



Second Quarter and Six Months 2006 Earnings Presentation

August 23, 2006

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Today



# Safe Harbor Statement



*Statements in this presentation may be "forward-looking statements" within the meaning of federal securities laws. The matters discussed herein that are forward-looking statements are based on current management expectations that involve risks and uncertainties that may result in such expectations not being realized. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous potential risks and uncertainties including, but not limited to, the need to manage our growth and integrate additional capital, acquire additional vessels, volatility in the dry-bulk shipping business and vessel charter rates, our ability to obtain sufficient capital, the volatility of our stock price, and other risks and factors. Forward-looking statements made during this presentation speak only as of the date on which they are made, and Euroseas does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation.*

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*This presentation also contains historical data about the dry bulk and containerized trade, dry bulk and containership fleet and dry bulk and containership rates. These figures have been compiled by the Company based on available data from a variety of sources like broker reports and various industry publications. The Company exercised reasonable care and judgment in preparing these estimates, however, the estimates provided herein may not match information from other sources.*

# Second Quarter & 6 Months 2006 Overview



## ■ Financial Highlights

### Second Quarter 2006

Net Revenues: \$ 10.2 million  
Net income: \$ 6.6 million  
EBITDA: \$ 8.6 million

### First Six Months 2006

Net Revenues: \$ 19.5 million  
Net income: \$ 10.0 million  
EBITDA: \$ 14.0 million

- Declared quarterly dividend of \$0.06 per share for 2006 Q2 payable on September 15, 2006 to shareholders of record as of September 5, 2006
- Fourth consecutive dividend since Private Placement in August 2005 - dividends totaling \$ 0.25 per share

## ■ Vessel Sale & Purchase Activity

- Delivered M/V Pantelis P and M/V John P to buyers
- Purchased the M/V Torm Tekla (July 26, 2006)

# Fleet Development



- Acquired the M/V Torm Tekla, a Panamax dry bulk carrier vessel of 69,268 dwt built in 1993 (July 25, 2006)
- Delivered to their buyers M/V “Pantelis P” and M/V “John P”, both handysize bulk carrier of 26,354 built in 1981.
  - \$2.2 million in capital gain from the sale of M/V “Pantelis P”
  - \$2.3 million in capital gain from the sale of M/V “John P”
- Year-to-date acquired 2 and sold 2 vessels
- Total Fleet currently stands at 8 vessels
  - After delivery of M/V “Torm Tekla”

