Costamare Inc.


# Second Quarter 2014 Financial Results Conference Call

July 24, 2014

# Forward Looking Statements

This presentation contains certain "forward-looking statements" (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). All statements, other than statements of historical facts, that address activities, events or developments that the Company expects, projects, believes or anticipates will or may occur in the future, including, without limitation, future operating or financial results and future revenues and expenses, future, pending or recent acquisitions, general market conditions and shipping industry trends, the financial condition and liquidity of the Company, cash available for dividend payments, future capital expenditures and dry-docking costs and newbuild vessels and expected delivery dates, are forward-looking statements. Although the Company believes that its expectations stated in this presentation are based on reasonable assumptions, actual results may differ from those projected in the forward-looking statements. Important factors that, in our view, could cause actual results to differ materially from the future results discussed in the forward-looking statements include, without limitation, global supply and demand for containerships, the financial stability of the Company's counterparties and charterers, global economic weakness, disruptions in the world financial markets, the loss of one or more customers, a decrease in the level of Chinese exports, the availability of debt financing, our ability to expand through newbuildings and secondhand acquisitions, risks associated with the operation of the Framework Agreement with our joint venture partner, delay in the delivery of newbuildings, rising crew and fuel costs, increases in capital expenditure requirements or operating costs, a decrease in containership values, increased competition in the industry, re-chartering risk, fluctuations in interest rates, actions taken by governmental and regulatory authorities, potential liability for future litigation and environmental liabilities, the availability of adequate insurance coverage, potential disruption of shipping routes due to accidents or political conditions and the other factors discussed in the Company's Annual Report on Form 20-F (File No. 001-34934) under the caption "Risk Factors". All forward-looking statements reflect management's current views with respect to certain future events, and the Company expressly disclaims any obligation to update or revise any of these forward-looking statements, whether because of future events, new information, a change in the Company's views or expectations, or otherwise.

# Recent Transactions

**Vessel Acquisitions/ Disposals**

- The Company purchased the 2000-built, 2,474 TEU containership *Arepolis* for a purchase price of $9.5 million. The vessel has been chartered to Cosco for a period of minimum 3 and maximum 5 months starting from June 15, 2014, at a daily rate of $7,000.
- The Company sold the 1992-built, 3,351 TEU containership *Konstantina* for demolition, for a sale price of $7.5 million. The vessel was delivered to her buyers on May 29, 2014. On July 8, 2014 the Company agreed to sell for demolition the 1981-built, 3,876 TEU containership *MSC Kyoto* for a sale price of $9.5 million. The vessel was delivered to her buyers on July 17, 2014. The Company expects to record a net gain from the two transactions of approximately $0.8 ]million.

**Dividend Declarations**

- On July 3, 2014, we declared a dividend of $0.476563 per share on our Series B Preferred Stock and a dividend of $0.531250 per share on our Series C Preferred Stock, both paid on July 15, 2014, to holders of record on July 14, 2014.
- On July 8, 2014, we declared a dividend for the second quarter ended June 30, 2014, of $0.28 per share on our common stock, payable on August 6, 2014, to stockholders of record on July 23, 2014. This will be the Company’s fifteenth consecutive quarterly dividend since it commenced trading on the New York Stock Exchange.

# Recent Transactions

**New Chartering Arrangements**

The Company entered into the following charter agreements:

- Agreed to substitute the 1998-built, 3,842 TEU containership *MSC Koroni* (ex. *Koroni*) into the charter of the *MSC Kyoto* which was sold for demolition.
- Agreed to charter the 1998-built, 3,842 TEU containership *MSC Itea* (ex. *Kyparissia*) with MSC for a period of approximately 1 year starting from July 7, 2014 at a daily rate of $7,300.
- Agreed to extend the charter of the 1994-built, 1,162TEU containership *Petalidi* with CMA CGM for a period of minimum 12 and maximum 14 months starting from August 3, 2014 at a daily rate of $6,800.
- Agreed to extend the charter of the 1992-built, 3,351TEU containership *Marina* with Evergreen for a period of minimum 8 and maximum 12 months starting from August 12, 2014 at a daily rate of $7,000.
- Agreed to charter the 1991-built, 3,351 TEU containership *Karmen* with Wan Hai Lines for a period of minimum 15 and maximum 25 days at a daily rate of $7,500 starting from July 7, 2014.
- Exercised our option to extend the charters of the *MSC Namibia II, MSC Sierra II and MSC Reunion* with MSC for a period of approximately two years starting from August 2, July 1 and August 27, 2014 respectively. The daily rate for the first year of the extension has been set at $7,600.

