of origin, destination, and certain trans-shipment points. These inspection procedures can result in cargo seizure, delays in the loading, offloading, trans-shipment, or delivery of containers, and the levying of customs duties, fines and other penalties against us.

Since the events of September 11, 2001, United States authorities have substantially increased container inspections. Government investment in non-intrusive container scanning technology has grown and there is interest in electronic monitoring technology, including so-called e-seals and smart containers, that would enable remote, centralized monitoring of containers during shipment to identify tampering with or opening of the containers, along with potentially measuring other characteristics such as temperature, air pressure, motion, chemicals, biological agents and radiation. Also, as a response to the events of September 11, 2001, additional vessel security requirements have been imposed, including the installation of security alert and automatic identification systems on board vessels.

It is unclear what additional changes, if any, to the existing inspection and security procedures may ultimately be proposed or implemented in the future, or how any such changes will affect the industry. It is possible that such changes could impose additional financial and legal obligations on us. Furthermore, changes to inspection and security procedures could also impose additional costs and obligations on our customers and may, in certain cases, render the shipment of certain types of goods in containers uneconomical or impractical. Any such changes or developments could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

The operation of our vessels is also affected by the requirements set forth in the International Ship and Port Facilities Security Code (the ISPS Code). The ISPS Code requires vessels to develop and maintain a ship security plan that provides security measures to address potential threats to the security of ships or port facilities. Although each of our containerships is ISPS Code-certified, any failure to comply with the ISPS Code or maintain such certifications may subject us to increased liability and may result in denial of access to, or detention in, certain ports. Furthermore, compliance with the ISPS Code requires us to incur certain costs. Although such costs have not been material to date, if new or more stringent regulations relating to the ISPS Code are adopted by the IMO and the flag states, these requirements could require significant additional capital expenditures or otherwise increase the costs of our operations.

Governments could requisition our vessels during a period of war or emergency, resulting in loss of earnings.

A government of the jurisdiction where one or more of our containerships are registered could requisition for title or seize our containerships. Requisition for title occurs when a government takes control of a vessel and becomes its owner. Also, a government could requisition our containerships for hire. Requisition for hire occurs when a government takes control of a ship and effectively becomes the charterer at dictated charter rates. Generally, requisitions occur during a period of war or emergency, although governments may elect to requisition vessels in other circumstances. Although we would expect to be entitled to compensation in the event of a requisition of one or more of our vessels, the amount and timing of payment, if any, would be uncertain. Government

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requisition of one or more of our containerships may cause us to breach covenants in certain of our credit facilities, and could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

The global financial markets continue to experience economic instability resulting from terrorist attacks, regional armed conflicts and general political unrest.

Terrorist attacks in certain parts of the world over the last decade, such as the attacks on the United States on September 11, 2001, and the continuing response of the United States and other countries to these attacks, as well as the threat of future terrorist attacks, continue to cause uncertainty and volatility in the world financial markets and may affect our business, results of operations and financial condition. In addition, current conflicts in Afghanistan and general political unrest in certain African nations and the Middle East may lead to additional regional conflicts and acts of terrorism around the world, which may contribute to further economic instability in the global financial markets. Political tension or conflicts in the Asia Pacific Region may also reduce the demand for our services. These uncertainties, as well as future hostilities or other political instability in regions where our vessels trade, could also affect trade volumes and patterns and adversely affect our operations, our ability to obtain financing and otherwise have a material adverse effect on our financial condition, results of operations and ability to pay dividends to our stockholders.

Acts of piracy on ocean-going vessels have recently increased in frequency, which could adversely affect our business.

Acts of piracy have historically affected ocean-going vessels trading in certain regions of the world, such as the South China Sea and the Gulf of Aden off the coast of Somalia. Since late 2010, particularly in the Gulf of Aden, the frequency and violence level of piracy incidents against commercial shipping vessels has further increased from the already high levels that have generally existed since 2008. Our vessels regularly travel through regions where pirates are active. We may not be adequately insured to cover losses from these incidents, which could have a material adverse effect on our results of operations, financial condition and ability to pay dividends. Crew costs, including those due to employing onboard security guards, could also increase in such circumstances.

Risks inherent in the operation of ocean-going vessels could affect our business and reputation, which could adversely affect our expenses, net income and stock price.

The operation of ocean-going vessels carries inherent risks. These risks include the possibility of:

- marine disaster;
- environmental accidents;
- grounding, fire, explosions and collisions;
- cargo and property loss or damage;
- business interruptions

caused by mechanical failure, human error, war, terrorism, political action in various countries, or adverse weather conditions; and

work stoppages or other labor problems with crew members serving on our containerships, some of whom are unionized and covered by collective bargaining agreements.

Such occurrences could result in death or injury to persons, loss of property or environmental damage, delays in the delivery of cargo, loss of revenues from or termination of charter contracts, governmental fines, penalties or restrictions on conducting business, higher insurance rates, and damage to our reputation and customer relationships generally. Although we maintain hull and machinery and war risks insurance, as well as protection and indemnity insurance, which may cover certain risks of loss resulting from such occurrences, our insurance coverage may be subject to caps or not cover such losses, and any of these circumstances or events could increase our costs or lower our revenues. The involvement of our vessels in an environmental disaster may harm our reputation as a safe and reliable vessel owner and operator.

On October 5, 2011, our vessel *Rena* ran aground on the Astrolabe Reef off New Zealand and sustained significant damage. The vessel was determined to be a constructive total loss for insurance purposes. On October 1, 2012, we announced that Daina Shipping Co., our subsidiary that owned the *Rena*, entered into a settlement agreement with the New Zealand government in respect of certain matters arising from the *Rena* s grounding. The settlement provided that Daina Shipping Co. would make a payment of NZ$27.6 million as well as an additional NZ$10.4 million if it is permitted to leave part of the vessel in place, both of which are covered by our insurers. On October 26, 2012, Daina Shipping Co. pleaded guilty in a New Zealand court to a strict liability criminal charge of discharging harmful substances and was fined NZ$300,050. Proceedings relating to the lost cargo and damages sustained by third parties are at an early stage. While we anticipate that our insurance policies will cover most costs and losses associated with the incident, such insurance may not be sufficient to cover all risks. As a result, claims against us or our subsidiaries as a result of the grounding of the *Rena* could have a material adverse effect on our business.

Our insurance may be insufficient to cover losses that may occur to our property or result from our operations.

The operation of any vessel includes risks such as mechanical failure, collision, fire, contact with floating objects, property loss, cargo loss or damage and business interruption due to political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of a marine disaster, including oil spills and other environmental mishaps. There are also liabilities arising from owning and operating vessels in international trade. We procure insurance for our fleet of containerships in relation to risks commonly insured against by vessel owners and operators. Our current insurance includes (i) hull and machinery insurance covering damage to our and third-party vessels hulls and machinery from, among other things, collisions and contact with fixed and floating objects, (ii) war risks insurance covering losses associated with the outbreak or escalation of hostilities and (iii) protection and indemnity insurance (which includes environmental damage) covering, among other things, third-party and crew liabilities such as expenses resulting from the injury or death of crew members, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels, damage to other third-party property and pollution arising from oil or other substances.

We can give no assurance that we are adequately insured against all risks or that our insurers will pay a particular claim. Even if our insurance coverage is adequate to cover our losses, we may not be able to obtain a timely replacement containership in the event of a loss of a containership. Under the terms of our credit facilities, we are subject to restrictions on the use of any proceeds we may receive from claims under our insurance policies. Furthermore, in the future, we may not be able to obtain adequate insurance coverage at reasonable rates for our fleet. For example, more stringent environmental regulations have led to increased costs for, and in the future may result in the lack of availability of, insurance against risks of environmental damage or pollution. We may also be subject to calls, or premiums, in amounts based not only on our own claim records but also the claim records of all other members of the protection and indemnity associations through which we receive indemnity insurance coverage. There is no cap on our liability exposure for such calls or premiums payable to our protection and indemnity association; however, such calls or premiums have only been assessed by the protection and indemnity association in which our vessels are currently entered in two of the last fifteen years, in each case, for amounts that were immaterial. Based on the limited size and frequency of the calls or premiums historically, we do not believe these amounts to be material. Our insurance policies also contain deductibles, limitations and exclusions which, although we believe are standard in the shipping industry, may nevertheless increase our costs. A catastrophic oil spill or marine disaster could exceed our insurance coverage, which could harm our business, financial condition and operating results and our ability to pay dividends to our stockholders. Any uninsured or underinsured loss could harm our business and financial condition. In addition, the insurance may be voidable by the insurers as a result of certain actions, such as vessels failing to maintain required certification.

In addition, we do not carry loss of hire insurance. Loss of hire insurance covers the loss of revenue during extended vessel off-hire periods, such as those that occur during an unscheduled dry-

docking due to damage to the vessel from accidents. Accordingly, any loss of a vessel or any extended period of vessel off-hire, due to an accident or otherwise, could have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our stockholders.

Maritime claimants could arrest our vessels, which could interrupt our cash flows.

Crew members, suppliers of goods and services to a vessel, shippers or receivers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages, including, in some jurisdictions, for debts incurred by previous owners. In many jurisdictions, a maritime lien-holder may enforce its lien by arresting a vessel. The arrest or attachment of one or more of our vessels, if such arrest or attachment is not timely discharged, could cause us to default on a charter or breach covenants in certain of our credit facilities, could interrupt our cash flows and could require us to pay large sums of money to have the arrest or attachment lifted.

In addition, in some jurisdictions, such as South Africa, under the sister ship theory of liability, a claimant may arrest both the vessel that is subject to the claimant s maritime lien and any associated vessel, which is any vessel owned or controlled by the same owner. Claimants could try to assert sister ship liability against one containership in our fleet for claims relating to another of our containerships.

Compliance with safety and other requirements imposed by classification societies may be very costly and may adversely affect our business.

The hull and machinery of every commercial vessel must be classed by a classification society. The classification society certifies that the vessel has been built and maintained in accordance with the applicable rules and regulations of the classification society. Moreover, every vessel must comply with any applicable international conventions and the regulations of the vessel s flag state as verified by a classification society. Finally, each vessel must successfully undergo periodic surveys, including annual, intermediate and special surveys.

If any vessel does not maintain its class, it will lose its insurance coverage and be unable to trade, and the vessel s owner will be in breach of relevant covenants under its financing arrangements. Failure to maintain the class of one or more of our containerships could have a material adverse effect on our financial condition and results of operations, as well as our cash flows.

Our business depends upon certain members of our senior management who may not necessarily continue to work for us.

Our future success depends to a significant extent upon our chairman and chief executive officer, Konstantinos Konstantakopoulos, certain members of our senior management and our managers. Mr. Konstantakopoulos has substantial experience in the container shipping industry and has worked with us and our managers for many years. He, our managers and certain of our senior management team are crucial to the execution of our business strategies and to the growth and development of our business. If these individuals were no longer to be affiliated with us or our managers, or if we were to otherwise cease to receive services from them, we may be unable to recruit other employees with equivalent talent and experience, which could have a material adverse effect on our financial condition and results of operations.

Our arrangements with our chief executive officer restrict his ability to compete with us, and such restrictive covenants generally may be unenforceable.

Konstantinos Konstantakopoulos, our chairman and chief executive officer, has entered into a restrictive covenant agreement with us on November 3, 2010, which is governed by English law, and under which, except for in certain limited circumstances, he is precluded during the term of his service and for six months thereafter from owning containerships and from acquiring or investing in

a business that owns such vessels. English law generally does not favor the enforcement of such restrictions which are considered contrary to public policy and facially are void for being in restraint of trade. Our ability to enforce these restrictions, should it ever become necessary, will depend upon us establishing that we have a legitimate proprietary interest that is appropriate to protect, and that the protection sought is no more than is reasonable, having regard to the interests of the parties and the public interest. We cannot give any assurance that a court would enforce the restrictions as written by way of an injunction or that we could necessarily establish a case for damages as a result of a violation of the restrictive covenants agreement.

We depend on our managers to operate our business, and if our managers fail to satisfactorily perform their management services, our results of operations, financial condition and ability to pay dividends may be harmed.

Pursuant to the group management agreement between Costamare Shipping Company S.A. (Costamare Shipping) and us (the Group Management Agreement) and the individual ship-management agreements pertaining to each vessel, our managers and their affiliates may provide us with certain of our officers and will provide us with, among other things, certain commercial, technical and administrative services. See Item 4. Information on the Company B. Business Overview Management of Our Fleet . Our operational success will depend significantly upon our managers satisfactory performance of these services. Costamare Shipping, one of our managers, also owns the Costamare trademarks, which consist of the name COSTAMARE and the Costamare logo, and has agreed to license each trademark to us on a royalty free basis for the life of the Group Management Agreement. If the Group Management Agreement were to be terminated or if its terms were to be altered, our business could be adversely affected, as we may not be able to immediately replace such services, and even if replacement services were immediately available, the terms offered could be less favorable than the ones offered by our managers.

Our ability to compete for and enter into new time charters and to expand our relationships with our existing charterers will depend largely on our relationship with our managers and their reputation and relationships in the shipping industry. If our managers suffer material damage to their reputation or relationships, it may harm our ability to:

- renew existing time charters upon their expiration;
- obtain new time charters;
- successfully interact with shipyards;
- obtain financing and other contractual arrangements with third parties on commercially acceptable

terms (therefore potentially increasing operating expenditure for the fleet);

maintain satisfactory relationships with our charterers and suppliers; or

successfully execute our business strategies.

If our ability to do any of the things described above is impaired, it could have a material adverse effect on our financial condition and results of operations, as well as our cash flows.

We may not realize expected benefits from the Co-operation Agreement with V.Ships Greece, which may negatively impact our business.

On January 7, 2013, Costamare Shipping entered into a Co-operation Agreement (the Co-operation Agreement) with V.Ships Greece, a member of V.Group, pursuant to which the two companies will establish a ship management cell (the Cell) under V.Ships Greece. The Cell is expected to replace CIEL Shipmanagement S.A. (CIEL) in April 2013 as sub-manager of certain of our vessels. See Item 4. Information on the Company B. Business Overview Management of Our Fleet . The net profit from the operation of the Cell will be split equally between V.Ships Greece and Costamare Shipping and Costamare Shipping will pass to us the net profit it receives, if any, pursuant to the Co-operation Agreement as a refund or reduction of the management fees payable by us to Costamare Shipping. We may not realize the anticipated benefits of the arrangement with V.Ships Greece, which include the Cell s effective management of certain of our vessels, the generation of net profit by the Cell, a portion of which would be passed on to us, and the reduction of our ship management expenditures. Also, Costamare Shipping or V.Ships Greece may terminate the Co-operation Agreement upon six months notice.

Our managers are privately held companies and there is little or no publicly available information about them.

The ability of our managers to continue providing services for our benefit will depend in part on their own financial strength. Circumstances beyond our control could impair our managers financial strength, and because they are privately held companies, information about their financial strength is not publicly available. As a result, an investor in our stock might have little advance warning of problems affecting any of our managers, even though these problems could have a material adverse effect on us. As part of our reporting obligations as a public company, we will disclose information regarding our managers that has a material impact on us to the extent that we become aware of such information.

Our chairman and chief executive officer has affiliations with our managers and others that could create conflicts of interest between us and our managers or other entities in which he has an interest.

The Group Management Agreement is between us and Costamare Shipping, which is controlled by our chairman and chief executive officer, Konstantinos Konstantakopoulos. While we believe that the terms of the Group Management Agreement are consistent with normal commercial practice of the industry, the agreement was not negotiated at arms-length by non-related parties. Accordingly, the terms may be less favorable to the Company than if such terms were obtained from a non-related third party. Additionally, Konstantinos Konstantakopoulos directly or indirectly controls our managers and will continue to be our chairman and chief executive officer and the owner of approximately 21.59% of our common stock, and this relationship could create conflicts of interest between us, on the one hand, and our managers, on the other hand. These conflicts, which are addressed in the Group Management Agreement and the restrictive covenant agreement between us and our chairman and chief executive officer, may arise in connection with the chartering, purchase, sale and operation of the vessels in our fleet versus vessels owned or chartered-in by other companies affiliated with our managers or our chairman and chief executive officer. These conflicts of interest may have an adverse effect on our results of operations. See Item 4. Information on the Company B. Business Overview Management of Our Fleet and Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Restrictive Covenant Agreements .

Additionally, Konstantinos Konstantakopoulos acquired a passive minority interest in certain companies controlled by the family of Dimitrios Lemonidis that own two containerships comparable to three of our vessels and may acquire additional vessels, as well as a passive minority interest in a company owned by the family of Mr. Lemonidis and several other individual investors that expects to acquire one containership comparable to one of our vessels. These vessels may compete with the Company s vessels for chartering opportunities. These investments were entered into following the review and approval of our Audit Committee and Board of Directors.

Certain of our managers are permitted to provide management services to vessels owned by third parties that compete with us, which could result in conflicts of interest or otherwise adversely affect our business.

