

EUROSEAS LTD.  
Form 6-K  
May 30, 2017

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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13A-16 OR 15D-16 OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the month of May 2017

Commission File Number: 001-33283

EUROSEAS LTD.  
(Translation of registrant's name into English)

4 Messogiou & Evropis Street  
151 24 Maroussi, Greece  
(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F  Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): .

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): .

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

INFORMATION CONTAINED IN THIS REPORT ON FORM 6-K

Attached hereto as Exhibit 1 is Management's Discussion and Analysis of Financial Condition and Results of Operation and unaudited interim condensed consolidated financial statements and related information and data of Euroseas Ltd. (the "Company") as of and for the three-month period ended March 31, 2017. Also attached hereto as Exhibit 101 is the Interactive Data file relating to the materials in this Report on Form 6-K, formatted in Extensible Business Reporting Language (XBRL).

This Report on Form 6-K is hereby incorporated by reference into the Company's Registration Statement on Form F-3 (File No. 333-208305) filed with the U.S. Securities and Exchange Commission on December 2, 2015, as amended.

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## Exhibit 1

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF

## FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion of our financial condition and results of operations for the three months ended March 31, 2017. Unless otherwise specified herein, references to the "Company" or "we" shall include Euroseas Ltd and its subsidiaries. You should read the following discussion and analysis together with the unaudited interim condensed consolidated financial statements and related notes included elsewhere in this report. For additional information relating to our management's discussion and analysis of financial condition and results of operations, please see our annual report on Form 20-F for the year ended December 31, 2016 filed with the U.S. Securities and Exchange Commission on April 7, 2017.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following table presents the Company's selected consolidated financial and other data for each of the two three-month periods ended March 31, 2016 and 2017, and as of December 31, 2016 and March 31, 2017. The selected consolidated statement of operations, cash flow and balance sheet data is derived from, and is qualified by reference to, our unaudited financial results for the three-month periods ended March 31, 2016 and 2017.

## Euroseas Ltd. – Summary of Selected Historical Financials

	Three Months Ended March 31, 2016		2017	
Statement of Operations Data				
Voyage revenues	6,856,062		8,734,871	
Related party revenue	60,000		60,000	
Commissions	(368,211	)	(502,645	)
Voyage expenses	(397,565	)	(1,218,923	)
Vessel operating expenses	(4,694,690	)	(4,978,884	)
Drydocking expenses	-		(72,902	)
Management fees	(794,196	)	(859,594	)
Vessel depreciation	(2,134,474	)	(2,117,645	)
Gain on sale of vessel	-		516,561	
Other general and administrative expenses	(947,176	)	(994,016	)
Operating loss	(2,420,250	)	(1,433,177	)
Total other expenses, net	(420,693	)	(756,653	)
Net loss	(2,840,943	)	(2,189,830	)
Dividend Series B Preferred Shares	(421,084	)	(437,732	)
Net loss attributable to common shareholders	(3,262,027	)	(2,627,562	)
Loss per share attributable to	(0.40	)	(0.24	)

common shareholders, basic and diluted Weighted average number of shares outstanding during period, basic and diluted	8,104,160	10,999,554
<b>Cash Flow Data</b>		
Net cash provided by operating activities	374,088	86,244
Net cash (used in) / provided by investing activities	(20,876,200 )	658,639
Net cash provided by financing activities	13,940,599	8,316,841
<b>Balance Sheet Data</b>	<b>December 31, 2016</b>	<b>March 31, 2017</b>
Total current assets	10,444,083	15,660,120
Vessels, net	105,584,633	123,883,084
Advances for vessels under construction and vessel acquisition deposits	17,753,737	9,609
Other non-current assets	9,911,051	10,634,267
Total Assets	143,693,504	150,187,080
Current liabilities	11,174,635	15,487,844
Long term liabilities	44,607,157	48,487,398
Long term debt, net of current portion	44,366,976	48,252,289
Total liabilities	55,781,792	63,975,242
Mezzanine Equity	33,804,948	34,242,680
Total shareholders' equity	54,106,764	51,969,158