# Income Statement

## Q2 2014 RESULTS

| | 2Q 2013 | 2Q 2014 | % Change |
|---|---|---|---|
| Ownership Days | 4,456 | 5,070 | 13.8% |
| Average Number of Vessels | 49.0 | 55.7 | 13.7% |
| | | | |
| Voyage Revenues | $ 100,030 | $ 123,505 | 23.5% |
| EBITDA(*) | $ 70,486 | $79,415 | 12.7% |
| Depreciation & Amortization | $ 23,586 | $ 29,610 | 25.5% |
| Net Interest and Finance Costs | $ 16,344 | $ 22,425 | 37.2% |
| Net Income Available to Common Stockholders | $30,556 | $24,267 | (20.6%) |
| Weighted Average Number of Shares | 74,800,000 | 74,800,000 | |
| EPS | $ 0.41 | $ 0.32 | |

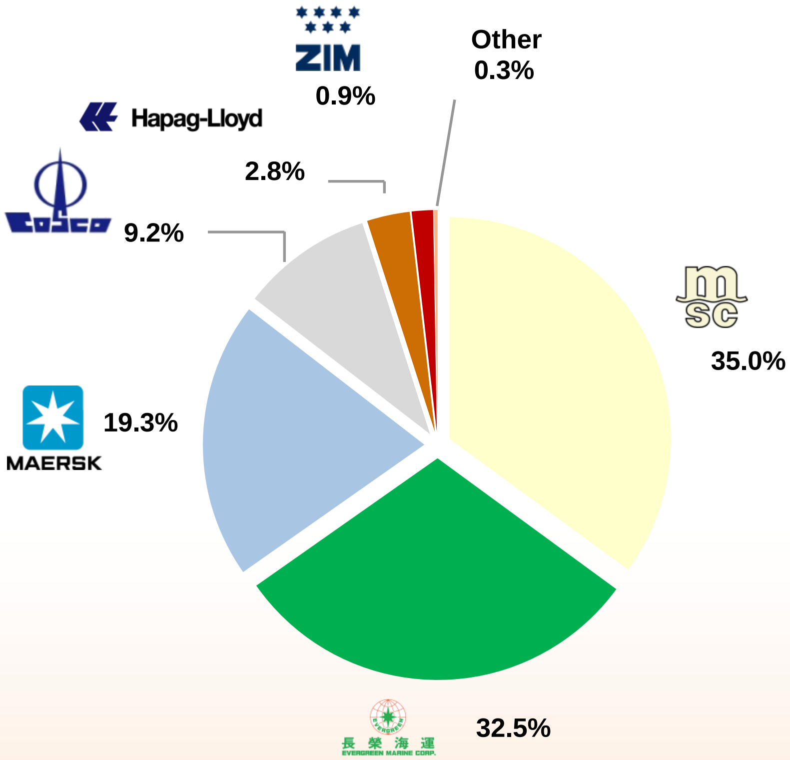
## Q2 2014 RESULTS – Non Cash and One-Time Adjustments

| | 2Q 2013 | 2Q 2014 |
|---|---|---|
| Net Income Available to Common Stockholders | $30,556 | $24,267 |
| Accrued Charter Revenue | $3,342 | $2,475 |
| (Gain)/ Loss on Derivative Instruments | $ (2,471) | $ 873 |
| (Gain)/ Loss on Sale/ Disposal of Vessels | $ (3,551) | 2,903 |
| Realized/ (Gain) Loss on Euro/USD forward contracts | $ (180) | - |
| Swaps Breakage Cost | - | $ 3,480 |
| Unrealized loss on Swaption Agreement | - | $ 2,212 |
| Adjusted Net Income Available to Common Stockholders(*) | $ 27,696 | $ 36,210 |
| Adjusted EBITDA(*) | $ 67,626 | $91,358 |
| Adjusted EPS(*) | $ 0.37 | $ 0.48 |

**Notes**
All numbers in thousands, except ownership days, number of vessels, shares and per share data
(*) Non-GAAP Items, see Appendix for reconciliation