CIEL and Shanghai Costamare, two of our current managers, are not prohibited from providing management services to vessels owned by third parties, including related parties, that may compete with us for charter opportunities. In addition, the Cell under V.Ships Greece, which is expected to replace CIEL in April 2013 as sub-manager of certain of our vessels, will actively seek to provide management services to vessels owned by third parties that may compete with us. Our managers provision of management services to third parties, including related parties, that may compete with our vessels could give rise to conflicts of interest or adversely affect the ability of these managers to provide the level of service that we require. Conflicts of interest with respect to certain services, including sale and purchase and chartering activities, among others, may have an adverse effect on

our results of operations. CIEL and Shanghai Costamare have only provided management services to third parties in a limited number of cases in the past and currently do not provide any such services to third parties.

Our vessels may call on ports located in countries that are subject to restrictions imposed by the United States government, which could negatively affect the trading price of our shares of common stock.

From time to time on charterers instructions, our vessels have called and may again call on ports located in countries subject to sanctions and embargoes imposed by the United States government and countries identified by the United States government as state sponsors of terrorism. The U.S. sanctions and embargo laws and regulations vary in their application, as they do not all apply to the same covered persons or proscribe the same activities, and such sanctions and embargo laws and regulations may be amended or strengthened over time.

For example, in 2010, the U.S. enacted the Comprehensive Iran Sanctions Accountability and Divestment Act (CISADA), which expanded the scope of the former Iran Sanctions Act. Among other things, CISADA expands the application of the prohibitions to non-U.S. companies, such as the Company, and introduces limits on the ability of companies and persons to do business or trade with Iran when such activities relate to the investment, supply or export of refined petroleum or petroleum products. In 2012, President Obama signed Executive Order 13608 which prohibits foreign persons from violating or attempting to violate, or causing a violation of any sanctions in effect against Iran or facilitating any deceptive transactions for or on behalf of any person subject to U.S. sanctions. The Secretary of the Treasury may prohibit any transactions or dealings, including any U.S. capital markets financing, involving any person found to be in violation of Executive Order 13608. Also in 2012, the U.S. enacted the Iran Threat Reduction and Syria Human Rights Act of 2012 (the ITRA) which created new sanctions and strengthened existing sanctions. Among other things, the ITRA intensifies existing sanctions regarding the provision of goods, services, infrastructure or technology to Iran s petroleum or petrochemical sector. The ITRA also includes a provision requiring the President of the United States to impose five or more sanctions from Section 6(a) of the Iran Sanctions Act, as amended, on a person the President determines is a controlling beneficial owner of, or otherwise owns, operates, or controls or insures a vessel that was used to transport crude oil from Iran to another country and (1) if the person is a controlling beneficial owner of the vessel, the person had actual knowledge the vessel was so used or (2) if the person otherwise owns, operates, or controls, or insures the vessel, the person knew or should have known the vessel was so used. Such a person could be subject to a variety of sanctions, including exclusion from U.S. capital markets, exclusion from financial transactions subject to U.S. jurisdiction, and exclusion of that person s vessels from U.S. ports for up to two years. The ITRA also includes a requirement that issuers of securities must disclose to the SEC in their annual and quarterly reports filed after February 6, 2013 if the issuer or any affiliate has knowingly engaged in certain sanctioned activities involving Iran during the timeframe covered by the report. Finally, in January 2013, the U.S. enacted the Iran Freedom and Counter-Proliferation Act of 2012 (the IFCPA) which expanded the scope of U.S. sanctions on any person that is part of Iran s energy, shipping or shipbuilding sector and operators of ports in Iran, and imposes penalties on any person who facilitates or otherwise knowingly provides significant financial, material or other support to these entities.

From January 2008 through December 2012, vessels in our fleet made a total of 168 calls to ports in Iran, Syria, Sudan and Cuba, representing approximately 0.9% of our approximately 19,253 calls on worldwide ports. Although we believe that we are in compliance with all applicable sanctions and embargo laws and regulations, and intend to maintain such compliance, there can be no assurance that we will be in compliance in the future, particularly as the scope of certain laws may be unclear and may be subject to changing interpretations. Any such violation could result in fines or other penalties and could result in some investors deciding, or being required, to divest their interest, or not to invest, in the Company. Additionally, some investors may decide to divest their interest, or not to invest, in the Company simply because we do business with companies that do business in sanctioned countries. Moreover, our charterers may violate applicable sanctions and embargo laws and regulations as a result of actions that do not involve us or our vessels, and those violations could in turn negatively affect our reputation. Investor perception of the value of our common stock may also be adversely affected by the consequences of war, the effects of terrorism, civil unrest and governmental actions in these and surrounding countries.

Because the Public Company Accounting Oversight Board is not currently permitted to inspect our independent accounting firm, you may not benefit from such inspections.

Auditors of U.S. public companies are required by law to undergo periodic Public Company Accounting Oversight Board (PCAOB) inspections that assess their compliance with U.S. law and professional standards in connection with performance of audits of financial statements filed with the SEC. Certain European Union countries, including Greece, do not currently permit the PCAOB to conduct inspections of accounting firms established and operating in such European Union countries, even if they are part of major international firms. Accordingly, unlike for most U.S. public companies, the PCAOB is prevented from evaluating our auditor s performance of audits and its quality control procedures, and, unlike stockholders of most U.S. public companies, we and our stockholders are deprived of the possible benefits of such inspections.

We may be adversely affected by the introduction of new accounting rules for leasing.

International and U.S. accounting standard-setting boards (the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB)) have proposed changes to the accounting for operating and finance leases. If the proposals are adopted, they would be expected generally to have the effect of bringing most off-balance sheet leases onto a lessee s balance sheet as liabilities which would also change the income and expense recognition patterns of those items. Financial statement metrics such as leverage and capital ratios, as well as EBITDA, may also be affected, even when cash flow and business activity have not changed. This may in turn affect covenant calculations under various contracts (e.g., loan agreements) unless the affected contracts are modified. The IASB and FASB are reconsidering their original proposals to address concerns raised by constituents and expect to issue revised proposals in the first quarter of 2013. Accordingly, the timing and ultimate effect of those proposals on the Company is uncertain.

We are a Marshall Islands corporation, and the Marshall Islands does not have a well developed body of corporate law or a bankruptcy act, and, as a result, stockholders may have fewer rights and protections under Marshall Islands law than under the laws of a jurisdiction in the United States.

Our corporate affairs are governed by our articles of incorporation and bylaws and by the Marshall Islands Business Corporations Act (the BCA). The provisions of the BCA are similar to provisions of the corporation laws of a number of states in the United States. However, there have been few judicial cases in the Marshall Islands interpreting the BCA. The rights and fiduciary responsibilities of directors under the laws of the Marshall Islands are not as clearly established as the rights and fiduciary responsibilities of directors under statutes or judicial precedent in existence in certain U.S. jurisdictions. Stockholder rights may differ as well. While the BCA does specifically incorporate the non-statutory law, or judicial case law, of the State of Delaware and other states with substantially similar legislative provisions, our public stockholders may have more difficulty in protecting their interests in the face of actions by the management, directors or controlling stockholders than would stockholders of a corporation incorporated in a U.S. jurisdiction.

The Marshall Islands has no established bankruptcy act, and as a result, any bankruptcy action involving our company would have to be initiated outside the Marshall Islands, and our public stockholders may find it difficult or impossible to pursue their claims in such other jurisdictions.

It may be difficult or impossible to enforce service of process and enforcement of judgments against us and our officers and directors.

We are a Marshall Islands corporation and all of our subsidiaries are, and will likely be, incorporated in jurisdictions outside the United States. In addition, our executive offices are located outside of the United States in Athens, Greece. All of our directors and officers reside outside of the United States, and all or a substantial portion of our assets and the assets of most of our officers and directors are, and will likely be, located outside of the United States. As a result, it may be difficult or impossible for U.S. investors to serve legal process within the United States upon us or any of these persons or to enforce a judgment against us for civil liabilities in U.S. courts. In addition, you should not assume that courts in the countries in which we or our subsidiaries are incorporated or where our or our subsidiaries assets are located (1) would enforce judgments of U.S. courts obtained in actions against us or our subsidiaries based upon the civil liability provisions of applicable U.S. Federal and state securities laws or (2) would enforce, in original actions, liabilities against us or our subsidiaries based on those laws.

There is also substantial doubt that the courts of the Marshall Islands or Greece would enter judgments in original actions brought in those courts predicated on U.S. Federal or state securities laws.

Risks Relating to our Common Stock

The price of our common stock may be volatile.

The price of our common stock may be volatile and may fluctuate due to various factors including:

- actual or anticipated fluctuations in quarterly and annual results;
- fluctuations in the seaborne transportation industry, including fluctuations in the containership market;
- mergers and strategic alliances in the shipping industry;
- market conditions in the shipping industry;
- changes in governmental regulations or maritime self-regulatory

organization standards;

shortfalls in our operating results from levels forecasted by securities analysts;

our payment of dividends;

announcements concerning us or our competitors;

general economic conditions;

terrorist acts;

future sales of our stock or other securities;

investors perception of us and the containership transportation industry;

the general state of the securities market; and

other developments affecting us, our industry or our competitors.

The containership sector of the shipping industry has been highly unpredictable and volatile. Securities markets worldwide are experiencing significant price and volume fluctuations. The market price for our common stock may also be volatile. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our common stock in spite of our operating performance. Consequently, you may not be able to sell our common stock at prices equal to or greater than those at which you pay or paid.

Our management is required to devote substantial time to complying with public company regulations.

As a public company, we incur significant legal, accounting and other expenses. In addition, the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) as well as rules subsequently adopted by the SEC and the New York Stock Exchange (NYSE), including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, have imposed various requirements on public companies, including changes in corporate governance practices. Our directors, management and other personnel will need to devote a substantial amount of time to comply with these requirements. Moreover, these rules and regulations relating to public companies will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Sarbanes-Oxley requires, among other things, that we maintain and periodically evaluate our internal control over financial reporting and disclosure controls and procedures. In particular, under Section 404 of the Sarbanes-Oxley Act of 2002, we are required to include in each of our annual reports on Form 20-F a report containing our management s assessment of the effectiveness of our internal control over financial reporting and a related attestation of our independent auditors. We have undertaken the required review to comply with Section 404, including the documentation, testing and review of our internal controls under the direction of our management. While we did not identify any material weaknesses or significant deficiencies in our internal controls under the current assessment, we cannot be certain at this time that all our controls will be considered effective in future assessments. Therefore, we can give no assurances that our internal control over financial reporting will satisfy the new regulatory requirements in the future.

We are a foreign private issuer and controlled company under the NYSE rules, and as such we are entitled to exemption from certain NYSE corporate governance standards, and you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

We are a foreign private issuer under the securities laws of the United States and the rules of the NYSE. Under the securities laws of the United States, foreign private issuers are subject to different disclosure requirements than U.S. domiciled registrants, as well as different financial reporting requirements. Under the NYSE rules, a foreign private issuer is subject to less stringent corporate governance requirements. Subject to certain exceptions, the rules of the NYSE permit a foreign private issuer to follow its home country practice in lieu of the listing requirements of the NYSE. In addition, members of the Konstantakopoulos family continue to own, in the aggregate, a majority of our outstanding common stock. As a result, we are a controlled company within the meaning of the NYSE corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by another company or group is a controlled company and may elect not to comply with certain NYSE corporate governance requirements, including (1) the requirement that a majority of the board of directors consist of independent directors, (2) the requirement that the nominating committee be composed entirely of independent directors and have a written charter addressing the committee s purpose and responsibilities, (3) the requirement that the compensation committee be composed entirely of independent directors and have a written charter addressing the committee s purpose and responsibilities and (4) the requirement of an annual performance evaluation of the nominating and corporate governance and compensation committees. As permitted by these exemptions, as well as by our bylaws and the laws of the Marshall Islands, we currently have a board of directors with a majority of non-independent directors, an audit committee comprised solely of two independent directors and a combined corporate governance, nominating and compensation committee with one non-independent director serving as a committee chairman. As a result, non-independent directors, including members of our management who also serve on our board of directors, may, among other things, fix the compensation of our management, make stock and option awards and resolve governance issues regarding our company. Accordingly, in the future you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

Future sales of our common stock could cause the market price of our common stock to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales could occur, may depress the market price for our common stock. These sales could also impair our ability to raise additional capital through the sale of our equity securities in the future.

Subject to the rules of the NYSE, in the future, we may issue additional shares of common stock, and other equity securities of equal or senior rank, without stockholder approval, in a number of circumstances.

The issuance by us of additional shares of common stock or other equity securities of equal or senior rank would have the following effects:

- our existing stockholders proportionate ownership interest in us will decrease;
- the dividend amount payable per share on our common stock may be lower;
- the relative voting strength of each previously outstanding share may be diminished; and
- the market price of our common stock may decline.

Our stockholders also may elect to sell large numbers of shares held by them from time to time. The number of shares of common stock available for sale in the public market will be limited by restrictions applicable under securities laws, and agreements that we and our executive officers, directors and existing stockholders may enter into with the underwriters at the time of an offering. Subject to certain exceptions, these agreements generally restrict us and our executive officers, directors and existing stockholders from directly or indirectly offering, selling, pledging, hedging or otherwise disposing of our equity securities or any security that is convertible into or exercisable or exchangeable for our equity securities and from engaging in certain other transactions relating to such securities for an agreed period after the date of an offering prospectus without the prior written consent of the underwriter(s).

Members of the Konstantakopoulos family are our principal existing stockholders and will control the outcome of matters on which our stockholders are entitled to vote; their interests may be different from yours.

Members of the Konstantakopoulos family own, directly or indirectly, approximately 64.8% of our outstanding common stock, in the aggregate. These stockholders will be able to control the outcome of matters on which our stockholders are entitled to vote, including the election of our entire board of directors and other significant corporate actions. The interests of each of these stockholders may be different from yours.

Anti-takeover provisions in our organizational documents could make it difficult for our stockholders to replace or remove our current board of directors or could have the effect of discouraging, delaying or preventing a merger or acquisition, which could adversely affect the market price of the shares of our common stock.

Several provisions of our articles of incorporation and bylaws could make it difficult for our stockholders to change the composition of our board of directors in any one year, preventing them from changing the composition of our management. In addition, the same provisions may discourage, delay or prevent a merger or acquisition that stockholders may consider favorable.

These provisions:

- authorize our board of directors to issue blank check preferred stock without stockholder approval;

- provide for a classified board of directors with staggered, three-year terms;

- prohibit cumulative voting in the election of directors;

- authorize the removal of directors only for cause and only upon the affirmative vote of the holders of a majority of the outstanding stock entitled to vote for those directors;

- prohibit stockholder action by written consent unless the written consent is signed by all stockholders entitled to vote on the action; and
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted on by stockholders at stockholder meetings.

We have adopted a stockholder rights plan pursuant to which our board of directors may cause the substantial dilution of the holdings of any person that attempts to acquire us without the approval of our board of directors.

These anti-takeover provisions, including the provisions of our stockholder rights plan, could substantially impede the ability of public stockholders to benefit from a change in control and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

Tax Risks

In addition to the following risk factors, you should read Item 10. Additional Information E. Tax Considerations Marshall Islands Tax Considerations , Item 10. Additional Information E. Tax Considerations Liberian Tax Considerations and Item 10. Additional Information E. Tax Considerations United States Federal Income Tax Considerations for a more complete discussion of the material Marshall Islands, Liberian and U.S. Federal income tax consequences of owning and disposing of our common stock.

We may have to pay tax on U.S.-source income, which would reduce our earnings.

Under the United States Internal Revenue Code of 1986, as amended (the Code), the U.S. source gross transportation income of a ship-owning or chartering corporation, such as ourselves, is subject to a 4% U.S. Federal income tax without allowance for deduction, unless that corporation qualifies for exemption from tax under Section 883 of the Code and the Treasury Regulations promulgated thereunder. U.S. source gross transportation income consists of 50% of the gross shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States.

We believe that we have qualified and currently intend to continue to qualify for this statutory tax exemption for the foreseeable future. However, no assurance can be given that this will be the case. If we or our subsidiaries are not entitled to this exemption under Section 883 for any taxable year, we or our subsidiaries would be subject for those years to a 4% U.S. Federal income tax on our U.S. source gross transportation income. The imposition of this taxation could have a negative effect on our business and would result in decreased earnings available for distribution to our stockholders. Some of our time charters contain provisions pursuant to which charterers undertake to reimburse us for the 4% gross basis tax on our U.S. source gross transportation income. For a more detailed discussion, see Item 10. Additional Information E. Tax Considerations United States Federal Income Tax Considerations Taxation of Our Shipping Income .

If we were treated as a passive foreign investment company , certain adverse U.S. Federal income tax consequences could result to U.S. stockholders.