	Three Months Ended March 31, 2016		2017	
Other Fleet Data (1)				
Number of vessels	11.54		13.38	
Calendar days	1,050		1,204	
Available days	1,050		1,132	
Voyage days	983.8		1,027.8	
Utilization Rate (percent)	93.7 %		90.8 %	

(In U.S. dollars per day per vessel)				
Average TCE rate (2)	6,565		7,313	
Vessel Operating Expenses	4,472		4,135	
Management Fees	756		714	
G&A Expenses	902		826	
Total Operating Expenses excluding drydocking expenses	6,130		5,675	
Drydocking expenses	-		61	

(1) For the definition of calendar days, available days, voyage days and utilization rate see our annual report on Form 20-F for the year ended December 31, 2016 ("Item 5A-Operating Results.") filed on April 7, 2017.

(2) Time charter equivalent rate, or TCE rate, is determined by dividing voyage revenues less voyage expenses or time charter equivalent revenue, or TCE revenues, by the number of voyage days during the relevant time period. TCE revenues, a non-GAAP measure, provides additional meaningful information in conjunction with shipping revenues, the most directly comparable GAAP measure, because it assists Company management in making decisions regarding the deployment and use of its vessels and in evaluating the Company's financial performance. TCE revenues and TCE rate are also standard shipping industry performance measures used primarily to compare period-to-period changes in a shipping company's performance despite changes in the mix of charter types (i.e., spot charters, time charters and bareboat charters) under which the vessels may be employed between the periods (see also Item 5A-Operating Results).

Reconciliation of TCE revenues as reflected in the consolidated statement of operations and calculation of TCE rate follow:

	Three Months Ended March 31, 2016		2017	
(In U.S. dollars, except for voyage days and TCE rates which are expressed in U.S. dollars per day)				
Voyage revenues	6,856,062		8,734,871	
Voyage expenses	(397,565 )		(1,218,923)	
Time Charter Equivalent or TCE Revenues	6,458,497		7,515,948	
Voyage days(1)	983.8		1,027.8	
Average TCE rate	6,565		7,313	

Three months ended March 31, 2017 compared to three months ended March 31, 2016.

Voyage revenues. Voyage revenues for the three month period ended March 31, 2017 were \$8.73 million, increased by 27.4% compared to the same period in 2016 during which voyage revenues amounted to \$6.86 million. This increase was due to the higher number of vessels operating, higher TCE rate earned by our vessels and certain voyage charters the revenues for which are gross of voyage expenses during the period as compared to the same period of 2016. An average of 13.38 vessels operated in the three months of 2017 for a total of 1,204 ownership days against an average of 11.54 vessels during the same period in 2016 or 1,050 ownership days, a 14.7% increase. The total number of days our vessels earned revenue increased by 4.5% to 1,028 days in the first three months of 2017 from 984 days in the same period in 2016. While employed, our vessels generated a TCE rate of \$7,313 per day per vessel in the first three months of 2017 compared to \$6,565 per day per vessel for the same period in 2016 (see calculation in table above). The average TCE rate our vessels achieved is a combination of the time charter rate earned by our vessels under time charter contracts, which is not influenced by market developments during the duration of the charter and the TCE rate earned by our vessels employed in the spot market or in market-indexed linked contracts which is influenced by market developments. Market charter rates in the three months of 2017 were higher for our drybulk vessels and our containership vessels compared to the first three months of 2016 which was reflected in the average earnings our ships earned. We had 72 scheduled laid-up offhire days, 84.6 commercial offhire and 19.6 operational offhire days in the first three months of 2017 compared to 0 scheduled offhire days, including drydocking and laid-up time, 66.2 commercial offhire and 0 operational offhire days in the first three months of 2016.

2

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Related party revenue. Related party revenues reflect \$0.06 million received from Euromar LLC, a joint venture of Euroseas, for administration services for the three month period ended March 31, 2017, unchanged as compared to the same period of 2016.

Commissions. Commissions for the three month period ended March 31, 2017 were \$0.5 million. At 5.8% of voyage revenues, commissions were higher than in the same period of 2016 during which they accounted for 5.4% of our revenues. The overall level of commissions depends on the agreed commission for each charter contract.