# High Quality Stable Cash Flows- Strong Relationships

**Revenue Contribution (All Vessels)[(1)(2)]**

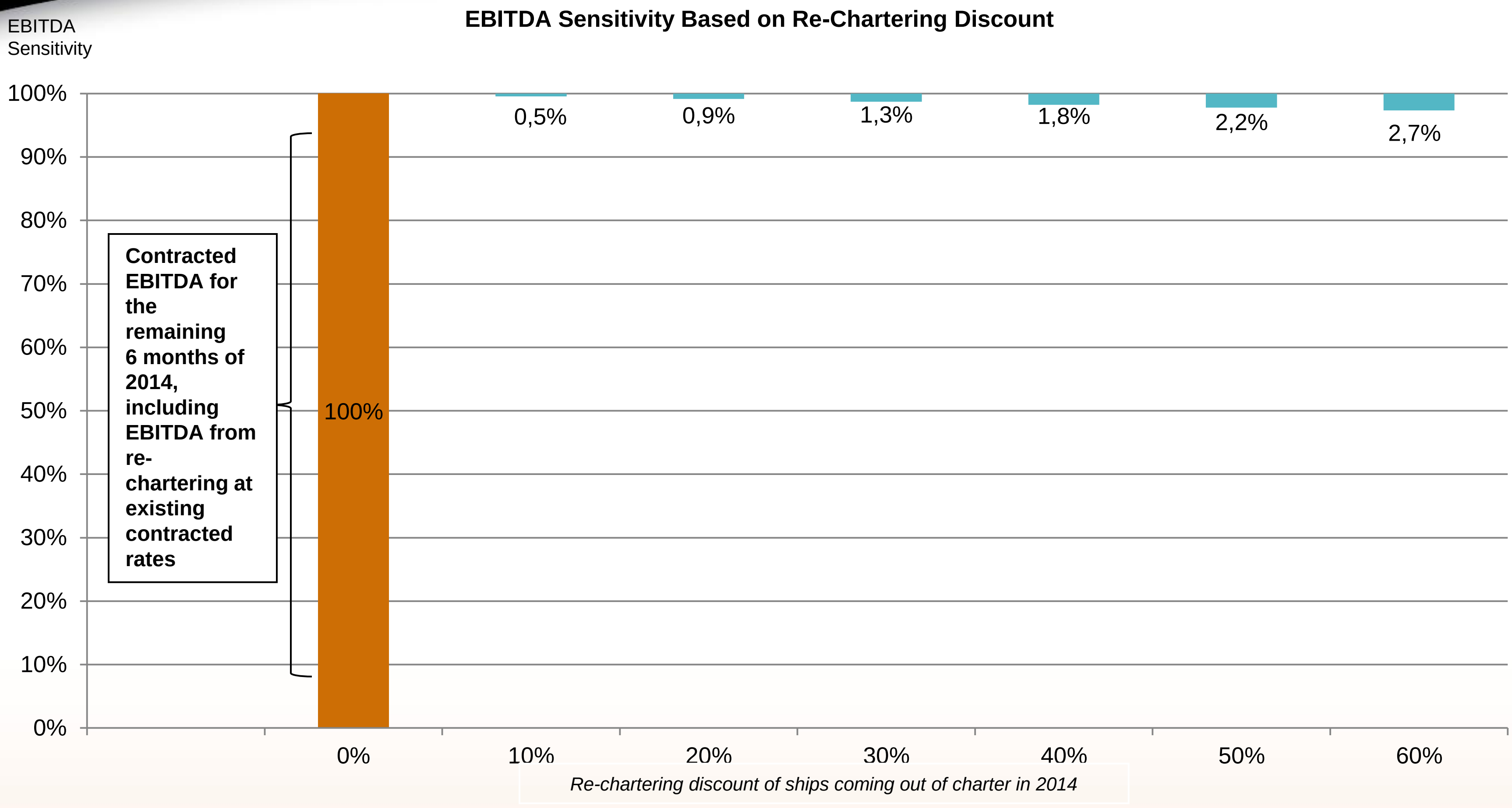



- As of July 23, 2014, contracted revenues of approximately \$2.6Bn[(1)(2)]
- TEU-weighted average remaining time charter duration for the fleet is about 5.0 years[(1)(2)]
- Significant built-in growth from cash flow generated by contracted newbuilds

**Notes**

1. Based on contracted revenues as of July 23, 2014. (Includes our ownership percentage of contracted revenues for three second hand vessels purchased and nine newbuilds ordered pursuant to the Framework Agreement with York)
2. Assumes earliest possible re-delivery dates and exercise of owners' extension options

# Small Re-chartering Risk for 2014




- Solid revenue base; even if re-chartering takes place at rates 30% or 40% lower than previous contracted rates for all ships coming out of charter during the year, small cash EBITDA effect of less than 3%.
- EBITDA variation becomes even less meaningful if ships built prior to 1995 are sold for demolition upon opening.