A foreign corporation will be treated as a passive foreign investment company , or PFIC, for U.S. Federal income tax purposes if at least 75% of its gross income for any taxable year consists of certain types of passive income , or at least 50% of the average value of the corporation s assets produce or are held for the production of those types of passive income . For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties that are received from unrelated parties in connection with the active conduct of a trade or business. For purposes of these tests, income derived from the performance of services does not constitute passive income . U.S. stockholders of a PFIC are subject to a disadvantageous U.S. Federal income tax regime with respect to the income derived by the PFIC, the distributions they receive from the PFIC, and the gain, if any, they derive from the sale or other disposition of their shares in the PFIC. If we are treated as a PFIC for any taxable year, we will provide information to U.S. stockholders who request such information to enable them to make certain elections to alleviate certain of the adverse U.S. Federal income tax consequences that would arise as a result of holding an interest in a PFIC.

Based on our proposed method of operation, we do not believe that we will be a PFIC with respect to any taxable year. In this regard, we intend to treat the gross income we derive or are deemed to derive from our time chartering activities as services income, rather than rental income. Accordingly, we believe that our income from our time chartering activities does not constitute passive income , and the assets that we own and operate in connection with the production of that income do not constitute passive assets. Our counsel, Cravath, Swaine & Moore LLP, is of the opinion that we should not be a PFIC based on certain assumptions made by them as well as certain representations we made to them regarding the composition of our assets, the source of our income, and the nature of our operations.

There is, however, no legal authority under the PFIC rules addressing our proposed method of operation. Accordingly, no assurance can be given that the U.S. Internal Revenue Service (the IRS) or a court of law will accept our position, and there is a risk that the IRS or a court of law could determine that we are a PFIC. Moreover, no assurance can be given that we would not constitute a PFIC for any future taxable year if there were to be changes in the nature and extent of our operations.

If the IRS were to find that we are or have been a PFIC for any taxable year, U.S. stockholders would face adverse tax consequences. Under the PFIC rules, unless those stockholders make certain elections available under the Code, such stockholders would be liable to pay U.S. Federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common stock, as if the excess distribution or gain had been recognized ratably over the stockholder s holding period. Please read Item 10. Additional Information E. Tax Considerations United States Federal Income Tax Considerations Taxation of United States Holders PFIC Status for a more detailed discussion of the U.S. Federal income tax consequences to U.S. stockholders if we are treated as a PFIC.

The enactment of proposed legislation could affect whether dividends paid by us constitute qualified dividend income eligible for the preferential rates.

Legislation has been proposed in the United States Senate that would deny the preferential rates of U.S. Federal income tax currently imposed on qualified dividend income with respect to dividends received from a non-U.S. corporation, unless the non-U.S. corporation either is eligible for benefits of a comprehensive income tax treaty with the United States or is created or organized under the laws of a foreign country which has a comprehensive income tax system. Because the Marshall Islands has not entered into a comprehensive income tax treaty with the United States and imposes only limited taxes on corporations organized under its laws, it is unlikely that we could satisfy either of these requirements. Consequently, if this legislation were enacted in its current form the preferential rates of U.S. Federal income tax discussed in Item 10. Additional Information E. Tax Considerations United States Federal Income Tax Considerations Taxation of United States Holders Distributions on Our Common Stock may no longer be applicable to dividends received from us. As of the date of this annual report, it is not possible to predict with certainty whether or in what form the proposed legislation will be enacted.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

Costamare Inc. was incorporated in the Republic of The Marshall Islands on April 21, 2008 under the Marshall Islands Business Corporations Act, for the purpose of completing a reorganization of 53 ship-owning companies then owned by our chief executive officer and other members of the Konstantakopoulos family under a single corporate holding company. We are controlled by members of the Konstantakopoulos family, which has a long history of operating and investing in the international shipping industry, including a long history of vessel ownership. Captain Vasileios Konstantakopoulos, the father of our chairman and chief executive officer, Konstantinos Konstantakopoulos, founded Costamare Shipping in 1975. We initially owned and operated drybulk carrier vessels, but in 1984 we became the first Greek-owned company to enter the containership market and, since 1992, we have focused exclusively on containerships. After assuming management of our company in 1998, Konstantinos Konstantakopoulos has concentrated on building a large, modern and reliable containership fleet run and supported by highly skilled, experienced and loyal personnel. He founded the management companies CIEL and Shanghai Costamare in 2001 and 2005, respectively, and he founded the manning agency C-Man Maritime Inc. (C-Man Maritime) in 2006. Today, Konstantinos Konstantakopoulos remains focused on continuing to develop the scope and capabilities of our management companies and related manning agency. Under Konstantinos Konstantakopoulos s leadership, we have continued to foster a company culture focusing on excellent customer service, industry leadership and innovation.

In November 2010, we completed an initial public offering of our common stock in the United States and our common stock began trading on the New York Stock Exchange on November 4, 2010 under the ticker symbol CMRE . On March 27, 2012 and October 19, 2012, the Company completed two follow-on public equity offerings. We maintain our principal executive offices at 60 Zephyrou Street & Syngrou Avenue, 17564 Athens, Greece. Our telephone number at that address is +30-210-949-0050. Our registered address in the Marshall Islands is Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960. The name of our registered agent at such address is The Trust Company of the Marshall Islands, Inc.

B. Business Overview

General

We are an international owner of containerships, chartering our vessels to many of the world s largest liner companies. As of February 22, 2013, we had a fleet of 57 containerships aggregating approximately 332,000 TEU, making us one of the largest public containership companies in the world, based on total TEU capacity. At that date, our fleet consisted of (i) 47 vessels in the water, aggregating approximately 242,000 TEU and (ii) ten newbuild vessels aggregating approximately 90,000 TEU that are scheduled to be delivered to us between March 2013 and February 2014. See Our Fleet, Acquisitions and Newbuild Vessels .

Our strategy is to time-charter our containerships to a geographically diverse, financially strong and loyal group of leading liner companies. Our containerships operate primarily under multi-year time charters and therefore are not subject to the effect of seasonal variations in demand. Our containerships have a record of low unscheduled off-hire days, with fleet utilization levels of 99.7%, 99.3% and 99.9% in 2010, 2011 and 2012, respectively. Over the last three years our largest customers by revenue were A.P. Moller-Maersk, MSC and COSCO. As of February 22, 2013, the average (weighted by TEU capacity) remaining time-charter duration for our fleet of 57 containerships was 5.1 years, based on the remaining fixed terms and assuming the exercise of any owner s options and the non-exercise of any charterer s options under our containerships charters. As of February 22, 2013, our fixed-term charters represented an aggregate of $2.7 billion of contracted revenue, assuming the earliest redelivery dates possible and 365 revenue days per annum per containership. Furthermore, five of our charters include options which allow us to unilaterally extend their terms for two additional one-year periods. The exercise of these options would result in an additional $152.2

million of revenue.

Currently, our vessels are managed by at least one of Costamare Shipping, CIEL and Shanghai Costamare, each of which is controlled by our chairman and chief executive officer, except in certain cases where, subject to our consent, a third party has been contracted by Costamare Shipping to provide sub-management services. (We refer to Costamare Shipping, CIEL and Shanghai Costamare as our affiliated managers .) As described below, the Cell under V.Ships Greece is expected to replace CIEL as the sub-manager of certain of our vessels in April 2013. While Costamare Shipping will remain the head manager of our vessels and Costamare Shipping and Shanghai Costamare will continue to provide various management services to certain vessels, the Cell will be the exclusive third party sub-manager of Costamare Shipping (except for a limited number of vessels that may be managed by other third party sub-managers). We believe that having several management companies provides us with a deep pool of operational management in multiple locations with market-specific experience and relationships, as well as the geographic flexibility needed to manage and crew our large and diverse fleet so as to provide a high level of service, while remaining cost-effective.

Our Fleet, Acquisitions and Newbuild Vessels

The tables below provide additional information, as of February 22, 2013, about our fleet of 57 containerships, including our contracted newbuild vessels. Each vessel is a cellular containership, meaning it is a dedicated container vessel.

	Vessel Name	**Charterer**	**Year Built**	**Capacity (TEU)**	**Time Charter Term(1)**	**Current Daily Charter Hire (U.S. dollars)**	**Expiration of Charter(1)**	**Average Daily Charter Rate Until Earliest Expiry of Charter (U.S. dollars)(2)**
1	COSCO GUANGZHOU	COSCO	2006	9,469	12 years	36,400	December 2017	36,400
2	COSCO NINGBO	COSCO	2006	9,469	12 years	36,400	January 2018	36,400
3	COSCO YANTIAN	COSCO	2006	9,469	12 years	36,400	February 2018	36,400
4	COSCO BEIJING	COSCO	2006	9,469	12 years	36,400	April 2018	36,400
5	COSCO HELLAS	COSCO	2006	9,469	12 years	37,519	May 2018	37,519
6	NAVARINO	Evergreen	2010	8,531		30,950		30,950

					1.5 years		September 2013	
7	MAERSK KAWASAKI(i)	A.P. Moller-Maersk	1997	7,403	10 years	37,000	December 2017	37,000
8	MAERSK KURE(i)	A.P. Moller-Maersk	1996	7,403	10 years	37,000	December 2017	37,000
9	MAERSK KOKURA(i)	A.P. Moller-Maersk	1997	7,403	10 years	37,000	February 2018	37,000
10	MSC METHONI	MSC	2003	6,724	10 years	29,000	September 2021	29,000
11	SEALAND NEW YORK	A.P. Moller-Maersk	2000	6,648	11 years	30,375 (3)	March 2018	27,122
12	MAERSK KOBE	A.P. Moller-Maersk	2000	6,648	11 years	38,179 (4)	May 2018	29,244
13	SEALAND WASHINGTON	A.P. Moller-Maersk	2000	6,648	11 years	30,375 (5)	June 2018	27,302
14	SEALAND MICHIGAN	A.P. Moller-Maersk	2000	6,648	11 years	25,375 (6)	August 2018	25,881
15	SEALAND ILLINOIS	A.P. Moller-Maersk	2000	6,648	11 years	30,375 (7)	October 2018	27,455
16	MAERSK KOLKATA	A.P. Moller-Maersk	2003	6,644	11 years	38,865 (8)	November 2019	31,583
17	MAERSK KINGSTON	A.P. Moller-Maersk	2003	6,644	11 years	38,461 (9)	February 2020	31,702
18	MAERSK KALAMATA	A.P. Moller-Maersk	2003	6,644	11 years	38,418 (10)	April 2020	31,796
19	VENETIKO (ex. ACE IRELAND)(ii)	PIL	2003	5,928	1.0 year	14,500	March 2014	14,500
20		MSC	2003	5,050		28,000		28,000

	MSC ROMANOS				5.3 years		November 2016	
21	ZIM NEW YORK	ZIM	2002	4,992	13 years	23,150	July 2015[11]	23,150
22	ZIM SHANGHAI	ZIM	2002	4,992	13 years	23,150	August 2015[11]	23,150
23	ZIM PIRAEUS[iii]	ZIM	2004	4,992	10 years	22,150 (12)	March 2014	35,273
24	OAKLAND EXPRESS	Hapag Lloyd	2000	4,890	8 years	30,500	September 2016	30,500
25	HALIFAX EXPRESS	Hapag Lloyd	2000	4,890	8 years	30,500	October 2016	30,500
26	SINGAPORE EXPRESS	Hapag Lloyd	2000	4,890	8 years	30,500	July 2016	30,500
27	MSC MANDRAKI	MSC	1988	4,828	7.8 years	20,000	August 2017	20,000
28	MSC MYKONOS	MSC	1988	4,828	8.2 years	20,000	September 2017	20,000

	Vessel Name	Charterer	Year Built	Capacity (TEU)	Time Charter Term[(1)]	Current Daily Charter Hire (U.S. dollars)	Expiration of Charter[(1)]	Average Daily Charter Rate Until Earliest Expiry of Charter (U.S. dollars)[(2)]
29	MSC ULSAN	MSC	2002	4,132	5.3 years	16,500	March 2017	16,500
30	MSC ANTWERP	MSC	1993	3,883	4.3 years	17,500	August 2013	17,500
31	MSC KYOTO	MSC	1981	3,876	3.1 years	17,250	June 2013	17,250
32	KORONI	Evergreen	1998	3,842	2 years	10,500 (13)	April 2014	11,275
33	KYPARISSIA	Evergreen	1998	3,842	2 years	10,500 (14)	May 2014	11,251
34	MSC AUSTRIA	MSC	1984	3,584	9.5 years	13,500 (15)	September 2018	13,500
35	KARMEN	Sea Consortium	1991	3,351	1.5 years	7,000	February 2013	7,000
36	MARINA	Evergreen	1992	3,351	1.1 years	8,000	April 2013	8,000
37	KONSTANTINA	Evergreen	1992	3,351	1.0 year	7,550	September 2013	7,550
38	AKRITAS	Hapag Lloyd	1987	3,152	4 years	12,500	August 2014	12,500
39	MSC CHALLENGER	MSC	1986	2,633	4.8 years	10,000	July 2015	10,000

40	MESSINI	Evergreen	1997	2,458	1.5 years	8,100	February 2014	8,100
41	MSC REUNION(iv)	MSC	1992	2,024	6 years	11,500	June 2014	11,500
42	MSC NAMIBIA II(iv)	MSC	1991	2,023	6.8 years	11,500	July 2014	11,500
43	MSC SIERRA II(iv)	MSC	1991	2,023	5.7 years	11,500	June 2014	11,500
44	MSC PYLOS(iv)	MSC	1991	2,020	3 years	11,500	January 2014	11,500
45	PROSPER	OOCL	1996	1,504	0.1 year	5,800	March 2013	5,800
46	ZAGORA(iv)	MSC	1995	1,162	1.7 years	5,500	April 2013	5,500
47	STADT LUEBECK(v)	CMA CGM	2001	1,078	0.7 year	6,200	April 2013	6,200

Vessels under Construction

	Vessel Name	Shipyard	Charterer	Expected Delivery	Approximate Capacity (TEU)(16)
1	Hull S4010	Sungdong Shipbuilding	MSC	March 2013	8,827
2	Hull S4011	Sungdong Shipbuilding	MSC	March 2013	8,827
3	Hull S4020	Sungdong Shipbuilding	Evergreen	May 2013	8,827
4	Hull S4021	Sungdong Shipbuilding	Evergreen	May 2013	8,827
5	Hull S4022	Sungdong Shipbuilding	Evergreen	July 2013	8,827
6	Hull S4023	Sungdong Shipbuilding	Evergreen	August 2013	8,827

7	Hull S4024	Sungdong Shipbuilding	Evergreen	September 2013	8,827
8	H1068A	Jiangnan Changxing	MSC	November 2013	9,403
9	H1069A	Jiangnan Changxing	MSC	December 2013	9,403
10	H1070A	Jiangnan Changxing	MSC	February 2014	9,403

(1) Charter terms and expiration dates are based on the earliest date charters could expire.

(2) This average rate is calculated based on contracted charter rates for the days remaining between February 22, 2013 and the earliest expiration of each charter. Certain of our charter rates change until their earliest expiration dates, as indicated in the footnotes

below.

(3) This charter rate changes on May 8, 2014 to $26,100 per day until the earliest redelivery date.

(4) This charter rate changes on June 30, 2014 to $26,100 per day until the earliest redelivery date.

(5) This charter rate changes on August 24, 2014 to $26,100 per day until the earliest redelivery date.

(6) This charter rate changes on October 20, 2014 to $26,100 per day until the earliest

redelivery
date.

(7) This charter rate changes on December 4, 2014 to $26,100 per day until the earliest redelivery date.

(8) This charter rate changes on January 13, 2016 to $26,100 per day until the earliest redelivery date.

(9) This charter rate changes on April 28, 2016 to $26,100 per day until the earliest redelivery date.

(10) This charter rate changes on June 11, 2016 to $26,100 per day until the earliest redelivery date.

(11) The charterers have the option to terminate the charter by giving six months notice, in which case they will have to make a one-time payment which shall be the $6.9 million reduced proportionately by the amount of time by which the

original 3-year extension period is shortened.

(12) The charterer is required to pay approximately $5.0 million no later than July 2016, representing accrued charter hire, the payment of which was deferred.

(13) This charter rate changes on May 30, 2013 to $11,500 per day until the earliest redelivery date.

(14) This charter rate changes on June 13, 2013 to $11,500 per day until the earliest redelivery date.

(15) As from December 1, 2012 until redelivery, the charter rate is to be a minimum of $13,500 per day plus 50% of the difference between the market rate and the charter rate of $13,500. The market rate is to be determined annually based

on the Hamburg ConTex type 3500 TEU index published on October 1 of each year until redelivery.

(16) Based on updated vessel specifications.

(i) The charterer has a unilateral option to extend the charter of the vessel for two periods of 30 months each +/-90 days on the final period performed, at a rate of $41,700 per day.

(ii) The charterer has a unilateral option to extend the charter of the vessel for a period of 12 months at a rate of $28,000 per day.

(iii) The charterer has a unilateral option to extend the charter of the vessel for a period of 12 months +/-60 days at a rate of $27,500 per day.