Voyage expenses. Voyage expenses for the three month period ended March 31, 2017 were \$1.22 million and related to expenses for repositioning voyages between time charter contracts, ballast voyages and owners expenses at certain ports, compared to \$0.4 million for the same period of 2016. Voyage expenses depend on the number of days our vessels are employed under voyage contracts (as opposed to time charter contracts), the number of days they are sailing for repositioning and any port or other costs incurred without a contract. Within the first quarter of 2017 two of our vessels were chartered for certain periods under voyage charters resulting in our voyage expenses in the first quarter of 2017 being increased compared to the same period of 2016. For the same period of 2016 we had no vessel under voyage charter. Voyage expenses as a percentage of voyage revenues were 14.0% and 5.8% during the first three months of 2017 and 2016, respectively.

Vessel operating expenses. Vessel operating expenses excluding management fees were \$4.98 million during the first three months of 2017 compared to \$4.69 million for the same period of 2016. Daily vessel operating expenses excluding management fees per vessel decreased between the two periods to \$4,135 per day per vessel in the first three months of 2017 compared to \$4,472 per day during the same period of 2016, a 7.5% decrease, mainly due to the addition of our newbuilding, m/v Alexandros P., in January 2017 with a lower daily cost and the lower daily cost incurred by m/v Joanna which was laid up for most of the period which further reduced the average daily operating cost during the first three months of 2017.

Related party management fees. These are part of the fees we pay to Eurobulk (Far East) Ltd. Inc. ("Eurobulk FE") under a management agreement with our vessel owning subsidiaries for m/v Xenia and m/v Alexandros P and to Eurobulk Ltd. ("Eurobulk") under our Master Management Agreement for the remaining of our vessels. During the first three months of 2017, Eurobulk and Eurobulk FE charged us 685 Euros per day per vessel totalling \$0.86 million for the period, or \$714 per day per vessel. In the same period of 2016, management fees amounted to \$0.79 million, or \$756 per day per vessel based on the daily rate per vessel of 685 Euros. The decline in the daily management fees is primarily due to the lower U.S. Dollar per Euro exchange rate and the reduced management fee (50%) paid for m/v Joanna which was laid-up for most of the period during the first three months of 2017 compared to the same period of 2016.

Gain on sale of vessel. This reflects a gain of \$0.52 million realized from the sale of m/v RT Dagr during the first quarter of 2017. There were no sales of vessels during the first quarter of 2016.

Other general and administrative expenses. These are expenses that include the fixed portion of our management agreement fees, legal and auditing fees, directors' and officers' liability insurance and other miscellaneous corporate expenses. In the first three months of 2017, we had a total of \$0.99 million of general and administrative expenses as compared to \$0.95 million in same period of 2016. The 2017 figure includes a provision of \$0.15 million against a past claim taken for the first quarter of 2017 (see Note 7(a) to our attached unaudited interim condensed consolidated financial statements), partly offset by lower legal expenses as compared to the same period of 2016.

Dry-docking expenses. These are expenses we pay for our vessels to complete a dry-docking as part of an intermediate or special survey or in some cases an in-water survey in lieu of a drydocking. The cost of passing a survey increases significantly if a dry-docking is required and depends on the extent of work that needs to be performed (like amount of steel replacement required), where the yard is located and whether it is an intermediate or a special survey with the latter almost always requiring dry-docking and more extensive work. In the first three months of 2017, we had no vessels completing their special survey by undergoing drydocking, but we had expenses incurred for vessels preparing for their upcoming surveys amounting to \$0.07 million. During the first three months of 2016, we had no vessel completing drydocking.

Vessel depreciation. Vessel depreciation for the three month period ended March 31, 2017 was \$2.12 million. Comparatively, vessel depreciation for the same period in 2016 amounted to \$2.13 million. Vessel depreciation in the first three months of 2017 was similar compared to the same period of 2016 mainly due to the fact that depreciation of

the acquired vessels (m/v Tasos, m/v Alexandros P. and m/v Aegean Express) and full quarter depreciation of m/v Xenia almost offset depreciation of m/v Captain Costas and m/v Eleni P that were sold.