**Notes**

1. Remaining 6 months 2014 EBITDA = Revenues on a cash basis – Vessel Operating Expenses – Management Fees (excludes G&As, voyage expenses, off-hires).

# Balance Sheet Management

## Debt Repayment Schedule as of June 30, 2014 (US$ thousands)[1]

| 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| $103,258 | $ 206,458 | $ 199,793 | $ 242,812 | $ 580,633 | $ 78,300 | $ 248,544 | $ 87,464 | $ 22,117 | $ 23,730 | $ 83,222 |

- Smooth amortization schedule minimizes re-financing risk
- Distributable cash flow calculated on a post debt service basis, providing for a reasonable cushion for the common stock dividend
- Approximately 85% of loan portfolio hedged from floating rates to fixed rates with a weighted average rate of less than 4.0% adding to the cash flow visibility

## Liquidity as of June 30, 2014

| | (US$ millions) |
|---|---|
| Cash and Cash Equivalents [2] | $ 202.4 |
| Moderate leverage with 5 unencumbered vessels[3] | |

**Notes**
1. Includes repayment of leases.
2. Includes cash and cash equivalents and restricted cash as of June 30, 2014.
3. Excludes three second hand vessels purchased and nine newbuildings ordered pursuant to our Framework Agreement with York Capital Management.

# Container Shipping Industry

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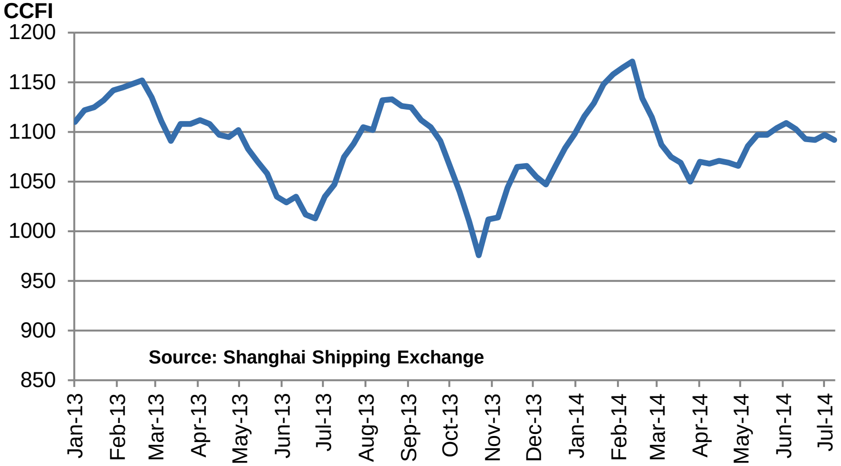
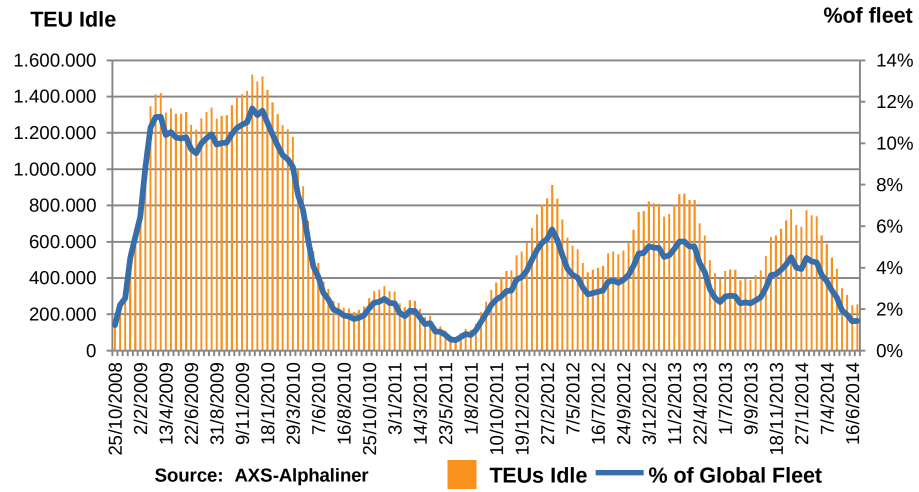
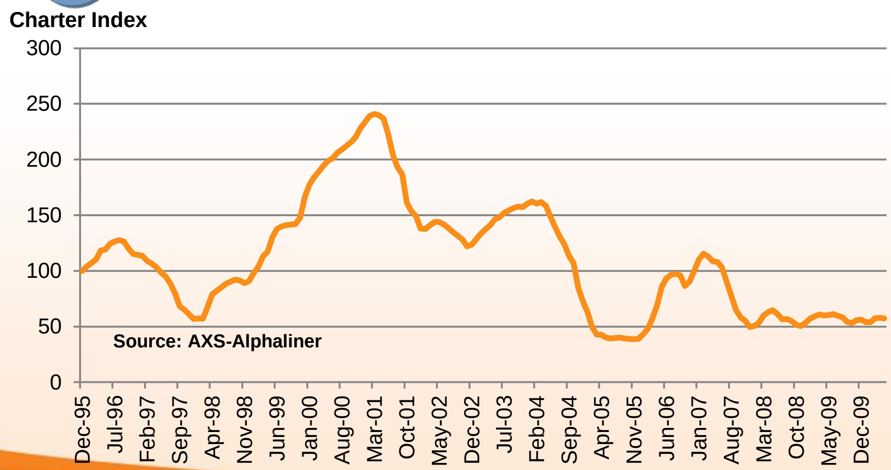
## Box Rates