(iv) Owners have a unilateral option to extend the charters of the vessels for an additional period of two years at market rate, to be defined annually, based on the closest category on the ConTex index.

(v) The charterer has the unilateral option to extend the charter for an additional six months at a daily rate of $8,500.

Chartering of Our Fleet

We deploy our containership fleet principally under multi-year time charters with leading liner companies that operate on regularly scheduled routes between large commercial ports. As of February 22, 2013, the average (weighted by TEU capacity) remaining time-charter duration for our fleet of 57 containerships, including our contracted newbuild vessels, was 5.1 years, based on the remaining fixed terms and assuming the exercise of any owner s options and the non-exercise of any charterer s options under our containerships charters.

A time charter is a contract to charter a vessel for a fixed period of time at a set daily rate and can last from a few days up to several years. Under our time charters the charterer pays for most voyage expenses, such as port, canal and fuel costs, agents fees, extra war risks insurance and any other expenses related to the cargoes, and we pay for vessel operating expenses, which include, among other costs, costs for crewing, provisions, stores, lubricants, insurance, maintenance and repairs, dry-docking and intermediate and special surveys.

Our Customers

Since 2006, our customers have included over 10 of the leading international liner companies, including A.P. Moller-Maersk, COSCO, Evergreen Marine, Hapag Lloyd, HMM, MSC and ZIM.

A.P. Moller-Maersk, MSC and COSCO together represented 75%, 68% and 74% of our revenue in 2010, 2011 and 2012, respectively.

Management of Our Fleet

Costamare Shipping provides us with general administrative services, certain commercial services, director and officer (D&O) related insurance services and the services of our executive officers pursuant to the Group Management Agreement between Costamare Shipping and us. Costamare Shipping, itself or through Shanghai Costamare, CIEL and, in certain cases, subject to our consent, a third party sub-manager, currently provides our fleet with technical, crewing, commercial, provisioning, bunkering, sale and purchase, chartering, accounting, insurance and administrative services pursuant to the Group Management Agreement and separate ship-management agreements between each of our containership-owning subsidiaries and Costamare Shipping and, in respect of certain of our containerships, CIEL. As described below, the Cell under V.Ships Greece is expected to replace CIEL as sub-manager of certain of our vessels in April 2013. While Costamare Shipping will remain the head manager of our vessels and Costamare Shipping and Shanghai Costamare will continue to provide various management services to certain vessels, the Cell will be the exclusive third party sub-manager of Costamare Shipping (except for a limited number of vessels that may be managed by other third party sub-managers). In return for these services, we pay the management fees described below in this section and elsewhere in this annual report. Our affiliated managers, Costamare Shipping, Shanghai Costamare and CIEL, control the selection and employment of seafarers for our containerships, directly through their crewing offices in Athens, Greece and Shanghai, China, and indirectly through our related crewing agent in the Philippines, C-Man Maritime, and independent manning agents in Romania and Bulgaria. The seafarers for our containerships managed by V.Ships Greece will initially be arranged through C-Man Maritime, and we have the option to transfer such responsibility to V.Ships Greece under the Co-operation Agreement. Under the Group Management Agreement, Costamare Shipping may subcontract certain of its obligations to a related sub-manager (such as CIEL or Shanghai Costamare) or, subject to our consent, to a third party (such as V.Ships Greece), or direct that such related or third party sub-manager enter into a direct ship-management contract with the relevant containership-owning subsidiary. As discussed below, these arrangements will not result in any increase in the aggregate amount of management fees we pay. We believe that having multiple management companies provides us with a deep pool of operational management in multiple locations with market-specific experience and relationships, as well as the geographic flexibility needed to manage and crew our large and diverse fleet so as to provide a high level of service, while remaining cost-effective. For example, Shanghai Costamare employs Chinese nationals with the language skills and local knowledge we believe are necessary to grow and establish meaningful relationships with Chinese shipyards, charterers, ship-owners, financial institutions and containership service providers. The Cell under V.Ships Greece is expected to provide added operational flexibility and economies of scale while maintaining a high level of management services.

Costamare Shipping, CIEL and Shanghai Costamare are controlled by our chairman and chief executive officer. Our chairman and chief executive officer and our chief financial officer supervise, in conjunction with our board of directors, the services provided by our managers. Costamare Shipping reports to our board of directors through our chairman and chief executive officer and our chief financial officer, each of whom is appointed by our board of directors. Under the Group Management Agreement, the Company is responsible for the cost of the compensation and benefits for our executive officers. We could request that Costamare Shipping provide the services of additional officers or employees pursuant to the Group Management Agreement, in which case we would be responsible for the cost of their compensation and benefits.

Costamare Shipping, which was established in 1975, is a ship management company which was owned by Vasileios Konstantakopoulos until June 2010, at which point ownership was transferred to our chairman and chief executive officer. Costamare Shipping has 29 years of experience in managing containerships of all sizes, developing specifications for newbuild vessels and supervising the construction of such newbuild vessels in reputable shipyards in the Far East. Costamare Shipping has long established relationships with major liner companies, financial institutions and suppliers and

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we believe is recognized in the containership shipping industry as a leading containership manager. Costamare Shipping provides commercial services and insurance services to all our containerships. Costamare Shipping also provides, either directly or through a sub-manager, technical, crewing, provisioning, bunkering, sale and purchase and accounting services to our containerships. All of these services are provided by Costamare Shipping pursuant to separate ship-management agreements between Costamare Shipping and each of our containership-owning subsidiaries.

CIEL, which was established in February 2001, is a ship management company wholly-owned by our chairman and chief executive officer. CIEL specializes, although not exclusively, in managing containerships of up to 3,500 TEU. As of February 22, 2013, CIEL provided technical, crewing, provisioning, bunkering, sale and purchase and accounting services, as well as certain commercial services, to 13 of our containerships that fly the Liberian and Maltese flags. The management services performed by CIEL in respect of our Liberian and Maltese flagged containerships are provided in exchange for a fixed daily fee, pursuant to separate ship-management agreements signed between each relevant containership-owning subsidiary and CIEL. In the past, CIEL has managed vessels flying a number of flags other than Liberia and Malta, including Hong Kong, Panama, the Bahamas and Gibraltar, and has provided management services to containerships owned by third parties, namely three containerships operated by MSC, two containerships operated by A.P. Moller-Maersk, two containerships operated by MPC Munchmeyer Peterson Steamship GmbH & Co KG, an affiliate of a major German KG house, MPC Capital AG and three containerships owned in whole or in part by the family of Dimitrios Lemonidis, who owned 49.8% of CIEL and served as its chief executive officer until November 2012 when he transferred his interest in CIEL to our chairman and chief executive officer. As described below, the Cell under V.Ships Greece is expected to replace CIEL in April 2013 as manager of our containerships currently managed by CIEL.

Shanghai Costamare, which was established in February 2005, is owned (indirectly) 70% by our chairman and chief executive officer, and (indirectly) 30% by Zhang Lei, a Chinese national who is Shanghai Costamare s chief executive officer. Shanghai Costamare was established to service the needs of our fleet of containerships when operating in the Far East and South East Asia regions in an efficient and cost-effective manner by providing dedicated on-shore support and manning services in China, and a valuable interface with Chinese shipyards, charterers, ship-owners, financial institutions and containership service providers. As of February 22, 2013, Shanghai Costamare provided technical, crewing, provisioning, bunkering, sale and purchase and accounting services, as well as certain commercial services, to our eight containerships flying the Hong Kong flag and one containership flying the Liberian flag. These containerships are exclusively manned by Chinese crews, which means that the Chinese on-shore personnel of Shanghai Costamare can communicate and provide integrated services and support to these containerships in the most efficient manner. Shanghai Costamare provides these services for a fixed daily fee, pursuant to separate ship-management agreements between Costamare Shipping and Shanghai Costamare.

As of February 22, 2013,

Costamare Shipping provided commercial and insurance services to all of our containerships as well as technical, crewing, provisioning, bunkering, sale and purchase and accounting services to our 24 containerships flying the Greek flag;

CIEL provided technical, crewing, provisioning, bunkering, sale and purchase and accounting services to 13 of our containerships flying the Liberian and Maltese flags;

Shanghai Costamare provided technical, crewing, provisioning, bunkering, sale and purchase and accounting services to eight containerships of our fleet flying the Hong Kong flag and one flying the Liberian flag; and

a third party sub-manager provided technical, crewing, provisioning, bunkering, sale and purchase and accounting services to one of our containerships flying the Liberian flag.

On January 7, 2013, Costamare Shipping entered into a Co-operation Agreement with V.Ships Greece, a member of V.Group, pursuant to which the two companies will establish the Cell within V.Ships Greece. In April 2013, the Cell is expected to commence providing technical, crewing, provisioning, bunkering, sale and purchase and accounting services, as well as certain commercial services, to initially 22 of our containerships that fly the Greek, Liberian and Maltese flags, including all containerships currently managed by CIEL. In connection with this arrangement, Costamare Shipping will enter into separate ship-management agreements with V.Ships Greece for each containership to be managed by the Cell in exchange for a daily fee payable by Costamare Shipping. The Cell will also offer ship management services to third party owners and the net profit from the operation of the Cell will be split equally between V.Ships Greece and Costamare Shipping. Costamare Shipping has guaranteed payment to V.Ships Greece of a minimum of $20,000 per year per vessel for our vessels that will be managed by the Cell. No guarantee has been provided with respect to vessels owned by third parties that will be managed by the Cell. Costamare Shipping has agreed to pass to us the net profit, if any, it receives pursuant to the Co-operation Agreement as a refund or reduction of the management fees payable by us to Costamare Shipping under the Group Management Agreement. The Cell is expected to employ initially predominantly current CIEL and Costamare Shipping personnel and Costamare Shipping will have certain control rights regarding the employment and dismissal of the Cell s personnel, the appointment of the Cell s senior managers and the management of vessels owned by third parties. Costamare Shipping or V.Ships Greece may terminate the Co-operation Agreement upon six months notice. Although the Cell will be operated pursuant to the Co-operation Agreement between Costamare Shipping and V.Ships Greece, it is not controlled by Costamare Shipping and we do not consider it to be an affiliated manager.

We believe that our affiliated managers, Costamare Shipping, CIEL and Shanghai Costamare, are well-regarded in the industry and have used innovative practices and technological advancement to maximize efficiency in the operation of our fleet of containerships. V.Ships Greece is a member of V.Group, one of the largest providers of ship management services worldwide. ISM certification is in place for our fleet of containerships and our affiliated managers, with Costamare Shipping, our head manager under the Group Management Agreement, having obtained such certification in 1998, three years ahead of the deadline set by the IMO. Costamare Shipping, CIEL and Shanghai Costamare, as well as our fleet of containerships are also certified in accordance with ISO 9001-2008 and ISO 14001-2004 relating to quality management and environmental standards. It is anticipated that V.Ships Greece will obtain ISM certification as well as certification in accordance with ISO 9001-2008 and ISO 14001-2004 prior to commencing management of our vessels. In 2004, Costamare Shipping received the Lloyd s List Greek shipping award for Dry Cargo Company of the Year. As of February 22, 2013, our affiliated managers did not manage containerships other than those owned by us.

Costamare Shipping has agreed that, during the term of the Group Management Agreement, it will not provide any management services to any other entity without our prior written approval. The Group Management Agreement does not prohibit CIEL or Shanghai Costamare from providing services to third parties. In the past, CIEL and Shanghai Costamare have only provided services to third parties on a limited basis and there is no current plan to change that practice. The Co-operation Agreement anticipates that the Cell will actively seek to provide ship management services to third party owners in order to capitalize on the ship management expertise of the Cell and the economies of scale brought by the affiliation with V.Group. However, as noted above, Costamare Shipping has agreed to pass to us the net profit, if any, it receives from the Cell.

Under the restrictive covenant agreement between the Company and Konstantinos Konstantakopoulos, during the period of his employment or service with the Company and for six months thereafter, he has agreed to restrictions on his ownership of any containerships or the acquisition, investment in or control of any business involved in the ownership or operation of containerships, subject to certain exceptions. Konstantinos Konstantakopoulos has also agreed that if one of our containerships and a containership owned by him are both available and meet the criteria for an available charter, our containerships will receive such charter. See Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Restrictive Covenant Agreements .

Costamare Shipping receives a fee in 2013 of $884 per day or $442 per day in the case of a containership subject to a bareboat charter, for each containership, pro rated for the calendar days we own each containership, for providing us with general administrative services, certain commercial services, D&O related insurance services and the services of our officers (but not for payment of

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such officers compensation or benefits) and for providing the relevant containership-owning subsidiaries with technical, commercial, insurance, accounting, provisioning, sale and purchase, crewing and bunkering services. In 2012 such amounts were $850 and $425, respectively. In the event that Costamare Shipping decides to delegate certain or all of the services it has agreed to perform, either through subcontracting to affiliated sub-managers (such as CIEL or Shanghai Costamare) or, subject to our consent, a third party sub-manager (such as V.Ships Greece) or by directing such sub-manager to enter into a direct ship-management agreement with the relevant containership-owning subsidiary, then, in the case of subcontracting, Costamare Shipping will be responsible for paying the management fee charged by the relevant sub-manager for providing such services and, in the case of a direct ship-management agreement, the fee received by Costamare Shipping will be reduced by the fee payable to the sub-manager under the relevant direct ship-management agreement. As a result, these arrangements will not result in any increase in the aggregate management fees we pay. Moreover, in the case of the Co- operation Agreement, the management fees we pay will be reduced by any net profit received by Costamare Shipping from the Cell s operation. In addition to management fees, we pay for any capital expenditures, financial costs, operating expenses and any general and administrative expenses, including the salaries of our officers and employees and payments to third parties, including specialist providers, in accordance with the Group Management Agreement and the relevant separate ship-management agreements or supervision agreements. We also pay to Costamare Shipping a flat fee of $700,000 per newbuild vessel for the supervision of the construction of any newbuild vessel for which we may contract. Costamare Shipping also receives a fee of 0.75% on all gross freight, demurrage, charter hire and ballast bonus or other income earned with respect to each containership in our fleet. The initial term of the Group Management Agreement expires on December 31, 2015. The Group Management Agreement automatically renews for five consecutive one-year periods until December 31, 2020, at which point the Group Management Agreement will expire. The daily management fee for each containership will be annually adjusted upwards by 4%, with further annual increases permitted to reflect any strengthening of the Euro against the U.S. dollar and/or material unforeseen cost increases. After the initial term expires on December 31, 2015, we will be able to terminate the Group 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 (without taking into account any reduction in fees to reflect that certain obligations have been delegated to a sub-manager), *provided* that the termination fee will always be at least two times the aggregate fees over the 12-month period described above. Information about other termination events under the Group Management Agreement is set forth in Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Management Agreement Term and Termination Rights . Pursuant to the terms of our Group Management Agreement and separate ship-management agreements and supervision agreements, liability of our managers to us is limited to instances of gross negligence or willful misconduct on the part of the managers. Further, we are required to indemnify the managers for liabilities incurred by the managers in performance of the Group Management Agreement and separate ship-management agreements and supervision agreements, except in instances of gross negligence or willful misconduct on the part of the managers.

Competition

We operate in markets that are highly competitive and based primarily on supply and demand. Generally, we compete for charters based upon charter rate, customer relationships, operating expertise, professional reputation and containership specifications, size, age and condition. Competition for providing containership services comes from a number of experienced shipping companies, including a number of our competitors who have been financed by the German KG system, which was based on tax benefits provided to private investors.

Participants in the container shipping industry include liner shipping companies, who operate container shipping services and own containerships, containership owners, often known as charter owners , who own containerships and charter them out to liner companies, and shippers who require the seaborne movement of containerized goods. Historically, a significant share of the world s containership capacity has been owned by the liner companies, but since the 1990s there has been an increasing trend for the liner companies to charter-in a larger proportion of the capacity that they operate as a way of retaining some degree of flexibility with regard to capital spending levels over time given the significant costs associated with purchasing vessels.

We believe that the containership sector of the international shipping industry is characterized by the significant time required to develop the operating expertise and professional reputation necessary to obtain and retain customers. We believe that our development of a large fleet of containerships with varying TEU capacities has enhanced our relationship with our principal charterers by enabling them to serve the East-West, North-South and Intra-regional trade routes efficiently, while enabling us to operate in the different rate environments prevailing for those routes. We also believe that our focus on customer service and reliability enhances our relationships with our charterers. In the past decade, we have had successful chartering relationships with the majority of the top 20 liner companies by TEU capacity.

In the past, we have been able to address the periodic scarcity of secondhand containerships available for acquisition in the open market though the acquisition of containerships mainly from our liner company customers in privately negotiated sales. In connection with these acquisitions we then typically charter back the vessels to these customers. We believe we have been able to pursue these privately negotiated acquisitions because of our long-standing customer relations, which we do not believe new entrants have.