Interest and other financing costs. Interest and other financing costs for the three month period ended March 31, 2017 were \$0.76 million. Comparatively, during the same period in 2016, interest and finance costs amounted to \$0.38 million. The difference is partly due to an increase in the interest paid as a result of the higher average outstanding debt, higher average margin and higher average LIBOR in the first three months of 2017 as compared to the same period in 2016 and also due to the imputed interest for the vessels under construction credited against the interest expense during the first quarter of 2016. The average LIBOR rate on our debt as of March 31, 2017 was 0.94% and the average margin over LIBOR was 4.37% for a total interest rate of 5.31% as compared to an average LIBOR rate on March 31, 2016 of 0.75% and an average margin over LIBOR of 4.08% for a total interest rate of 4.83%.

3

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Other expenses, net. This line includes in addition to Interest and other financing costs, discussed above, (Loss) / gain on derivatives, net, Other investment income, Foreign exchange gain / (loss) and Interest income. In the first three months of 2017, we had a marginal Gain on derivatives from one interest rate swap contract. For the same period of 2016, we had a total derivative loss of \$0.2 million from three interest rate swap contracts which consisted of a realized loss of \$0.07 million and an unrealized loss of \$0.13 million from the interest rate swaps. The performance of our derivative contracts depends on the movement of interest rates. A decline in interest rates increases our loss in our derivative contracts. Other investment income includes accrued dividends relating to \$5.00 million of funds we have made available to Euomar LLC ("Euomar"), \$4.00 million of which remain in an escrow account and are available to be invested in Euomar if called by our partners in good faith, and the \$1.00 million of such funds contributed to Euomar in 2014 in the form of Preferred Units. These funds accrue dividends in Preferred Units of Euomar. The amount of Other investment income from accrued dividends in the three months of 2016 was \$0.34 million. In December 2016, we determined that it was unlikely to recover any investment in preferred units of Euomar and totally impaired the entire value of Preferred Units; we also stopped recognizing any additional accrued income. As of March 31, 2017, our Other Investment is shown in our condensed consolidated balance sheet at \$4.00 million which represents the funds in the escrow account. Overall, Other expenses, net, including Interest and other financing costs, amounted to a net expense of \$0.76 million and \$0.23 million during the first three months of 2017 and 2016, respectively.

Equity loss in joint venture. In 2016, the Company concluded that its equity investment in Euomar was totally impaired due to the persisting depressed market environment and amended loan agreements between Euomar and its lenders that provided the latter with increased total payments, partly in-kind, and participation in the profits of Euomar. As a result there was no effect on the Company's financial position and results of operations from the operations of Euomar during the first quarter of 2017 as compared to a loss of \$0.19 million during the same period of 2016 that reflects the Company's share of the loss of Euomar.

Net loss and net loss attributable to common shareholders. As a result of the above, net loss for the three months ended on March 31, 2017 was \$2.19 million compared to \$2.84 million for the same period in 2016. After in kind payment of dividends of \$0.44 million to our Series B Preferred Shares, the net loss attributable to common shareholders amounted to \$2.63 million for the three months ended March 31, 2017 compared to a loss of \$3.26 million for the same period of 2016 after in kind payment of dividends of \$0.42 million to our Series B Preferred Shares.

#### Liquidity and capital resources

Historically, our sources of funds have been equity provided by our shareholders, operating cash flows and long-term borrowings. Our principal use of funds has been capital expenditures to establish and expand our fleet, maintain the quality of our vessels, comply with international shipping standards and environmental laws and regulations, fund working capital requirements, make principal repayments on outstanding loan facilities, and pay dividends.

#### Cash Flows

As of March 31, 2017, we had a cash balance of \$10.84 million and cash in restricted retention accounts of \$7.57 million. We had a working capital surplus of \$0.17 million as of March 31, 2017 calculated as current assets minus current liabilities, including the current portion of long term debt.