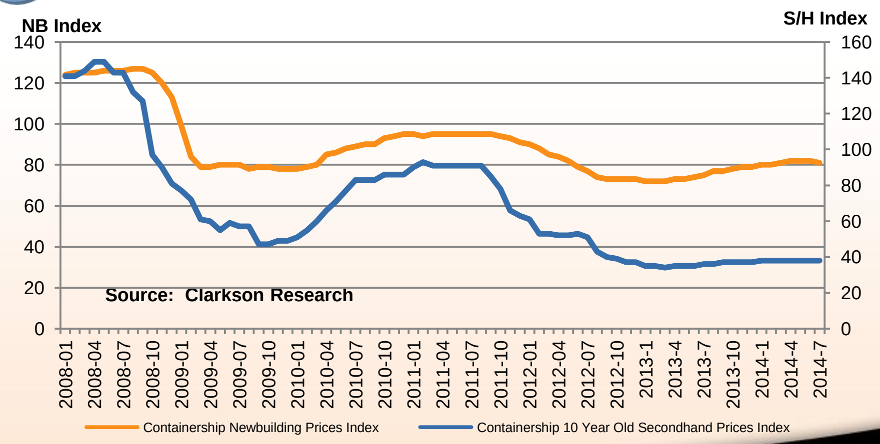

## Idle Fleet




## Charter Rates




## Asset Values – NBs & Secondhand Vessels



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# Q & A

# Appendix

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## Net Income to Adjusted Net Income and Adjusted EPS Reconciliation

| (Expressed in thousands of U.S. dollars, except share and per share data) | Six-month period ended June 30, | | Three-month period ended June 30, | |
|---|---|---|---|---|
| | 2013 | 2014 | 2013 | 2014 |
| **Net Income** | $ 55,291 | $ 47,213 | $ 30,556 | $ 27,380 |
| Distributed earnings allocated to Preferred Stock | - | (5,719) | - | (3,113) |
| **Net Income available to common stockholders** | 55,291 | 41,494 | 30,556 | 24,267 |
| Accrued charter revenue | 6,634 | 5,121 | 3,342 | 2,475 |
| (Gain)/ Loss on sale/disposal of vessels | (6,460) | 2,903 | (3,551) | 2,903 |
| Swaps breakage cost | - | 10,192 | - | 3,480 |
| Unrealized loss from swap option agreement held by a jointly owned company with York included in equity loss on investments | - | 4,715 | - | 2,212 |
| Realized (Gain)/ Loss on Euro/USD forward contracts | (370) | - | (180) | - |
| (Gain)/ Loss on derivative instruments | (5,460) | (1,901) | (2,471) | 873 |
| **Adjusted Net income available to common stockholders** | $ 49,635 | $ 62,524 | $ 27,696 | $ 36,210 |
| **Adjusted Earnings per Share** | $ 0.66 | $ 0.84 | $ 0.37 | $ 0.48 |
| Weighted average number of shares | 74,800,000 | 74,800,000 | 74,800,000 | 74,800,000 |