Crewing and Shore Employees

We have four shore-based officers, our chairman and chief executive officer, our chief financial officer, our general counsel and secretary, and our chief operating officer. In each case their services are provided under the Group Management Agreement with Costamare Shipping. As of December 31, 2012, approximately 2,000 people served in a pool of personnel who rotate their service onboard the containerships in our fleet. Costamare Shipping, CIEL and Shanghai Costamare each employed approximately 90, 40 and 30 people, respectively, all of whom were shore-based. We expect that all of the personnel employed by CIEL and some of the personnel employed by Costamare Shipping will be reduced in 2013, as approximately 30 such employees will be employed initially by V.Ships Greece pursuant to the Co-operation Agreement. In addition, our affiliated managers are responsible for recruiting, either directly or through a crewing agent, the senior officers and all other crew members for our containerships that they manage. Recruiting is arranged directly through our managers crewing offices in Athens, Greece and Shanghai, China, and indirectly through our related crewing agent, C- Man Maritime, in the Philippines, and independent manning agents in Romania and Bulgaria. The senior officers and other crew members for our containerships managed by V.Ships Greece will initially be arranged through C-Man Maritime, and we have the option to transfer such responsibility to V.Ships Greece under the Co-operation Agreement. We believe the streamlining of crewing arrangements through our managers ensures that all of our vessels will be crewed with experienced crews that have the qualifications and licenses required by international regulations and shipping conventions. We have not experienced any material work stoppages due to labor disagreements during the past three years.

Permits and Authorizations

We are required by various governmental and other agencies to obtain certain permits, licenses, certificates and financial assurances with respect to each of our vessels. The kinds of permits, licenses, certificates and financial assurances required by governmental and other agencies depend upon several factors, including the commodity being transported, the waters in which the vessel operates, the nationality of the vessel s crew and the type and age of the vessel. All permits, licenses, certificates and financial assurances currently required to operate our vessels have been obtained (exclusive of cargo- specific documentation, for which charterers or shippers are

responsible). Additional laws and regulations, environmental or otherwise, may be adopted which could limit our ability to do business or increase the cost of doing business.

Risk of Loss and Liability Insurance

General

The operation of any vessel includes risks such as mechanical failure, collision, property loss or damage, cargo loss or damage and business interruption due to a number of reasons, including political circumstances in foreign countries, hostilities and labor strikes. In addition, there is always an inherent possibility of marine disaster, including oil spills and other environmental mishaps, as well as other liabilities arising from owning and operating vessels in international trade. The U.S. Oil Pollution Act of 1990 (OPA 90), which imposes under certain circumstances unlimited liability upon owners, operators and demise charterers of vessels trading in the United States exclusive economic zone for certain oil pollution accidents in the United States, has made liability insurance more expensive for ship-owners and operators trading in the United States market.

We maintain hull and machinery marine risks insurance and hull and machinery war risks insurance for our fleet of containerships to cover normal risks in our operations and in amounts that we believe to be prudent to cover such risks. In addition, we maintain protection and indemnity insurance up to the maximum insurable limit available at any given time. While we believe that our insurance coverage will be adequate, not all risks can be insured, and there can be no guarantee that we will always be able to obtain adequate insurance coverage at reasonable rates or at all, or that any specific claim we may make under our insurance coverage will be paid.

Hull & Machinery Marine Risks Insurance, Hull & Machinery War Risks Insurance and Loss of Hire Insurance

We maintain hull and machinery marine risks insurance and hull and machinery war risks insurance, which cover the risk of particular average, general average, 4/4ths collision liability, contact with fixed and floating objects and actual or constructive total loss in accordance with the Swedish Hull conditions. Each of our containerships is insured up to what we believe to be at least its fair market value, after meeting certain deductibles.

We do not and will not obtain loss of hire insurance (or any other kind of business interruption insurance) covering the loss of revenue during off-hire periods for any of our vessels because we believe that this type of coverage is not economical and is of limited value to us, in part because historically our vessels have had a very limited number of off-hire days.

Protection and Indemnity Insurance Pollution Coverage

Protection and indemnity insurance is usually provided by a protection and indemnity association (a P&I association) and covers third-party liability, crew liability and other related expenses resulting from the injury or death of crew, passengers and other third parties, the loss or damage to cargo, third-party claims arising from collisions with other vessels (to the extent not recovered by the hull and machinery policies), damage to other third-party property, pollution arising from oil or other substances and salvage, towing and other related costs, including wreck removal.

Our protection and indemnity insurance is provided by a P&I association which is a member of the International Group of P&I Clubs (International Group). The 13 P&I associations that comprise the International Group insure approximately 90% of the world s commercial blue-water tonnage and have entered into a pooling agreement to reinsure each association s liabilities. Insurance provided by a P&I association is a form of mutual indemnity insurance.

Our protection and indemnity insurance coverage is currently subject to a limit of about $5 billion per vessel per incident except that for pollution the limit is set at $1 billion per vessel per incident, and for war risks the limit is set at

$500 million per vessel per incident.

As a member of a P&I association, which is a member of the International Group, we will be subject to calls payable to the P&I association based on the International Group s claim records as well as the claim records of all other members of the P&I association of which we are a member.

On October 5, 2011, our vessel *Rena* ran aground on the Astrolabe Reef off New Zealand and sustained significant damage. The vessel was determined to be a constructive total loss for insurance purposes. On October 1, 2012, we announced that Daina Shipping Co., our subsidiary that owned the *Rena*, entered into a settlement agreement with the New Zealand government in respect of certain matters arising from the *Rena s* grounding. The settlement provided that Daina Shipping Co. would make a payment of NZ$27.6 million as well as an additional NZ$10.4 million if it is permitted to leave part of the vessel in place, both of which are covered by our insurers. On October 26, 2012, Daina Shipping Co. pleaded guilty in a New Zealand court to a strict liability criminal charge of discharging harmful substances and was fined NZ$300,050. Proceedings relating to the lost cargo and damages sustained by third parties are at an early stage. While we anticipate that our insurance policies will cover most costs and losses associated with the incident, such insurance may not be sufficient to cover all risks.

Inspection by Classification Societies

Every seagoing vessel must be classed by a classification society. The classification society certifies that the vessel is in class , signifying that the vessel has been built and maintained in accordance with the rules of the classification society and complies with applicable rules and regulations of the vessel s country of registry and the international conventions of which that country is a member. In addition, where surveys are required by international conventions and corresponding laws and ordinances of a flag state, the classification society will undertake them on application or by official order, acting on behalf of the authorities concerned.

The classification society also undertakes on request other surveys and checks that are required by regulations and requirements of the flag state. These surveys are subject to agreements made in each individual case and/or to the regulations of the country concerned.

For maintenance of the class, regular and extraordinary surveys of hull and machinery, including the electrical plant and any special equipment classed, are required to be performed as follows:

Annual Surveys. For seagoing ships, annual surveys are conducted for the hull and the machinery, including the electrical plant, and where applicable, on special equipment classed at intervals of 12 months from the date of commencement of the class period indicated in the certificate.

Intermediate Surveys. Extended annual surveys are referred to as intermediate surveys and typically are conducted two and one-half years after commissioning and each class renewal. Intermediate surveys may be carried out on the occasion of the second or third annual survey.

Class Renewal Surveys. Class renewal surveys, also known as special surveys, are carried out on the ship s hull and machinery, including the electrical plant, and on any special equipment classed at the intervals indicated by the character of classification for the hull. During the special survey, the vessel is thoroughly examined, including audio-gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. The classification society may grant a one-year grace period for completion of the special survey. Substantial amounts of funds may have to be spent for steel renewals to pass a special survey if the vessel experiences excessive wear and tear. In lieu of the special survey every four or five years, depending on whether a grace period is granted, a ship-owner has the option of arranging with the classification society for the vessel s hull or machinery to be on a continuous survey cycle, in which every part of the vessel would be surveyed within a five-year cycle. At a ship-owner s application, the surveys required for class renewal may be split according to an agreed schedule to extend over the entire period of class. This process is referred to as continuous class renewal.

All areas subject to surveys as defined by the classification society are required to be surveyed at least once per class period, unless shorter intervals between surveys are otherwise prescribed. The period between two consecutive surveys of each area must not exceed five years.

All vessels are also dry-docked at least once every five years for inspection of their underwater parts and for repairs related to such inspections. If any defects are found, the classification surveyor will issue a recommendation which must be rectified by the ship-owner within prescribed time limits.

Insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the International Association of Classification Societies (IACS). All of our vessels are certified as being in class by members of IACS.

The following table lists the dates by which we expect to carry out the next dry-dockings and special surveys for the vessels in our current vessel fleet:

Dry-docking Schedule[1]

	2013	2014	2015	2016	2017
Number of vessels	10 (2)	6	12	9	9
Number of vessels to be dry-docked that are more than 30 years old (included in above figure)			2		1

(1) Excludes the ten newbuild vessels that we have agreed to acquire.

(2) Excludes the vessel *Venetiko*, whose dry-docking was completed prior to her delivery to us in January 2013.

Environmental and Other Regulations

Government regulation affects the ownership and operation of our vessels in a significant manner. We are subject to international conventions and national, port state and local laws and regulations applicable to international waters and/or territorial waters of the countries in which our vessels may operate or are registered, including those governing the management and disposal of hazardous substances and wastes, the cleanup of oil spills and the management of other contamination, air emissions, and grey water and ballast water discharges. These laws and regulations include OPA 90, the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the U.S. Clean Water Act (CWA), the U.S. Clean Air Act (CAA) and regulations adopted by the International Maritime Organization (IMO), including the International Convention for Prevention of Pollution from Ships (MARPOL) and the International Convention for Safety of Life at Sea (SOLAS), as well as regulations enacted by the European Union and other international, national and local regulatory bodies. Compliance with these laws, regulations and other requirements entails significant expense, including vessel modifications and implementation of certain operating procedures.

A variety of governmental and private entities subject our vessels to both scheduled and unscheduled inspections. These entities include the local port authorities Port State Control (such as the U.S. Coast Guard, harbor master or equivalent), classification societies, flag state administration (country of registry) and charterers. Certain of these entities require us to obtain permits, licenses, financial assurances and certificates for the operation of our vessels. Failure to maintain necessary permits or approvals could require us to incur substantial costs or temporarily suspend the operation of one or more of our vessels in one or more ports.

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and charterers is leading to greater inspection and safety requirements for all vessels and may accelerate the scrapping of older vessels throughout the container shipping industry. Increasing environmental concerns have created a demand for vessels that conform to the strictest environmental standards. We will be required to maintain operating standards for all of our vessels that emphasize operational safety, quality maintenance, continuous training of our officers and crews and compliance with U.S. and international regulations. Our affiliated managers and our vessels are certified in accordance with ISO 9001-2008 and ISO 14001-2004 relating to quality management and environmental standards, and it is anticipated that V.Ships Greece will obtain such certification prior to commencing management of our vessels.

Our containerships are subject to standards imposed by the IMO, the United Nations agency for maritime safety and the prevention of pollution by ships. The IMO has adopted regulations that are designed to reduce pollution in international waters, both from accidents and from routine operations, and has negotiated international conventions that impose liability for oil pollution in international waters and a signatory s territorial waters. For example, Annex III of MARPOL regulates the transportation of marine pollutants and imposes standards on packing, marking, labeling, documentation, stowage, quantity limitations and pollution prevention. These requirements have been expanded by the International Maritime Dangerous Goods Code, which imposes additional standards for all aspects of the transportation of dangerous goods and marine pollutants by sea. Annex VI to MARPOL, which became effective on May 19, 2005, sets limits on sulfur oxide and nitrogen oxide emissions from vessel exhausts and prohibits deliberate emissions of ozone depleting substances, such as chlorofluorocarbons. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. In addition, amendments to Annex VI that entered into force in July 2010 seek to reduce air pollution from vessels by, among other things, establishing a series of progressive requirements to further limit the sulfur content of fuel oil that will be phased in through 2020 and by establishing new tiers of nitrogen oxide emission standards for new marine diesel engines, depending on their date of installation. Additionally, more stringent emission standards could apply in the coastal areas currently designated as Emission Control Areas, such as the Baltic Sea, North Sea and United States and Canadian coastal areas, and any such areas designated in the future. All our existing containerships are generally compliant with current Annex VI requirements, except that for those built before 2000, we may incur costs under these or other requirements in the future, such as the installation of control equipment on our containership engines to comply with nitrogen oxide emission requirements.

The International Convention on Civil Liability for Bunker Oil Pollution Damage (the Bunker Convention), which became effective in November 2008, imposes strict liability on vessel owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention also requires registered owners of vessels over 1,000 gross tons to maintain insurance in specified amounts to cover liability for bunker fuel pollution damage. Each of our containerships has been issued a certificate attesting that insurance is in force in accordance with the Bunker Convention. In 2004, the IMO also adopted an International Convention for the Control and Management of Ships Ballast Water and Sediments (the BWM Convention). The BWM Convention s implementing regulations call for a phased introduction of mandatory ballast water exchange requirements, to be replaced in time with mandatory concentration limits. The BWM Convention will not enter into force until 12 months after it has been ratified by 30 states, the combined merchant fleets of which represent not less than 35% of the gross tonnage of the world s merchant shipping. To date, the BWM Convention has not yet entered into force because it has not been ratified by a sufficient number of countries to meet this threshold.

The operation of our vessels is also affected by the requirements set forth in the IMO s Management Code for the Safe Operation of Ships and Pollution Prevention (the ISM Code). The ISM Code requires vessel owners, bareboat charterers and management companies to develop and maintain an extensive Safety Management System (SMS) that includes the adoption of a safety and environmental protection policy, sets forth instructions and procedures for safe operation and describes procedures for dealing with emergencies. The ISM Code requires that vessel operators obtain a Safety Management Certificate for each vessel they operate from the government of the vessel s flag state. The certificate verifies that the vessel operates in compliance with its approved SMS. Noncompliance by a vessel owner, manager or bareboat charterer with the ISM Code may subject such party to increased liability, invalidate existing insurance or decrease available insurance coverage for the affected vessels and result in a denial of access to, or detention in, certain ports. Our managers and each of our containerships is ISM Code-certified.

United States Requirements

OPA 90 established an extensive regulatory and liability regime for the protection of the environment from oil spills and cleanup of oil spills. OPA 90 applies to discharges of any oil from a vessel, including discharges of fuel and lubricants. OPA 90 affects all owners and operators whose vessels trade in the United States, its territories and possessions or whose vessels operate in U.S. waters, which include the United States territorial sea and its two hundred nautical mile exclusive economic zone. While we do not carry oil as cargo, we do carry fuel in our containerships, making them subject to the requirements of OPA 90.

Under OPA 90, vessel owners, operators and bareboat charterers are responsible parties and are jointly, severally and strictly liable (unless the discharge of pollutants results solely from the act or omission of a third party, an act of God or an act of war) for all containment and clean-up costs and other damages arising from discharges or threatened discharges, of pollutants from their vessels, including bunkers. OPA 90 defines these other damages broadly to include:

- natural resource damages and the costs of assessment thereof;

- real and personal property damage;

- net loss of taxes, royalties, rents, fees and other lost revenues;

- lost profits or impairment of earning capacity due to property or natural resource damages; and net cost of public services necessitated by a spill response, such as protection from fire, safety or health hazards, and loss of subsistence use of natural resources.

OPA 90 preserves the right to recover damages under other existing laws, including maritime tort law.

U.S. Coast Guard regulations limit OPA 90 liability to the greater of $1,000 per gross ton or $854,400 per incident for non-tank vessels, subject to periodic adjustments of such limits. These limits of liability do not apply if an incident was directly caused by violation of applicable U.S. safety, construction or operating regulations or by a responsible party s gross negligence or willful misconduct, or if the responsible party fails or refuses to report the incident or to cooperate and assist in connection with oil removal activities.

CERCLA applies to spills or releases of hazardous substances other than petroleum or petroleum products whether on land or at sea. CERCLA imposes joint and several liability, without regard to fault, on the owner or operator of a vessel, vehicle or facility from which there has been a release, along with other specified parties. Costs recoverable under CERCLA include cleanup and removal costs, natural resource damages and governmental oversight costs. Liability under CERCLA is generally limited to the greater of $300 per gross ton or $5.0 million for vessels carrying any hazardous substances, such as cargo or residue, or $0.5 million for any other vessel, per release of or incident involving hazardous substances. These limits of liability do not apply if the incident is caused by gross negligence, willful misconduct or a violation of certain regulations, in which case liability is unlimited.

All owners and operators of vessels over 300 gross tons are required to establish and maintain with the U.S. Coast Guard evidence of financial responsibility sufficient to meet their potential liabilities under OPA 90 and CERCLA. Under the U.S. Coast Guard regulations, vessel owners and operators may evidence their financial responsibility by showing proof of insurance, surety bond, guarantee, letter of credit or self-insurance. An owner or operator of a fleet of vessels is required only to demonstrate evidence of financial responsibility in an amount sufficient to cover the vessel in the fleet having the greatest maximum liability under OPA 90 and CERCLA. Under the self-insurance provisions, the vessel owner or operator must have a net worth and working capital, measured in assets located in the United States against liabilities located anywhere in the world, that exceeds the applicable amount of financial responsibility.