# Current Fleet – August 2006

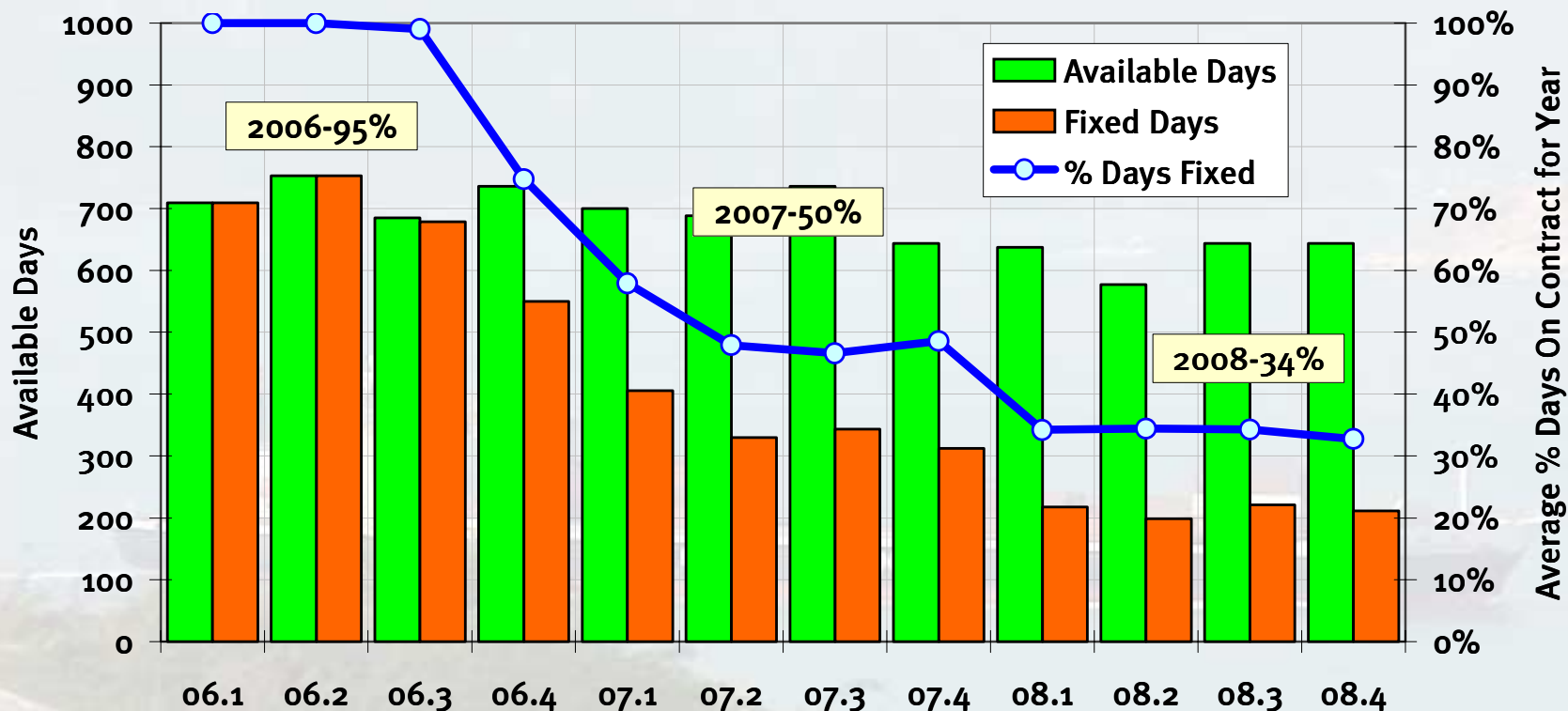


Vessel List	Type	Size	Units	Year Built
Ariel	Dry Bulk	33,712	dwt	1977
Nikolaos P	Dry Bulk	34,750	dwt	1984
Torm Tekla	Dry Bulk	69,268	dwt	1993
Irini	Dry Bulk	69,734	dwt	1988
QuingDao	Container	1,269	teu	1990
Kuo Hsiung	Container	1,269	teu	1993
Artemis	Container	2,098	teu	1987
Tasman Trader	MPP	22,568 / 950	dwt/teu	1990
Total / Average	8 vessels	296,132 / 5,586	dwt/teu	18.25 yrs

Torm Tekla expected delivery to Euroseas between August 20 - September 20, 2006



# Charter Coverage incl. m/v “Torm Tekla”



## Secure position in 2006 and 2007 for the existing fleet

- 95% of our 2006 available days are fixed / 50% of our 2007 available days
- In 2007, even if we earn zero revenues on our not-yet-fixed days, we should have a positive net income for the year