We have under construction one bulk carrier newbuilding with a total contracted amount of \$22.5 million remaining to be paid. The amount of \$2.25 million was paid on April 6, 2017. Another instalment of \$2.25 million will be paid after September 29, 2017. The third instalment of the \$2.25 million will be paid after the launching of the vessel which is scheduled after February 28, 2018. The final instalment of the \$15.75 million will be paid with the delivery of the vessel within the second quarter of 2018.

We intend to fund any working capital requirements and our capital commitments via cash at hand, cash flow from operations, new mortgage debt financing for the vessel under construction, debt balloon payment refinancing, proceeds from our on-going at-the-market offering and other equity offerings. In the unlikely event that these are not sufficient we may also draw down up to \$4.00 million under a commitment from COLBY Trading Ltd., a company

controlled by the Pittas family and affiliated with our Chief Executive Officer, and possible vessel sales (where equity will be released) or sale of the newbuilding contract itself, if required, among other options. We believe we will have adequate funding through the sources described above and, accordingly, we believe we have the ability to continue as a going concern and finance our obligations as they come due over the next twelve months following the date of the issuance of our financial statements. Consequently, our consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

4

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Net cash from operating activities.

Our cash flow from operations represents the net amount of cash, after expenses, generated by our vessels and it is influenced by the earnings of our vessels, the cost required to operate them, adjustments for non-cash items and changes in our working capital. Our vessel earnings depend on the number of vessels we operate and their employment contract rates that we have secured which, in turn, are affected by the market rates and the length of the contract. Our vessel costs depend on the number of vessels we operate, their daily cost and could fluctuate depending on the number of vessels passing intermediate or special survey in each period, whether an in-water survey or drydocking is done as well as the extent of the work performed on each vessel during each drydocking. During the first three months of 2017, our net cash provided by operating activities was \$0.09 million consisting of net loss after non-cash items of \$0.48 million plus an increase in working capital of \$0.57 million; we operated 13.38 vessels on average. During the same period of 2016, net cash flow provided by operating activities was \$0.37 million consisting of net loss after non-cash items of \$0.57 million plus an increase in working capital of \$0.94 million while operating 11.54 vessels.

Net cash from investing activities.

In the first three months of 2017, we spent \$4.48 million mainly for the delivery of our vessels m/v Tasos and m/v Alexandros P. We had proceeds of \$5.14 million from sale of two vessels, for total funds provided by investment activities of \$0.66 million. In the same period of 2016, we spent \$22.43 million in advances and payments for our vessels under construction and had a \$1.55 million provided by the sale of a vessel, for total funds used in investment activities of \$20.88 million.

Net cash from financing activities.

In the first three months of 2017, net cash provided by financing activities amounted to \$8.32 million. These funds consisted primarily of \$10.86 million proceeds from long term debt from the mortgage of m/v Alexandros P., \$0.55 million proceeds from issuance of common stock, \$2.92 million of loan repayments (of which \$2.00 million refer to the early repayment of a related party loan drawn on December 1, 2016), \$0.13 million of offering expenses paid and \$0.04 million of loan fees paid. In the same period of 2016, net cash provided by financing activities amounted to \$13.94 million. These funds consisted primarily of \$13.85 million of loan repayments, \$28.3 million proceeds from long term debt financing and \$0.51 million loan fees paid.

Debt Financing

We operate in a capital intensive industry, which requires significant amounts of investment, and we fund a portion of this investment through long term debt. We target debt levels we consider prudent at the time of conclusion of such debt funding based on our market expectations, cash flow, interest coverage and percentage of debt to capital amongst other factors.

As of March 31, 2017, our long term debt comprised of seven outstanding loans with a combined outstanding balance of \$60.29 million. These loans have maturity dates between 2018 and 2023. A description of our loans as of March 31, 2017 is provided in Note 6 to our attached unaudited interim condensed consolidated financial statements. Over the next twelve months, we have scheduled repayments of approximately \$11.51 million of the above debt.

We have partly hedged our interest rate exposure and entered into one interest rate swap agreement for a notional amount of \$10 million which expires on May 28, 2019.