The U.S. Coast Guard s regulations concerning certificates of financial responsibility provide, in accordance with OPA 90, that claimants may bring suit directly against an insurer or guarantor that furnishes certificates of financial responsibility. In the event that such insurer or guarantor is sued directly, it is prohibited from asserting any contractual defense that it may have had against the responsible party and is limited to asserting those defenses available to the responsible party and the defense that the incident was caused by the willful misconduct of the responsible party. Certain organizations, which had typically provided certificates of financial responsibility under pre-OPA 90 laws, including the major P&I associations, have declined to furnish evidence of insurance for vessel owners and operators if they are subject to direct actions or required to waive insurance policy defenses. This requirement may have the effect of limiting the availability of the type of vessel coverage required by the U.S. Coast Guard and could increase our costs of obtaining this insurance for our fleet, as well as the costs of our competitors that also require such coverage.

OPA 90 specifically permits individual states to impose their own liability regimes with regard to oil pollution incidents occurring within their boundaries, and some states have enacted legislation providing for unlimited liability for oil spills. In some cases, states which have enacted such legislation have not yet issued implementing regulations defining vessels owners responsibilities under these laws. We intend to comply with all applicable state regulations in the ports where our vessels call.

We will maintain, for each of our containerships, oil pollution liability coverage insurance in the amount of $1.0 billion per vessel per incident. In addition, we carry hull and machinery and protection and indemnity insurance to cover the risks of fire and explosion. Although our containerships will only carry bunker fuel, a spill of oil from one of our vessels could be catastrophic under certain circumstances. Losses as a result of fire or explosion could also be catastrophic under some conditions. While we believe that our present insurance coverage is adequate, not all risks can be insured, and if the damages from a catastrophic spill exceeded our insurance coverage, the payment of those damages could have an adverse effect on our business or the results of our operations.

Title VII of the Coast Guard and Maritime Transportation Act of 2004 (the CGMTA) amended OPA 90 to require the owner or operator of any non-tank vessel of 400 gross tons or more that carries oil of any kind as a fuel for main propulsion, including bunker fuel, to prepare and submit a response plan for each vessel. These vessel response plans include detailed information on actions to be taken by vessel personnel to prevent or mitigate any discharge or substantial threat of such a discharge of oil from the vessel due to operational activities or casualties. Where required, each of our containerships has an approved response plan.

The CWA prohibits the discharge of oil or hazardous substances in navigable waters and imposes liability in the form of penalties for any unauthorized discharges. It also imposes substantial liability for the costs of removal, remediation and damages and complements the remedies available under the more recently enacted OPA 90 and CERCLA, discussed above. The U.S. Environmental Protection Agency (the EPA) regulates the discharge of ballast water and other substances under the CWA. EPA regulations require vessels 79 feet in length or longer (other than commercial fishing vessels) to obtain coverage under a Vessel General Permit (VGP) authorizing discharges of ballast waters and other wastewaters incidental to the operation of vessels when operating within the three-mile territorial waters or inland waters of the United States. The VGP requires vessel owners and operators to comply with a range of best management practices and reporting and other requirements for a number of incidental discharge types. The EPA has proposed a new VGP to become effective in 2013 that, if finalized, will impose, among other things, numerical ballast water discharge limits. We have obtained coverage under the current version of the VGP for all of our containerships that operate in U.S. waters. We do not believe that any costs associated with meeting the requirements under the VGP will be material.

The U.S. National Invasive Species Act (NISA) was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by vessels in foreign ports. The U.S. Coast Guard adopted regulations under NISA in July 2004 that impose mandatory ballast water management practices for all vessels equipped with ballast water

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tanks entering U.S. waters. These requirements can be met by performing mid-ocean ballast exchange, by retaining ballast water on board the vessel or by using environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. However, mid-ocean ballast exchange is mandatory for vessels heading to the Great Lakes or Hudson Bay. Mid-ocean ballast exchange is the primary method for compliance with the U.S. Coast Guard regulations, since holding ballast water can prevent vessels from performing cargo operations upon arrival in the United States and alternative methods are still under development. Vessels that are unable to conduct mid-ocean ballast exchange due to voyage or safety concerns may discharge minimum amounts of ballast water (in areas other than the Great Lakes and Hudson Bay), *provided* that they comply with record keeping requirements and document the reasons they could not follow the required ballast water management requirements. The U.S. Coast Guard is proposing new ballast water management standards and practices that could ultimately lead to the establishment of maximum acceptable discharge limits for various invasive species and/or requirements for active treatment of ballast water. Several states, including Michigan and California, have adopted legislation or regulations relating to the permitting and management of ballast water discharges. California has extended its ballast water management program to the regulation of hull fouling organisms attached to vessels and adopted regulations limiting the number of organisms in ballast water discharges. Other states could adopt similar requirements that could increase the costs of operation in state waters.

The EPA has adopted standards under the CAA that pertain to emissions from vessel vapor control and recovery and other operations in regulated port areas and emissions from model year 2004 and later large marine diesel engines. Several states also regulate emissions from vapor control and recovery under authority of State Implementation Plans adopted under the CAA. On April 30, 2010, the EPA promulgated regulations that impose more stringent standards for emissions of particulate matter, sulfur oxides and nitrogen oxides from new Category 3 marine diesel engines on vessels constructed on or after January 1, 2016 and registered or flagged in the U.S. and implement the new MARPOL Annex VI requirements for U.S. and foreign flagged ships entering U.S. ports or operating in U.S. internal waters. The EPA is also considering a petition from a number of environmental groups that requests the EPA to impose more stringent emissions limits on foreign-flagged vessels operating in U.S. waters. In addition, California has adopted emission limits for auxiliary diesel engines of ocean-going vessels operating within 24 miles of the California coast and require operators to use low content fuel. If new or more stringent regulations relating to emissions from marine diesel engines or port operations by ocean-going vessels are adopted by the EPA or states, these requirements could require significant capital expenditures or otherwise increase the costs of our operations.

European Union Requirements

The European Union has also adopted legislation that (1) requires member states to refuse access to their ports to certain sub-standard vessels, according to vessel type, flag and number of previous detentions, (2) obliges member states to inspect at least 25% of foreign vessels using their ports annually and provides for increased surveillance of vessels posing a high risk to maritime safety or the marine environment, (3) provides the European Union with greater authority and control over classification societies, including the ability to seek to suspend or revoke the authority of negligent societies, and (4) requires member states to impose criminal sanctions for certain pollution events, such as the unauthorized discharge of tank washings.

Other Regional Requirements

The environmental protection regimes in certain other countries, such as Canada, resemble those of the United States. To the extent we operate in the territorial waters of such countries or enter their ports, our containerships would typically be subject to the requirements and liabilities imposed in such countries. Other regions of the world also have the ability to adopt requirements or regulations that may impose additional obligations on our containerships and may entail significant expenditures on our part and may increase the costs of our operations. These requirements, however, would apply to the industry operating in those regions as a whole and would also affect our competitors.

Greenhouse Gas Regulations

The MEPC of IMO adopted two new sets of mandatory requirements to address greenhouse gas emissions from ships at its July 2011 meeting. The Energy Efficiency Design Index will require a minimum energy efficiency level per capacity mile and will be applicable to new vessels, and the Ship Energy Efficiency Management Plan will be applicable to currently operating vessels. The requirements will enter into force in January 2013 and could cause us to incur additional compliance costs. The IMO is also considering the development of a market-based mechanism for greenhouse gas emissions from ships, but it is difficult to accurately predict the likelihood that such a standard might be adopted or its potential impact on our operations at this time.

The European Union has indicated that it intends to propose an expansion of the existing European Union emissions trading scheme to include emissions of greenhouse gases from marine ships. In the United States, the EPA has issued a finding that greenhouse gases endanger the public health and safety and has adopted regulations under the CAA to limit greenhouse gas emissions from certain mobile sources and large stationary sources. Although the mobile source emissions do not apply to greenhouse gas emissions from ships, the EPA may, in the future, decide to regulate greenhouse gas emissions from ocean-going ships. Any passage of climate control legislation or other regulatory initiatives by the IMO, the European Union, the United States or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol, that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time.

Vessel Security Regulations

A number of initiatives have been introduced in recent years intended to enhance vessel security. On November 25, 2002, the Maritime Transportation Security Act of 2002 (the MTSA) was signed into law. To implement certain portions of the MTSA, the U.S. Coast Guard issued regulations in July 2003 requiring the implementation of certain security requirements aboard vessels operating in waters subject to the jurisdiction of the United States. Similarly, in December 2002, amendments to SOLAS created a new chapter of the convention dealing specifically with maritime security. This new chapter came into effect in July 2004 and imposes various detailed security obligations on vessels and port authorities, most of which are contained in the newly created International Ship and Port Facilities Security Code (the ISPS Code). Among the various requirements are:

- on-board installation of automatic information systems to enhance vessel-to-vessel and vessel-to-shore communications;

- on-board installation of ship security alert systems;

- the development of ship security plans; and compliance with flag state security certification requirements.

The U.S. Coast Guard regulations, intended to align with international maritime security standards, exempt non-U.S. vessels from MTSA vessel security measures, *provided* such vessels have on board a valid International Ship Security Certificate that attests to the vessel s compliance with SOLAS security requirements and the ISPS Code. We have implemented the various security measures required by the IMO, SOLAS and the ISPS Code and have approved ISPS certificates and plans certified by the applicable flag state on board all our containerships.

C. Organizational Structure

As of February 22, 2013, Costamare Inc. is a holding company incorporated in the Republic of The Marshall Islands with 84 subsidiaries all of which are incorporated in Liberia. Of our Liberian subsidiaries, 57 either own vessels in our fleet or are parties to contracts to obtain newbuild vessels. The remaining subsidiaries are dormant. Our subsidiaries are wholly-owned by us. A list of our subsidiaries as of February 22, 2013 is set forth in Exhibit 8.1 to this annual report.

D. Property, Plant and Equipment

We have no freehold or material leasehold interest in any real property. We occupy office space at 60 Zephyrou Street & Syngrou Avenue, 17564 Athens, Greece, that is provided to us as part of the services we receive under the Group Management Agreement. Other than our vessels, we do not have any material property. Our vessels are subject to priority mortgages, which secure our obligations under our various credit facilities. For further details regarding our credit facilities, refer to Item 5. Operating and Financial Review and Prospects B. Liquidity and Capital Resources Credit Facilities .

ITEM 4.A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this annual report. This discussion includes forward-looking statements that involve risks and uncertainties. As a result of many factors, such as those set forth under Item 3. Key Information D. Risk Factors and elsewhere in this annual report, our actual results may differ materially from those anticipated in these forward-looking statements. Please see the section Forward-Looking Statements at the beginning of this annual report.

Overview

We are an international owner of containerships, chartering our vessels to many of the world s largest liner companies. As of February 22, 2013, we had a fleet of 57 containerships aggregating approximately 332,000 TEU, making us one of the largest public containership companies in the world, based on total TEU capacity. At that date, our fleet consisted of (i) 47 vessels in the water, aggregating approximately 242,000 TEU and (ii) ten newbuild vessels aggregating approximately 90,000 TEU that are scheduled to be delivered to us between March 2013 and February 2014. See Item 4. Information on the Company B. Business Overview Our Fleet, Acquisitions and Newbuild Vessels .

We principally deploy our containerships on multi-year, fixed-rate time charters to take advantage of the stable cash flows and high utilization rates typically associated with multi-year time charters. Time-chartered containerships are generally employed on multi-year charters to liner companies that charter-in vessels on a multi-year basis as part of their business strategies.

As of February 22, 2013, the average (weighted by TEU capacity) remaining time-charter duration for our fleet of 57 containerships was 5.1 years, based on the remaining fixed terms and assuming the exercise of any owner s options and the non-exercise of any charterer s options under our containerships charters. As of December 31, 2012, our fixed-term charters represented an aggregate of $2.7 billion of contracted revenue, assuming the earliest redelivery dates possible and 365 revenue days per annum per containership. See the table entitled Contracted Revenue and Days From Time Charters as of December 31, 2012 in Item 5. Operating and Financial Review and Prospects A. Operating Results Factors Affecting Our Results of Operations Voyage Revenue . As of February 22, 2013, our fixed-term charters represented an aggregate of $2.7 billion of contracted revenue, assuming the earliest redelivery dates possible and 365 revenue days per annum per containership. Furthermore, five of our charters include options which allow us to unilaterally extend their terms for two additional one-year periods. The exercise of these options would result in an additional $152.2 million of revenue.

The table below provides additional information about the charter coverage for our fleet of containerships as of December 31, 2012. Except as indicated in the footnotes, it does not reflect events occurring after that date, including any charter contract we entered into after that date. It does reflect our contracts to acquire newbuild vessels. The table assumes the earliest redelivery dates possible under our containerships charters. See Item 4. Information on the Company B. Business Overview Our Fleet, Acquisitions and Newbuild Vessels .

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
No. of Vessels whose Charters Expire[(2)]	8	9	3	4	6	16

TEU of Expiring Charters	30,087	26,376	12,617	19,720	38,063	126,238
Contracted Days	16,305	14,982	13,420	12,398	10,637	5,506
Available Days	2,043	5,062	6,655	7,729	9,438	13,718
Contracted/Total Days[1]	88.9 %	74.7 %	66.8 %	61.6 %	53.0 %	28.6 %

(1) Total days are calculated on the assumption that the vessels will continue trading until the age of 30 years old, unless the vessel will exceed 30 years of age at the expiry of its current time charter, in which case we assume that the vessel continues trading until that expiry date.

(2) This excludes one vessel which was classified as held for sale at December 31, 2012, and delivered to her scrap buyers on January 2, 2013, and one vessel which was not chartered at December 31, 2012.

Our containership fleet is currently under time charters with nine different charterers. For the three years ended December 31, 2012, our three largest customers by revenue were A.P. Moller-Maersk, MSC and COSCO; together these three customers represented 75%, 68% and 74% of our revenue in 2010, 2011 and 2012, respectively.

We dry-dock our vessels when the next survey (dry-dock survey or special survey) is scheduled to become due, ranging from 30 to 60 months. We have dry-docked 29 vessels over the past 3 years, and we plan to dry-dock 10 vessels in 2013 and 6 vessels in 2014. Information about our fleet dry- docking schedule through 2016 is set forth in a table in Item 4. Information on the Company B. Business Overview Risk of Loss and Liability Insurance Inspection by Classification Societies .

Our Manager

The operations of our fleet of containerships are managed by Costamare Shipping and its sub-managers under the supervision of our chairman and chief executive officer and our chief financial officer, in conjunction with our board of directors. Costamare Shipping receives a fee in 2013 of $884 per day or $442 per day in the case of a containership subject to a bareboat charter, for each containership, pro rated for the calendar days we own each containership, for providing us with general administrative services, certain commercial services, director and officer related insurance services and the services of our officers (but not for payment of such officers compensation) and for providing the relevant containership-owning subsidiaries with technical, commercial, insurance, accounting, provisioning, sale and purchase, crewing and bunkering services. In 2012 such amounts were $850 and $425, respectively. In the event that Costamare Shipping decides to delegate certain or all of the services it has agreed to perform to affiliated sub-managers (such as CIEL or Shanghai Costamare) or, subject to our consent, a third party sub-manager (such as V.Ships Greece), either through subcontracting or by directing the sub-manager to enter into a direct ship-management agreement with the relevant containership-owning subsidiary, then, in the case of subcontracting, Costamare Shipping will be responsible for paying the management fee charged by the relevant sub-manager for providing such services and, in the case of a direct ship-management agreement, the fee received by Costamare Shipping will be reduced by the fee payable to the sub-manager under the relevant direct ship-management agreement. As a result, these arrangements will not result in any increase in the aggregate management fees we pay. Moreover, in the case of the Co-operation Agreement, the management fees we pay will be reduced by any net profit received by Costamare Shipping from the Cell s operation. In addition to management fees, we pay for any capital expenditures, financial costs, operating expenses and any general and administrative expenses, including the salaries of our officers and employees and payments to third parties in accordance with the Group Management Agreement and the relevant separate ship-management agreements or supervision agreements. We also pay to Costamare Shipping a flat fee of $700,000 per newbuild vessel for the supervision of the construction of any newbuild vessel for which we may contract. Costamare Shipping also receives a fee of 0.75% on all gross freight, demurrage, charter hire, ballast bonus or other income earned with respect to each containership in our fleet.

The initial term of the Group Management Agreement with Costamare Shipping expires on December 31, 2015. The Group Management Agreement automatically renews for five consecutive one-year periods until December 31, 2020, at which point the Group Management Agreement will expire. The daily management fee for each containership was fixed until December 31, 2012, and will hereafter be annually adjusted upwards by 4%, with further annual increases permitted to reflect any strengthening of the Euro against the U.S. dollar and/or material unforeseen cost increases. After the initial term expires on December 31, 2015, we will be able to terminate the Group 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 (without taking into account any reduction in fees to reflect that certain obligations have been delegated to a sub-manager), *provided* that the termination fee will always be at least two times the aggregate fees over the 12-month period described above. Information about other termination events under the Group Management Agreement is set forth in Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Management Agreement Term and Termination Rights .