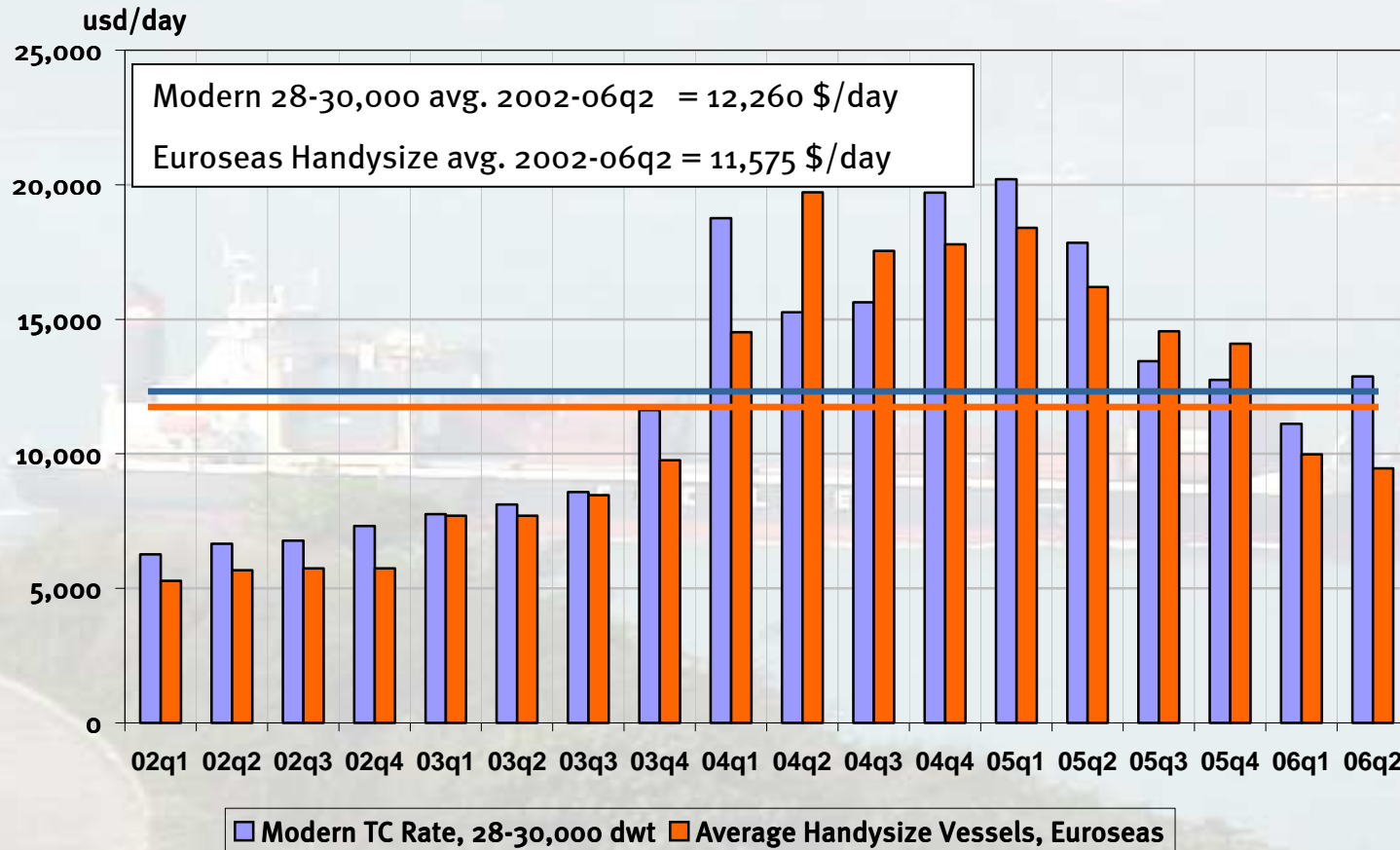
## Euroseas Fleet Employment

- Our Containerships & Multipurpose vessel are employed under Time Charters with remaining terms from 10 months to more than 5 1/2 years
  - M/V *YM Qingdao* - 'til Mar-2007 [ \$11,900/day]
  - M/V *Kuo Hsiung* - 'til Nov-2007 [ \$16,000/day 'til Nov-06 then \$12,000/day]
  - M/V *Artemis* - 'til Dec-2008 [ \$19,000/day]
  - M/V *Tasman Trader* - 'til Feb-2012 [ \$8,850/day - \$9,500/day - \$9,000/day]
  
- Our Panamax, M/V *Irini*
  - participates in the Klaveness Baumarine pool and in 3 short funds (i.e. contracts to carry cargo at agreed rates)
  - Secures a rate range in the \$17,000-20,000 / day for the greater part of the next 2 1/2 years (covered at 102% in 2006, 77% for 2007 and 42% for 2008, approximately)
  
- Our new Panamax, M/V *Torm Tekla*
  - Will be delivered with a TC 'til November-2006 @19,750 /day
  