**Note:** Adjusted Net income and Adjusted Earnings per Share represent net income before non-cash “Accrued charter revenue” recorded under charters with escalating charter rates, gain/ (loss) on sale/disposals of vessels, realized (gain) /loss on Euro/USD forward contracts, swaps breakage cost, unrealized loss from a swap option agreement held by a jointly owned company with York, which is included in equity loss on investments, and non-cash changes in fair value of currency forwards and derivatives. “Accrued charter revenue” is attributed to the timing difference between the revenue recognition and the cash collection. However, Adjusted Net income and Adjusted Earnings per Share are not recognized measurements under U.S. generally accepted accounting principles, or “GAAP.” We believe that the presentation of Adjusted Net income and Adjusted Earnings per Share are useful to investors because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We also believe that Adjusted Net income and Adjusted Earnings per Share are useful in evaluating our ability to service additional debt and make capital expenditures. In addition, we believe that Adjusted Net income and Adjusted Earnings per Share are useful in evaluating our operating performance and liquidity position compared to that of other companies in our industry because the calculation of Adjusted Net income and Adjusted Earnings per Share generally eliminates the effects of the accounting effects of capital expenditures and acquisitions, certain hedging instruments and other accounting treatments, items which may vary for different companies for reasons unrelated to overall operating performance and liquidity. In evaluating Adjusted Net income and Adjusted Earnings per Share, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted Net income and Adjusted Earnings per Share should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

# Appendix

## Net Income to EBITDA and Adjusted EBITDA Reconciliation

| (Expressed in thousands of U.S. dollars) | Six-month period ended June 30, 2013 | Six-month period ended June 30, 2014 | Three-month period ended June 30, 2013 | Three-month period ended June 30, 2014 |
|---|---|---|---|---|
| **Net Income** | $ 55,291 | $ 47,213 | $ 30,556 | $ 27,380 |
| Interest and finance costs | 34,108 | 48,362 | 16,544 | 22,566 |
| Interest income | (409) | (291) | (200) | (141) |
| Depreciation | 41,489 | 51,818 | 21,607 | 26,610 |
| Amortization of prepaid lease rentals | - | 1,512 | - | 1,102 |
| Amortization of dry-docking and special survey costs | 4,029 | 3,796 | 1,979 | 1,898 |
| **EBITDA** | **134,508** | **152,410** | **70,486** | **79,415** |
| Accrued charter revenue | 6,634 | 5,121 | 3,342 | 2,475 |
| (Gain)/ Loss on sale/disposal of vessels | (6,460) | 2,903 | (3,551) | 2,903 |
| Swaps breakage cost | - | 10,192 | - | 3,480 |
| Unrealized loss from swap option agreement held by a jointly owned company with York included in equity loss on investments | - | 4,715 | - | 2,212 |
| Realized (Gain)/ Loss on Euro/USD forward contracts | (370) | - | (180) | - |
| Gain/ (Loss) on derivative instruments | (5,460) | (1,901) | (2,471) | 873 |
| **Adjusted EBITDA** | **$ 128,852** | **$ 173,440** | **$ 67,626** | **$ 91,358** |

Note: EBITDA represents net income before interest and finance costs, interest income, amortization of prepaid lease, depreciation and amortization of deferred dry-docking and special survey costs. Adjusted EBITDA represents net income before interest and finance costs, interest income, amortization of prepaid lease rentals, depreciation, amortization of deferred dry-docking and special survey costs, non-cash "Accrued charter revenue" recorded under charters with escalating charter rates, gain/ (loss) on sale/disposals of vessels, realized gain/ (loss) on Euro/USD forward contracts, swaps breakage cost, unrealized loss from swap option agreement held by a jointly owned company with York, which is included in equity loss on investments, and non-cash changes in fair value of currency forwards and derivatives. "Accrued charter revenue" is attributed to the time difference between the revenue recognition and the cash collection. However, EBITDA and Adjusted EBITDA are not recognized measurements under U.S. generally accepted accounting principles, or "GAAP." We believe that the presentation of EBITDA and Adjusted EBITDA are useful to investors because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We also believe that EBITDA and Adjusted EBITDA are useful in evaluating our ability to service additional debt and make capital expenditures. In addition, we believe that EBITDA and Adjusted EBITDA are useful in evaluating our operating performance and liquidity position compared to that of other companies in our industry because the calculation of EBITDA and Adjusted EBITDA generally eliminates the effects of financings, income taxes and the accounting effects of capital expenditures and acquisitions, items which may vary for different companies for reasons unrelated to overall operating performance and liquidity. In evaluating EBITDA and Adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of EBITDA and Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

Note: Items to consider for comparability include gains and charges. Gains positively impacting net income are reflected as deductions to net income. Charges negatively impacting net income are reflected as increases to net income.