Pursuant to the terms of our Group Management Agreement and separate ship-management agreements and supervision agreements, liability of our managers to us is limited to instances of gross negligence or willful misconduct on the part of the managers. Further, we are required to indemnify the managers for liabilities incurred by the managers in performance of the Group Management Agreement and separate ship-management agreements and supervision agreements, except in instances of gross negligence or willful misconduct on the part of the managers.

A. Operating Results

Factors Affecting Our Results of Operations

Our financial results are largely driven by the following factors:

Number of Vessels in Our Fleet. The number of vessels in our fleet is a key factor in determining the level of our revenues. Aggregate expenses also increase as the size of our fleet increases. Vessel acquisitions and dispositions give rise to gains and losses and other one-time items. During 2007 and 2008, we increased the number of vessels in our fleet so that on

October 31, 2008 our fleet consisted of 53 containerships. Thereafter, from 2009 through the first half of 2010, in response to the global economic recession, we reduced our fleet through dispositions to 41 vessels. Beginning in the second half of 2010, when the market started to recover and vessel prices were at an attractive point, we have substantially grown our fleet to a total of 57 vessels as of February 22, 2013, including ten newbuild vessels on order.

Charter Rates. The charter rates we obtain for our vessels also drive our revenues. Charter rates are based primarily on demand and supply of containership capacity at the time we enter into the charters for our vessels. Demand and supply can fluctuate significantly over time as a result of changing economic conditions affecting trade flow between ports served by liner companies and the industries which use liner shipping services. Although our multi-year charters make us less susceptible to cyclical containership charter rates than vessels operated on shorter-term charters, such as spot charters, we are exposed to varying charter rate environments when our chartering arrangements expire and we seek to deploy our containerships under new charters. As illustrated in the table above under

Overview , the staggered maturities of our containership charters reduce our exposure to any one particular rate environment and point in the shipping cycle. See Voyage Revenue .

Utilization of Our Fleet. Due to the multi-year time charters under which they generally operate, our containerships have consistently been deployed at high utilization. Nevertheless, the amount of time our vessels spend dry-docked undergoing repairs, maintenance or upgrade work affects our results of operations. Historically, our fleet has had a limited number of unscheduled off-hire days. In 2010, 2011 and 2012 our fleet utilization based on unscheduled off-hire days as a percentage of total operating days for each year was 99.7%, 99.3% and 99.9%, respectively. However, an increase in annual off-hire days could reduce our utilization. The efficiency with which suitable employment is secured, the ability to minimize off-hire days and the amount of time spent positioning vessels also affects our results of operations. If the utilization pattern of our containership fleet changes, our financial results would be affected.

Expenses and Other Costs. Our ability to control our fixed and variable expenses is critical to our ability to maintain acceptable profit margins. These expenses include commission

expenses, crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricating oil costs, tonnage taxes and other miscellaneous expenses. In addition, factors beyond our control, such as developments relating to market premiums for insurance and the value of the U.S. dollar compared to currencies in which certain of our expenses, primarily crew wages, are paid, can cause our vessel operating expenses to increase. We proactively manage our foreign currency exposure by entering into Euro/dollar forward contracts covering our Euro-denominated operating expenses.

Voyage Revenue

Our operating revenues are driven primarily by the number of vessels in our fleet, the amount of daily charter hire that our vessels earn under time charters and the number of operating days during which our vessels generate revenues. These factors are, in turn, affected by our decisions relating to vessel acquisitions and dispositions, the amount of time that we spend positioning our vessels, the amount of time that our vessels spend dry-docked undergoing repairs, maintenance and upgrade work, the age, condition and specifications of our vessels and the levels of supply and demand in the containership charter market.

Charter revenues are generated from fixed-rate time charters and are recorded on a straight-line basis over the term of each time charter (excluding the effect of any options to extend the term). Revenues derived from time charters with escalating rates are accounted for as operating leases and thus are recognized on a straight-line basis as the average revenue over the rental periods of such agreements, as service is performed, by dividing (i) the aggregate contracted revenues until the earliest expiration date of the time charter by (ii) the total contracted days until the earliest expiration date of the time charter. Some of our charters provide that the charter rate will be adjusted to a market rate for the final months of their respective terms. For purposes of determining the straight-line revenue amount, we exclude these periods and treat the charter as expiring at the end of the last fixed rate period. Our revenues will be affected by the acquisition of any additional vessels in the future subject to time charters, as well as by the disposition of any existing vessel in our fleet. Our revenues will also be affected if any of our charterers cancel a time charter or if we agree to renegotiate charter terms during the term of a charter resulting in aggregate revenue reduction. Our time charter arrangements have been contracted in varying rate environments and expire at different times. Generally, we do not employ our vessels under voyage charters under which a ship-owner, in return for a fixed sum, agrees to transport cargo from one or more loading ports to one or more destinations and assumes all vessel operating costs and voyage expenses.

After rising during 2007 and the first half of 2008, charter rates for containerships fell dramatically to 10-year lows during the second half of 2008 and 2009. While charter rates improved in 2010 and the first half of 2011, rates steeply declined during the latter half of 2011 due to reduced transportation demand triggered by the unfolding global sovereign debt crisis and overall volatile financial conditions. In 2012, the impact of the continuing European sovereign debt crisis and global economic slowdown, as well as uncertainty regarding the resolution of the fiscal cliff in the United States continued to negatively impact international trade which, combined with an increased supply of vessels, caused time charter rates and charter free values to continue their decline. While charter rates and the level of demand for containerships are historically volatile, and there can be no assurance that either will improve, we believe that any continued improvement in the global economy and demand for containerships will lead to an improvement in charter rates over time.

The table below provides additional information about our expected revenues based on contracted charter rates as of December 31, 2012. Although these expected revenues are based on contracted charter rates, any contract is subject to various risks, including performance by the counterparties or an early termination of the contract pursuant to its terms. If the charterers are unable to make charter payments to us, if we agree to renegotiate charter terms at the request of a charterer or if contracts are prematurely terminated for any reason, our results of operations and financial condition may be materially adversely affected. Historically, we have had no defaults or early terminations by charterers, although in certain cases we have agreed to changes in charter terms.

Contracted Revenue and Days From Time Charters as of December 31, 2012

	On and After January 1,				
	2013	**2014**	**2015**	**2016**	**2017 and thereafter**
	(Expressed in thousands of U.S. dollars, except days and percentages)				
Contracted Revenues[1][2]	$ 421,504	$ 461,839	$ 440,646	$ 417,343	$ 982,557
Fleet Contracted Days[2]	16,305	14,982	13,420	12,398	26,636
Percentage of fleet contracted days/Total days[2]	88.9 %	74.7 %	66.8 %	61.6 %	21.0 %

(1) Annual revenue calculations are based on: (a) an assumed 365 revenue days per vessel per annum, (b) the earliest redelivery dates possible under our containerships charters and (c) no exercise of any option to extend the terms of those charters.

(2) Some of our charters provide that the charter rate will be

adjusted to a market rate for the final months of their respective terms. For purposes of determining contracted revenues and the number of days, we exclude these periods and treat the charter as expiring at the end of the last fixed rate period. Total days are calculated on the assumption that the vessels will continue trading until the age of 30 years old, unless the vessel will exceed 30 years of age at the expiry of its current time charter, in which case we assume that the vessel continues trading until that expiry date.

Voyage Expenses

Voyage expenses include port and canal charges, bunker (fuel) expenses, address commissions and brokerage commissions. Under our time charter arrangements, charterers bear the voyage expenses other than address and brokerage commissions. As such, voyage expenses represent a relatively small portion of our vessels overall expenses. During 2011 and 2012, brokerage and address commissions represented 53% and 27% of voyage expenses respectively.

These commissions do not include the fees we pay to our manager, which are described below under Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Management Agreement .

Vessels Operating Expenses

Vessels operating expenses include crew wages and related costs, the cost of insurance, expenses for repairs and maintenance, the cost of spares and consumable stores, lubricant costs, statutory and classification expenses and other miscellaneous expenses. Aggregate expenses increase as the size of our fleet increases. We expect that insurance costs, dry-docking and maintenance costs will increase as our vessels age. Factors beyond our control, some of which may affect the shipping industry in general for instance, developments relating to market premiums for insurance and changes in the market price of lubricants due to increases in oil prices may also cause vessel operating expenses to increase. In addition, a substantial portion of our vessel operating expenses, primarily crew wages, are in currencies other than the U.S. dollar (mainly in Euro), and any gain or loss we incur as a result of the U.S. dollar fluctuating in value against these currencies is included in vessel operating expenses. As of December 31, 2012, approximately 34% of our outstanding accounts payable were denominated in currencies other than the U.S. dollar (mainly in Euro). We fund our managers with the amounts they will need to pay our fleet s vessel operating expenses. Under our time charter arrangements, we generally pay for vessel operating expenses.

General and Administrative Expenses

General and administrative expenses mainly include legal, accounting and advisory fees. We also incur additional general and administrative expenses as a public company. The primary components of general and administrative expenses will consist of the expenses associated with being a public company, which include the preparation of disclosure documents, legal and accounting costs, investor relation costs, incremental director and officer liability insurance costs, director and executive compensation and costs related to compliance with the Sarbanes-Oxley Act of 2002.

Management Fees

Historically, while we were a privately owned company, we paid our managers Costamare Shipping, CIEL and Shanghai Costamare (through payments to Costamare Shipping) a daily management fee of $700 per vessel for their services. With effect from the consummation of our initial public offering on November 4, 2010 until December 31, 2012, we paid to our managers a daily management fee of $850 per vessel for their services. Such fee increased to $884 per day per vessel beginning January 1, 2013. The total management fees paid by us to our managers during the years ended December 31, 2010, 2011 and 2012 amounted to $11.3 million, $15.4 million and $15.2 million, respectively.

Our current Group Management Agreement, as described in Item 7. Major Shareholders and Related Party Transactions B. Related Party Transactions Management Agreement , went into effect upon the consummation of our initial public offering. If this agreement had been in effect since January 1, 2010, we estimate that the aggregate amount of additional payments to the manager would have been approximately $2.0 million higher, and net income would have been $2.0 million lower in 2010, than the amount recorded with respect to our then existing management agreement.

Amortization of Dry-docking and Special Survey Costs

We follow the deferral method of accounting for special survey and dry-docking costs whereby actual costs incurred (mainly shipyard costs, paints and class renewal expenses) are deferred and amortized on a straight-line basis over the period through the date the next survey is scheduled to become due. If a survey is performed prior to the scheduled date, the remaining unamortized balances are immediately written off. Unamortized balances of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the period of the vessel s sale.

Depreciation

We depreciate our containerships on a straight-line basis over their estimated remaining useful economic lives. For years prior to January 1, 2007, we estimated this to be 25 years. As of January 1, 2007, we determined the estimated useful lives of our containerships to be 30 years from their initial delivery from the shipyard. This change was made to reflect our experience, market conditions and the current practice in the containership industry. Depreciation is based on cost, less the estimated scrap value of the vessels. As of December 31, 2012, one of our vessels with 3,876 TEU capacity was fully depreciated.

Gain / (Loss) on Sale/Disposal of Vessels

The gain or loss on the sale of a vessel is presented in a separate line item in our consolidated statements of income. In 2010, 2011 and 2012, we sold four, six and four vessels, respectively, while the vessel *Rena* was determined to be a constructive total loss for insurance purposes in 2011.

Foreign Exchange Gains / (Losses)

Our functional currency is the U.S. dollar because our vessels operate in international shipping markets, and therefore transact business mainly in U.S. dollars. Our books of accounts are maintained in U.S. dollars. Transactions involving other currencies are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. The gain or loss derives from the different foreign currency exchange rates between the time that a cost is recorded in our books and the time that the cost is paid. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are translated into U.S. dollars at the year-end exchange rates. Resulting gains or losses are reflected as foreign exchange gains / (losses) in our consolidated statement of income.

Other Income / (Expenses)

Other expenses represent primarily non-recurring items that are not classified under the other categories of our consolidated income statement. Such expenses may, for instance, result from various potential claims against our company, or from payments we are effecting on behalf of charterers that cannot meet their obligations.

Interest Income, Interest and Finance Costs

We incur interest expense on outstanding indebtedness under our existing credit facilities which we include in interest expense. We also incur financing and legal costs in connection with establishing those facilities, which is included in our finance costs. Further, we earn interest on cash deposits in interest-bearing accounts and on interest-bearing securities, which we include in interest income. We will incur additional interest expense in the future on our outstanding borrowings and under future borrowings. For a description of our existing credit facilities and our new committed term loan please read B. Liquidity and Capital Resources Credit Facilities .

Other

Other primarily represents vessels hull and machinery and vessels guarantee claims recoveries and gains resulting from free lubricants agreements that we have entered into for our vessels with lubricant suppliers. Free lubricants agreements with lubricant suppliers provide for the initial supply of lubricants at no charge to us upon the acquisition of a vessel. Following the initial supply at no charge, we are obliged under these agreements to purchase required lubricants for the vessel from the relevant supplier for a contracted period of time. If we terminate such an agreement before it expires we have to pay the supplier for the initial lubricant fill cost. We amortize the initial lubricant fill benefit through the term of the agreement.

Gain / (Loss) on Derivative Instruments

We enter into interest rate swap contracts to manage our exposure to fluctuations of interest rate risks associated with specific borrowings. All derivatives are recognized in the consolidated financial statements at their fair value. On the inception date of the derivative contract, we designate the derivative as a hedge of a forecasted transaction or the variability of cash flow to be paid (cash flow hedge). Changes in the fair value of a derivative that is qualified, designated and highly effective as a cash flow hedge are recorded in other comprehensive income until earnings are affected by the forecasted transaction or the variability of cash flow and are then reported in earnings. Changes in the fair value of undesignated derivative instruments and the ineffective portion of designated derivative instruments are reported in earnings in the period in which those fair value changes have occurred. As at December 31, 2012, we were engaged in 28 interest rate derivative instruments in order to partially hedge the exposure of interest rate fluctuations associated with our variable rate borrowings and at this date 27 out of 28 of these agreements met hedge accounting criteria and the effective portion in change in their fair value is recognized in Other Comprehensive Loss in stockholders equity on our balance sheet. We recognize in our statement of income the change in fair value of the one interest rate swap that does not meet hedge accounting criteria. For a description of our existing interest rate swaps, please read Item 11. Quantitative and Qualitative Disclosures About Market Risk A. Quantitative Information About Market Risk Interest Rate Risk .

Results of Operations

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

During the years ended December 31, 2012 and 2011, we had an average of 46.8 and 47.8 vessels, respectively, in our fleet. In the year ended December 31, 2012, we accepted delivery of five secondhand vessels (*MSC Ulsan*, *Koroni*, *Kyparissia*, *Stadt Luebeck* and *Messini*) with an aggregate TEU capacity of 15,352 and we sold four vessels (*Gather*, *Gifted*, *Genius I* and *Horizon*) with an aggregate TEU capacity of 9,834. In the year ended December 31, 2011, we accepted delivery of ten secondhand vessels (*MSC Pylos*, *Zagora*, *Marina*, *Prosper*, *Konstantina*, *MSC Sierra II*, *MSC Namibia II*, *MSC Reunion* (ex. *MSC Sudan II*), *MSC Romanos* and *MSC Methoni*) with an aggregate TEU capacity of 29,242 and we sold six secondhand vessels (*MSC Sierra*, *MSC Namibia*, *MSC Sudan*, *MSC Fado*, *MSC Tuscany* and *Garden*), while the vessel *Rena* was determined to be a constructive total loss (CTL) for insurance purposes in October 2011, with an aggregate TEU capacity of 13,836. In the years ended December 31, 2012 and 2011, our fleet ownership days totaled 17,113 and 17,437 days, respectively. Ownership days are the primary driver of voyage revenue and vessels operating expenses and represent the aggregate number of days in a period during which each vessel in our fleet is owned.