- Our 2 Handysize vessels employed in the short-term charter or “spot” market
  - M/V *Ariel* chartered 'til end October-2006 @ \$8,500/day
  - *Nikolaos P* is under a voyage charter currently @21,000 /day
  - Will secure longer-term charters at appropriate rates when and if available
  - Vessels have low running costs and low capital costs

# Own Earnings Vs. Market Rates



Our actual average rates for our 4 Handysize vessels compared against the 1-year TC rate for a 5-year old handysize vessel



Source: Company compiled data based on industry / broker reports and Company data





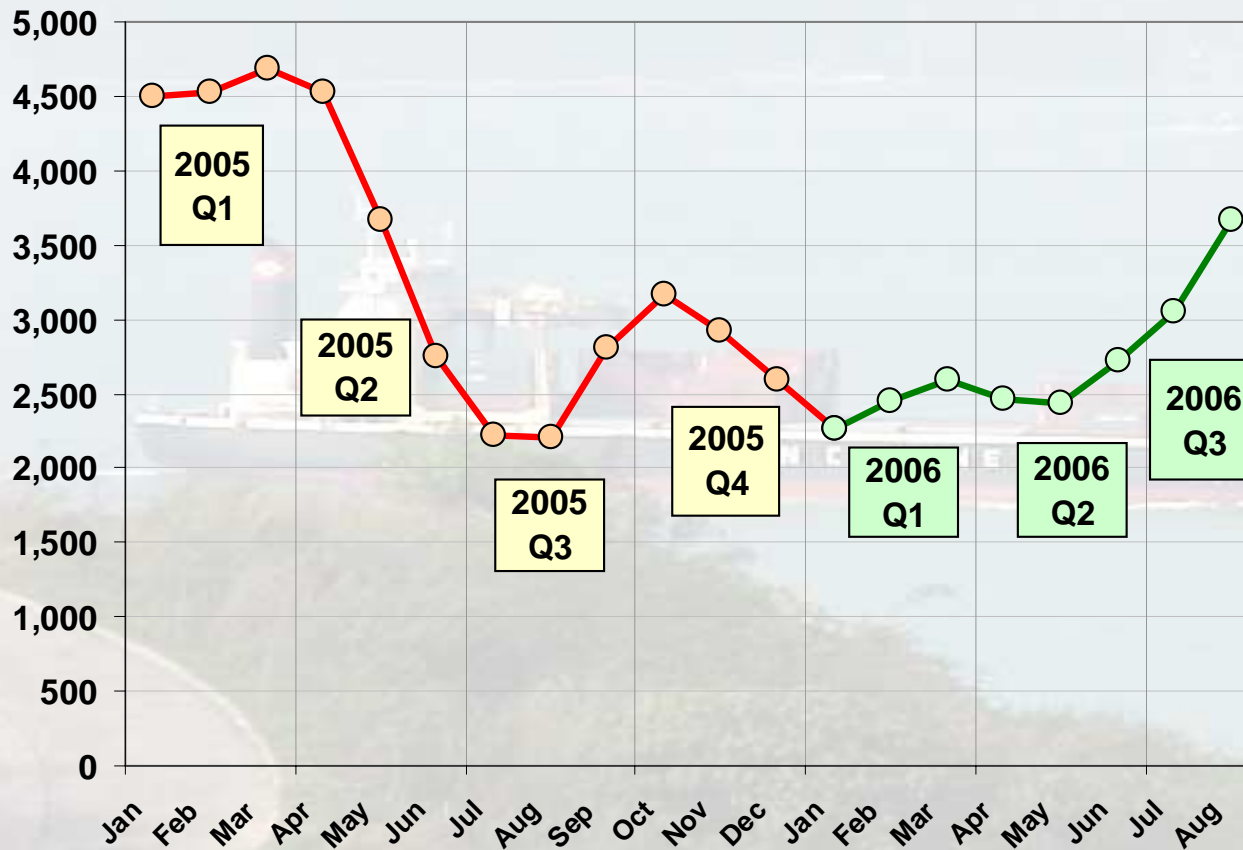
## Q2 & H1 2006 Financial results and dividend history