Euroseas Ltd. and Subsidiaries  
Unaudited Interim Condensed Consolidated Financial Statements

Index to unaudited interim condensed consolidated financial statements	
Pages	
Unaudited Condensed Consolidated Balance Sheets as of December 31, 2016 and March 31, 2017	7
Unaudited Condensed Consolidated Statements of Operations for the three months ended March 31, 2016 and 2017	9
Unaudited Condensed Consolidated Statements of Shareholders' Equity for the three months ended March 31, 2016 and 2017	10
Unaudited Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2016 and 2017	11
Notes to Unaudited Interim Condensed Consolidated Financial Statements	12

Euroseas Ltd. and Subsidiaries  
 Unaudited Condensed Consolidated Balance Sheets  
 (All amounts expressed in U.S. Dollars – except number of shares)

	Notes	December 31, 2016	March 31, 2017
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,208,092	10,837,598
Trade accounts receivable, net		1,432,114	1,142,156
Other receivables		870,415	1,314,176
Inventories		1,291,279	1,045,563
Restricted cash	6	655,739	937,958
Due from related companies	5	-	7,316
Prepaid expenses		172,398	375,353
Vessel held for sale		2,814,046	-
Total current assets		10,444,083	15,660,120
<b>Fixed assets</b>			
Vessels, net	4	105,584,633	123,883,084
Advances for vessels under construction and vessel acquisition deposits	3	17,753,737	9,609
<b>Long-term assets</b>			
Restricted cash	6	5,484,268	6,634,267
Deferred charges, net		426,783	-
Other investment	11	4,000,000	4,000,000
Total long-term assets		133,249,421	134,526,960
Total assets		143,693,504	150,187,080
<b>Liabilities, Mezzanine equity and shareholders' equity</b>			
<b>Current liabilities</b>			
Long-term debt, current portion	6	5,549,218	11,221,820
Loan from related party		2,000,000	-
Trade accounts payable and accrued expenses		3,176,556	3,696,602
Deferred revenues		437,322	569,422
Due to related companies	5	11,539	-
Total current liabilities		11,174,635	15,487,844

(Unaudited Condensed Consolidated balance sheets continues on the next page)

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Euroseas Ltd. and Subsidiaries  
 Unaudited Condensed Consolidated Balance Sheets  
 (All amounts expressed in U.S. Dollars – except number of shares)

(continued)

	Notes	December 31, 2016	March 31, 2017
Long-term liabilities			
Long-term debt, net of current portion	6	44,366,976	48,252,289
Derivatives	10	240,181	235,109
Total long-term liabilities		44,607,157	48,487,398
Total liabilities		55,781,792	63,975,242
Commitments and Contingencies	7		
Mezzanine Equity			
Preferred shares (par value \$0.01, 20,000,000 preferred shares authorized, 35,505 and 35,943 shares issued and outstanding, respectively)		33,804,948	34,242,680
Shareholders' equity			
Common stock (par value \$0.03, 200,000,000 shares authorized, 10,876,112 and 11,177,892 issued and outstanding, respectively)		326,283	335,343
Additional paid-in capital		283,757,739	284,238,635
Accumulated deficit		(229,977,258)	(232,604,820)
Total shareholders' equity		54,106,764	51,969,158
Total liabilities, mezzanine equity and shareholders' equity		143,693,504	150,187,080

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

8

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Euroseas Ltd. and Subsidiaries  
 Unaudited Condensed Consolidated Statements of Operations  
 (All amounts expressed in U.S. Dollars – except number of shares)