	Year ended December 31, 2011	Year ended December 31, 2012	Change	Percentage Change
	(Expressed in millions of U.S. dollars, except percentages)			
Voyage revenue	$ 382.2	$ 386.2	$ 4.0	1.0 %
Voyage expenses	(4.2)	(5.5)	1.3	31.0 %
Voyage expenses related parties	(2.9)	(2.9)		
Vessels operating expenses	(110.4)	(112.5)	2.1	1.9 %
General and administrative expenses	(5.0)	(4.0)	(1.0)	(20.0 %)
Management fees related parties	(15.3)	(15.2)	(0.1)	(0.7 %)
Amortization of dry-docking and special survey costs	(8.1)	(8.2)	0.1	1.2 %
Depreciation	(78.8)	(80.3)	1.5	1.9 %
Gain / (loss) on sale/disposal of vessels	13.1	(2.8)	(15.9)	(121.4 %)
Foreign exchange gains / (losses)	0.1	0.1		
Interest income	0.5	1.5	1.0	200.0 %
Interest and finance costs	(75.4)	(74.7)	(0.7)	(0.9 %)
Other	0.5	(0.1)	(0.6)	(120.0 %)
Gain / (loss) on derivative instruments	(8.7)	(0.5)	$ (8.2)	(94.3 %)
Net Income	$ 87.6	$ 81.1	(6.5)	(7.4 %)

Fleet operational data	Year ended December 31, 2011	Year ended December 31, 2012	Change	Percentage Change
Average number of vessels	47.8	46.8	(1.0)	(2.1 %)
Ownership days	17,437	17,113	(324)	(1.9 %)

Number of vessels underwent dry-docking and special survey during the years	8	9	1

The Company reports its financial results in accordance with U.S. GAAP. However, management believes that certain non-GAAP financial measures used in managing the business may provide users of these financial measures additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain items that impact the overall comparability. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company s performance. The table below sets out our Voyage revenue adjusted on a cash basis and the corresponding reconciliation to Voyage revenue for the twelve- month periods ended December 31, 2012 and December 31, 2011. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company s reported results prepared in accordance with GAAP.

	Year ended December 31, 2011	2012	Change	Percentage Change
	(Expressed in millions of U.S. dollars, except percentages)			
Voyage revenue	$ 382.2	$ 386.2	$ 4.0	1.0 %
Accrued charter revenue[1]	30.3	6.2	(24.1)	(79.5 %)
Voyage revenue adjusted on a cash basis[2]	412.5	392.4	(20.1)	(4.9 %)

(1) Accrued charter revenue represents the difference between cash received during the period and revenue recognized on a straight-line basis. In the early years of a charter with escalating charter rates, voyage revenue will exceed cash received during the period.

(2) Voyage revenue adjusted on a cash basis represents Voyage revenue after adjusting for non-cash Accrued charter revenue recorded under charters with escalating charter rates. Voyage revenue adjusted on a cash basis is not a recognized measurement under U.S. GAAP. We believe that the presentation of Voyage revenue adjusted on a cash basis is useful to

investors because it presents the charter revenue for the relevant period based on the then current daily charter rates. The increases or decreases in daily charter rates under our charter party agreements are described in the notes to the table in Item 4. Information On The Company Business Overview Our Fleet, Acquisitions and Newbuild Vessels .

Voyage Revenue

Voyage revenue increased by 1.0%, or $4.0 million, to $386.2 million during the year ended December 31, 2012, from $382.2 million during the year ended December 31, 2011. Ownership days decreased by 1.9% or 324 days to 17,113 days during the year ended December 31, 2012, from 17,437 days during the year ended December 31, 2011. The increase in Voyage revenue is mainly due to the fact that larger vessels, chartered on average at higher rates, were employed by the Company during the year ended December 31, 2012, compared to the year ended December 31, 2011. Voyage revenue adjusted on a cash basis (which eliminates non-cash Accrued charter revenue), decreased by 4.9%, or $20.1 million, to $392.4 million during the year ended December 31, 2012, from $412.5 million during the year ended December 31, 2011. The decrease is attributable to decreased charter hire received in accordance with certain escalation clauses of our charters during the year ended December 31, 2012, compared to the year ended December 31, 2011; partly offset by the fact that larger vessels, chartered on average at higher rates, were employed by the Company during the year ended December 31, 2012, compared to the year ended December 31, 2011.

Voyage Expenses

Voyage expenses increased by 31.0%, or $1.3 million, to $5.5 million during the year ended December 31, 2012, from $4.2 million during the year ended December 31, 2011. The increase was primarily attributable to the increased off-hire expenses of our fleet, mainly fuel consumption; partly offset by the decreased third party commissions charged to us during the year ended December 31, 2012, compared to the year ended December 31, 2011.

Voyage Expenses Related Parties

Voyage expenses related parties in the amount of $2.9 million during the years ended December 31, 2012 and 2011, represent fees of 0.75% on voyage revenues charged to us by Costamare Shipping Company S.A. as provided under our management agreement signed on November 3, 2010.

Vessels Operating Expenses

Vessels operating expenses, which also include the realized gain or loss under derivative contracts entered into in relation to foreign currency exposure, increased by 1.9%, or $2.1 million, to $112.5 million during the year ended December 31, 2012, from $110.4 million during the year ended

December 31, 2011. The increase is partly attributable to the increase of the average vessel size of the fleet during the year ended December 31, 2012, compared to the same period of 2011; partly offset by the decreased ownership days of our fleet during the year ended December 31, 2012, compared to the same period of 2011.

General and Administrative Expenses

General and administrative expenses decreased by 20.0%, or $1.0 million, to $4.0 million during the year ended December 31, 2012, from $5.0 million during the year ended December 31, 2011. The decrease in the year ended December 31, 2012, was mainly attributable to decreased public-company related expenses charged to us compared to the year ended December 31, 2011. Furthermore, General and administrative expenses for the years ended December 31, 2012 and December 31, 2011, include $1.0 million, respectively, for the services of the Company s officers in aggregate charged to us by Costamare Shipping Company S.A. as provided under our management agreement signed on November 3, 2010.

Management Fees Related Parties

Management fees paid to our managers decreased by 0.7%, or $0.1 million, to $15.2 million during the year ended December 31, 2012, from $15.3 million during the year ended December 31, 2011. The decrease was primarily attributable to the decreased fleet ownership days for the year ended December 31, 2012, compared to the year ended December 31, 2011.

Amortization of Dry-docking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs for the years ended December 31, 2012 and 2011 was $8.2 million and $8.1 million, respectively. During the years ended December 31, 2012 and 2011, 9 vessels and 8 vessels, respectively, underwent their special surveys.

Depreciation

Depreciation expense increased by 1.9%, or $1.5 million, to $80.3 million during the year ended December 31, 2012, from $78.8 million during the year ended December 31, 2011. The increase was primarily attributable to the depreciation expense charged for the five larger and younger containerships delivered to us during the year ended December 31, 2012, partly offset by the elimination of depreciation expense relating to the four smaller and older vessels sold during the year ended December 31, 2012.

Gain / (Loss) on Sale/Disposal of Vessels

During the year ended December 31, 2012, we recorded a net loss of $2.8 million, primarily consisting of a loss of $9.8 million from the sale of two vessels, a gain of $4.1 million from the sale of two vessels, and a $3.0 million reversal of a provision recorded in 2011 for costs associated with the grounding of the vessel *Rena.* During the year ended December 31, 2011, we recorded a net gain of $13.1 million from the sale of six vessels and the CTL of the vessel *Rena.*

Foreign Exchange Gains

Foreign exchange gains amounted to $0.1 million and $0.1 million during the years ended December 31, 2012 and 2011, respectively.

Interest Income

During the year ended December 31, 2012, interest income increased by 200.0%, or $1.0 million, to $1.5 million, from $0.5 million during the year ended December 31, 2011. The increase in interest income was mainly due to the increased cash deposits in interest bearing accounts during the year ended December 31, 2012, compared to the year ended December 31, 2011, which resulted from the increased average cash balance during the year ended December 31, 2012, compared to the year ended December 31, 2011.

Interest and Finance Costs

Interest and finance costs decreased by 0.9%, or $0.7 million, to $74.7 million during the year ended December 31, 2012, from $75.4 million during the year ended December 31, 2011. The decrease is partly attributable to the decreased financing costs and capitalized interest in relation with our newbuilding program; partly offset by the increased interest expense charged to us during the year ended December 31, 2012, compared to the year ended December 31, 2011.

Gain / (Loss) on Derivative Instruments

The fair value of our 28 interest rate derivative instruments which were outstanding as of December 31, 2012, equates to the amount that would be paid by us or to us should those instruments be terminated. As of December 31, 2012, the fair value of these 28 interest rate derivative instruments in aggregate amounted to a liability of $180.8 million. Twenty-seven of the 28 interest rate derivative instruments that were outstanding as at December 31, 2012, qualified for hedge accounting and the effective portion of the change in their fair value is recorded in Comprehensive loss . The fair market value change of the interest rate derivative instruments during the year ended December 31, 2012 resulted in (i) a loss of $8.5 million included in Comprehensive loss (in respect of the 27 interest rate swaps qualified for hedge accounting) and (ii) a loss of $1.6 million included in Gain / (loss) on derivative instruments in the consolidated statement of income (in respect of the interest rate swap that did not qualify for hedge accounting).

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

During the year ended December 31, 2011 and 2010, we had an average of 47.8 and 42.4 vessels, respectively, in our fleet. In the year ended December 31, 2011, we accepted delivery of ten secondhand vessels with an aggregate TEU capacity of 29,242, and we sold six vessels and the vessel *Rena* was determined to be a CTL for insurance purposes, with an aggregate TEU capacity of 13,836. In the year ended December 31, 2010, we acquired the vessel *Navarino* (ex. *Hyundai Navarino*) and the secondhand vessels *Karmen* and *Rena* with an aggregate TEU capacity of 15,233, and we sold four vessels with an aggregate TEU capacity of 10,766. In the years ended December 31, 2011 and 2010, our fleet ownership days totaled 17,437 and 15,488 days, respectively. Ownership days are the primary driver of voyage revenue and vessels operating expenses and represent the aggregate number of days in a period during which each vessel in our fleet is owned.

	Year ended December 31, 2010	2011	Change	Percentage Change
	(Expressed in millions of U.S. dollars, except percentages)			
Voyage revenue	$ 353.2	$ 382.2	$ 29.0	8.2 %
Voyage expenses	(2.1)	(4.2)	2.1	100.0 %
Voyage expenses related parties	(0.4)	(2.9)	2.5	625.0 %
Vessels operating expenses	(102.8)	(110.4)	7.6	7.4 %
Charter agreement early termination fee	(9.5)		(9.5)	(100.0 %)
General and administrative expenses	(1.2)	(5.0)	3.8	316.7 %
Management fees related parties	(11.3)	(15.3)	4.0	35.4 %
Amortization of dry-docking and special survey costs	(8.5)	(8.1)	(0.4)	(4.7 %)
Depreciation	(70.9)	(78.8)	7.9	11.1 %
Gain on sale/disposal of vessels	9.6	13.1	3.5	36.5 %
Foreign exchange gains / (losses)	(0.3)	0.1	0.4	133.3 %
Interest income	1.5	0.5	(1.0)	(66.7 %)
Interest and finance costs	(71.9)	(75.4)	3.5	4.9 %
Other	0.3	0.5	0.2	66.7 %
Gain / (loss) on derivative instruments	(4.5)	(8.7)	$ 4.2	93.3 %
Net Income	$ 81.2	$ 87.6	6.4	7.9 %

Fleet operational data	Year ended December 31, 2010	2011	Change	Percentage Change
Average number of vessels	42.4	47.8	5.4	12.7 %
Ownership days	15,488	17,437	1,949	12.6 %
Number of vessels under dry-docking	12	8	(4)	

The Company reports its financial results in accordance with U.S. GAAP. However, management believes that certain non-GAAP financial measures used in managing the business may provide users of these financial measures additional meaningful comparisons between current results and results in prior operating periods. Management believes that these non-GAAP financial measures can provide additional meaningful reflection of underlying trends of the business because they provide a comparison of historical information that excludes certain items that impact the overall comparability. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company s performance. The table below sets out our Voyage revenue adjusted on a cash basis and the corresponding reconciliation to Voyage revenue for the twelve- month periods ended December 31, 2011 and December 31, 2010. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company s reported results prepared in accordance with GAAP.

	Year ended December 31, 2010	2011	Change	Percentage Change

	(Expressed in millions of U.S. dollars, except percentages)			
Voyage revenue	$ 353.2	$ 382.2	$ 29.0	8.2 %
Accrued charter revenue[1]	(13.6)	30.3	43.9	(222.9 %)
Voyage revenue adjusted on a cash basis[2]	339.6	412.5	72.9	21.5 %

(1) Accrued charter revenue represents the difference between cash received during the period and revenue recognized on a straight-line basis.

(2) Voyage revenue adjusted on a cash basis represents Voyage revenue after adjusting for non-cash Accrued charter revenue deriving from escalating charter rates under which certain of our vessels operate. Voyage revenue adjusted on a cash basis is not a recognized measurement under U.S. GAAP. We

believe that the presentation of Voyage revenue adjusted on a cash basis is useful to investors because it presents the charter revenue for the relevant period based on the then current daily charter rates. The increases or decreases in daily charter rates under our charter party agreements are described in the notes to the table in Item 4. Information on the Company Business Overview Our Fleet, Acquisitions and Newbuild Vessels .

Voyage Revenue

Voyage revenue increased by 8.2%, or $29.0 million, to $382.2 million during the year ended December 31, 2011, from $353.2 million during the year ended December 31, 2010. This increase was mainly due to increased average number of vessels in our fleet during the year ended December 31, 2011 compared to the year ended December 31, 2010. Voyage revenues adjusted on a cash basis, increased by 21.5%, or $72.9 million, to $412.5 million during the year ended December 31, 2011, from $339.6 million during the year ended December 31, 2010. The increase is attributable to the increased ownership days of our fleet, as well as to the increased charter hire received in accordance with certain escalation clauses of our charters, during the year ended December 31, 2011 compared to the year ended December 31, 2010.

Voyage Expenses

Voyage expenses increased by 100.0%, or $2.1 million, to $4.2 million during the year ended December 31, 2011, from $2.1 million during the year ended December 31, 2010. The increase was primarily attributable to (a) the off-hire expenses, mainly due to fuel consumption, of the eight out of ten container vessels which were delivered to us by their sellers in the year ended December 31, 2011 and the five out of seven vessels sold in year ended December 31, 2011, and (b) the third party commissions charged to us in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Voyage Expenses Related Parties

Voyage expenses related parties in the amount of $2.9 million during the year ended December 31, 2011 and in the amount of $0.4 million during the year ended December 31, 2010 represent fees of 0.75% on voyage revenues charged to us by Costamare Shipping Company S.A. as provided under our Group Management Agreement signed on November 3, 2010.

Vessels Operating Expenses

Vessels operating expenses, which also include the realized gain (loss) under derivative contracts entered into in relation to foreign currency exposure, increased by 7.4%, or $7.6 million, to $110.4 million during the year ended December 31, 2011, from $102.8 million during the year ended December 31, 2010. The increase is attributable to the increase of 12.6% of the ownership days of our fleet partly offset by more efficient logistics achieved in the year ended December 31, 2011 compared to the year ended December 31, 2010.

General and Administrative Expenses

General and administrative expenses increased by 316.7%, or $3.8 million, to $5.0 million during the year ended December 31, 2011, from $1.2 million during the year ended December 31, 2010. The increase in the year ended December 31, 2011 was mainly attributable to increased public-company related expenses charged to us (i.e., legal, audit and Directors and Officers insurance) subsequent to the completion of our Initial Public Offering on November 4, 2010, compared to the year ended December 31, 2010. Furthermore, General and administrative expenses for the year ended December 31, 2011 include $1.0 million compared to $0.16 million for the year ended December 31, 2010, for the services of the Company s officers in aggregate charged to us by Costamare Shipping Company S.A. as provided under our Group Management Agreement signed on November 3, 2010.

Management Fees Related Parties

Management fees paid to our managers increased by 35.4%, or $4.0 million, to $15.3 million during the year ended December 31, 2011, from $11.3 million during the year ended December 31, 2010. The increase was attributable to the daily management fee charged by our managers subsequent to the completion of our Initial Public Offering on November 4, 2010 and to the increased fleet ownership days for the year ended December 31, 2011, compared to the year ended December 31, 2010.

Amortization of Dry-docking and Special Survey Costs

Amortization of deferred dry-docking and special survey costs decreased by 4.7% or $0.4 million, to $8.1 million during the year ended December 31, 2011, from $8.5 million during the year ended December 31, 2010. The decrease is mainly attributable to the amortization expense not charged relating to the vessels sold during the year as their unamortized dry-docking balance at the date they were sold, was written-off and was included in the sale result; partly offset by the amortization expense charged for the vessels that were dry-docked during the year. During the year ended December 31, 2011, eight vessels underwent special survey. During the year ended December 31, 2010, twelve vessels underwent special survey.

Depreciation

Depreciation expense increased by 11.1%, or $7.9 million, to $78.8 million during the year ended December 31, 2011, from $70.9 million during the year ended December 31, 2010. The increase was primarily attributable to the depreciation expense charged for the two container vessels that were delivered to us in November 2010 and to the ten container vessels that were delivered to us during the year ended December 31, 2011.

Gain on Sale/Disposal of Vessels

During the year ended December 31, 2011, we recorded, on a net basis, a gain of $13.1 million from the sale of six vessels and the CTL of the vessel *Rena*, which includes the effects of a provision recorded for potential costs associated with the grounding of the *Rena.* During the year ended December 31, 2010, we recorded a gain of $9.6 million from the sale of four vessels.