# Baltic Dry Index Development



Baltic Dry Index



- BDI is up from a recent low point of about 2030 in late-January '06 to 3672 on August 22
- 2006H1 lower than same period in '05
- But in Q3 '06, BDI is higher than corresponding period in Q3 '05

# Fleet Data for Second Quarter & Six Months 2006



Per Vessel Statistics in USD/day/Vessel	3 Months Ended June 30		6 Months Ended June 30	
	2005 (unaudited)	2006 (unaudited)	2005 (unaudited)	2006 (unaudited)
<b>Number of vessels</b>	7.00	8.38	7.00	8.20
<b>Period Days (days)</b>				
Calendar	637.0	763.0	1267.0	1483.0
Available	612.0	750.9	1242.0	1459.9
Voyage	610.4	748.8	1239.4	1457.8
<b>Utilization Rate %</b>	99.7%	99.7%	99.8%	99.9%
<b>Averages in usd/day/vessel</b>				
<b>Time Charter Equivalent (TCE)</b>	18,148	13,738	19,124	13,414
<b>Operating Expenses</b>				
Vessel Running Cost	3,476	3,211	3,371	3,409
Management Fees	743	788	762	750
<b>Vessel Operating Expenses</b>	4,219	3,999	4,133	4,168
G&A Expenses		377		352
<b>Total Operating Expenses</b>	4,218	4,375	4,133	4,511

## Income Statement for Second Quarter and Six Months 2006



INCOME STATEMENT in USD	3 months ended June 30,		6 months ended June 30,	
	2005	2006	2005	2006
<b>Voyage revenue</b>	11,103,103	10,612,199	23,833,736	20,421,220
Voyage expenses	(25,613)	(325,176)	(131,903)	(866,365)
<b>TC Equivalent Revenue</b>	<b>11,077,490</b>	<b>10,287,023</b>	<b>23,701,833</b>	<b>19,554,855</b>
Commissions	(630,730)	(416,385)	(1,340,228)	(895,968)
<b>Net revenue</b>	<b>10,446,760</b>	<b>9,870,638</b>	<b>22,361,605</b>	<b>18,658,887</b>
<b>Operating expenses</b>				
Vessel operating expenses	2,213,937	2,449,653	4,270,787	5,055,753
Management fees	473,074	601,266	965,384	1,112,850
General and administrative expenses	-	287,515	-	521,940
<b>Total operating expenses</b>	<b>2,687,011</b>	<b>3,338,434</b>	<b>5,236,171</b>	<b>6,690,543</b>
<b>Amortization and depreciation</b>	<b>906,885</b>	<b>1,638,585</b>	<b>1,824,322</b>	<b>3,195,074</b>
<b>Net gain on sale of vessel</b>	<b>-</b>	<b>2,165,799</b>	<b>-</b>	<b>2,165,799</b>
<b>Operating income</b>	<b>6,852,864</b>	<b>7,059,418</b>	<b>15,301,112</b>	<b>10,939,069</b>
Interest and finance cost	(488,157)	(713,581)	(545,719)	(1,391,947)
Other income (expenses), net	(88,771)	250,737	7,981	468,334
<b>Net Income</b>	<b>6,275,936</b>	<b>6,596,574</b>	<b>14,763,374</b>	<b>10,015,456</b>
<b>Earnings per share-basic and diluted</b>	<b>0.21</b>	<b>0.17</b>	<b>0.50</b>	<b>0.27</b>
Weighted average number of shares outstanding during the year -basic and diluted	29,754,166	37,860,341	29,754,166	37,347,580
<b>Number of vessels</b>	<b>7.00</b>	<b>8.38</b>	<b>7.00</b>	<b>8.20</b>

## Balance Sheet Highlights

BALANCE SHEET in USD	June 30, 2006 (unaudited)
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	20,205,705
Other current Assets	3,329,399
<b>Total current assets</b>	<b>23,535,104</b>
Vessels, net incl. vessel held for sale	59,679,713
Deferred charges, net	1,461,348
<b>Total assets</b>	<b>84,676,165</b>
<b>Liabilities and shareholders' equity</b>	
<b>Current liabilities</b>	
Long-term debt, current portion	13,840,000
Other current liabilities	5,077,393
<b>Total current liabilities</b>	<b>18,917,393</b>
Long-term debt, net of current portion	33,280,000
<b>Total liabilities</b>	<b>52,197,393</b>
<b>Shareholders' equity</b>	
Common stock	378,603
Additional paid-in capital	17,882,990
Retained earnings	14,217,179
<b>Total shareholders' equity</b>	<b>32,478,772</b>
<b>Total liabilities and shareholders' equity</b>	<b>84,676,165</b>

- Unrestricted cash: \$20.2 m
- Long term debt: \$ 47.1 m
  - Modest leverage by industry standards
  - Repaid abt \$17 m debt since private placement
- Net Debt to Cap ratio of 45.3%
- Acquisition of M/V "Torm Tekla" to be financed 65% by debt

## Dividend Policy & History

- “Euroseas plans to distribute, on a quarterly basis, substantially all available cash flow generated by operations less expenses, debt service, reserves for drydocking expenses, special surveys, and after establishing necessary working capital reserves. Necessary working capital reserves will be determined by the business needs, terms of existing credit facilities, growth strategies, and other cash needs as determined by the Board of Directors, or required by prevailing law. “
  - Dividend is at the discretion of the Board
- Declared dividend of \$0.06 per share for the second quarter of 2006
- Dividend History : \$ 0.25 per share in total since August 2005
  - November 2, 2005 - \$0.07/share
  - February 7, 2006 - \$0.06/share
  - May 9, 2006 - \$0.06/share
  - August 15, 2006 - \$0.06/share



## Conclusion



# Looking Ahead



- Pleased with our progress today – but determined to continue growing and building our fleet
- We invested \$16m out of the \$17.5 m (net) raised
  - With the proceeds from the sale of Pantelis and John, we have \$7-8 million of cash available for investment
    - ➔ can purchase one more ship, for example, like our last acquisition with own funds and standard industry financing
- Our focus always remains to find projects that maximize return on investment
  - Investing in mid-age vessels allows to have a larger fleet due lower capital costs and achieve higher returns per dollar invested
  - This investment methodology has worked well for Euroseas to-date

# Euroseas Differentiating Factors



- **Long-standing & profitable track record of principals**
  - The Pittas family has 4 generations of involvement in shipping
    - owner of approximately 80% of Euroseas
  - Experience in managing vessels of any age
    - operating costs among the lowest of its peers
  
- **Euroseas pursues investments maximizing capital efficiency**
  - Maximize cash flow and earnings per dollar invested targeting mid-age vessels at time of purchase
  - Invest in projects good on their own merits and accretive to the group
  
- **Vessel segment & type selection**
  - Invest in dry bulkers and containerships: both part of Chinese growth scenarios
  - Invest in ships with flexible trading plus benefiting from lower supply-side growth

# Appendix



# EBITDA Reconciliation



	Three Months Ended June 30, 2005	Three Months Ended June 30, 2006	Six Months Ended June 30, 2005	Six Months Ended June 30, 2006
<b>Net income</b>	<b>6,275,936</b>	<b>6,596,574</b>	<b>14,763,374</b>	<b>10,015,456</b>
Interest and finance costs, net (incl. Interest Income)	460,659	462,672	456,021	921,606
Depreciation and amortization	906,885	1,638,585	1,824,322	3,195,074
Amortization of Fair value of the below market time charter acquired	-	(83,240)	-	(83,240)
<b>Adjusted EBITDA</b>	<b>7,643,480</b>	<b>8,614,591</b>	<b>17,043,717</b>	<b>14,048,896</b>

## EBITDA Reconciliation:

Euroseas Ltd. considers EBITDA to represent net earnings before interest, taxes, depreciation, amortization and gains (or losses) from sale of vessels. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by United States generally accepted accounting principles, or U.S. GAAP, and our calculation of EBITDA may not be comparable to that reported by other companies. EBITDA is included herein because it is a basis upon which we assess our liquidity position and because we believe that it presents useful information to investors regarding a company's ability to service and/or incur indebtedness. The Company's definition of EBITDA may not be the same as that used by other companies in the shipping or other industries.

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