		Three months ended March 31,	
		2016	2017
Revenues			
Voyage revenue		6,856,062	8,734,871
Related party revenue	5	60,000	60,000
Commissions (including \$85,701 and \$109,186, respectively, to related party)		(368,211 )	(502,645 )
Net revenue		6,547,851	8,292,226
Operating expenses			
Voyage expenses		397,565	1,218,923
Vessel operating expenses (including \$57,839 and \$68,139, respectively, to related party)		4,694,690	4,978,884
Drydocking expenses		-	72,902
Vessel depreciation	4	2,134,474	2,117,645
Related party management fees	5	794,196	859,594
Gain on sale of vessel		-	(516,561 )
Other general and administrative expenses (including \$500,000 and \$500,000, respectively, to related party)		947,176	994,016
Total operating expenses		8,968,101	9,725,403
Operating loss		(2,420,250)	(1,433,177 )
Other income/(expenses)			
Interest and other financing costs	6	(375,156 )	(763,522 )
(Loss) / gain on derivatives, net	10	(199,644 )	4,741
Other investment income	11	341,571	-
Foreign exchange loss		(6,785 )	(4,564 )
Interest income		5,035	6,692
Other expenses, net		(234,979 )	(756,653 )
Equity loss in joint venture	11	(185,714 )	-
Net loss		(2,840,943)	(2,189,830 )
Dividend Series B Preferred shares		(421,084 )	(437,732 )
Net loss attributable to common shareholders	9	(3,262,027)	(2,627,562 )
Loss per share, basic and diluted		(0.40 )	(0.24 )
Weighted average number of shares outstanding, basic & diluted	9	8,104,860	10,999,554

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

## Euroseas Ltd. and Subsidiaries

## Unaudited Condensed Consolidated statements of Shareholders' Equity

(All amounts expressed in U.S. Dollars – except number of shares)

	Number of Shares Outstanding	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Total
Balance, January 1, 2016	8,195,760	245,873	278,833,156	(184,030,436)	95,048,593
Share based compensation	-	-	68,417	-	68,417
Offering expenses			(5,000 )		(5,000 )
Net loss attributable to common shareholders			(3,262,027 )		(3,262,027 )
Balance, March 31, 2016	8,195,760	245,873	278,896,573	(187,292,463)	91,849,983
Balance, January 1, 2017	10,876,112	326,283	283,757,739	(229,977,258)	54,106,764
Net loss attributable to common shareholders				(2,627,562 )	(2,627,562 )
Share based compensation	-	-	40,461	-	40,461
Issuance of shares sold at the market (ATM), net of issuance costs	301,780	9,060	440,435		449,495
Balance, March 31, 2017	11,177,892	335,343	284,238,635	(232,604,820)	51,969,158

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



Euroseas Ltd. and Subsidiaries  
 Unaudited Condensed Consolidated Statements of Cash Flows  
 (All amounts expressed in U.S. Dollars)

	For the three months ended March 31,	
	2016	2017
Cash flows from operating activities:		
Net loss	(2,840,943 )	(2,189,830 )
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of vessels	2,134,474	2,117,645
Amortization of deferred charges	94,441	72,024
Equity loss in joint venture	185,714	-
Share-based compensation	68,417	40,461
Unrealized loss / (gain) on derivatives	129,661	(5,072 )
Other investment income accrued	(341,571 )	-
Gain on sale of vessel	-	(516,561 )
Changes in operating assets and liabilities	943,895	567,577
Net cash provided by operating activities	374,088	86,244
Cash flows from investing activities:		
Cash paid for vessels under construction and vessel acquisition	(22,425,803)	(4,478,371 )
Proceeds from sale of vessels	1,549,603	5,137,010
Net cash(used in) /provided by investing activities	(20,876,200)	658,639
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of commissions paid	-	549,495
Loan fees paid	(507,276 )	(42,125 )
Proceeds from long-term debt	28,300,000	10,862,500
Offering expenses paid	-	(126,029 )
Repayment of related party loan	-	(2,000,000 )
Repayment of long-term debt	(13,852,125)	(927,000 )
Net cash provided by financing activities	13,940,599	8,316,841
Net (decrease) / increase in cash, cash equivalents and restricted cash	(6,561,513 )	9,061,724
Cash, cash equivalents and restricted cash at beginning of period	19,182,379	9,348,099
Cash and cash equivalents and restricted cash at end of period	12,620,866	18,409,823
Cash breakdown		
Cash and cash equivalents	3,057,533	10,837,598
Restricted cash, current	3,713,333	937,958
Restricted cash, long term	5,850,000	6,634,267
<u>Total cash, cash equivalents and restricted cash shown in the statement of Cash Flows</u>	12,620,866	18,409,823

Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

1. Basis of Presentation and General Information

Euroseas Ltd. was formed on May 5, 2005 under the laws of the Republic of the Marshall Islands to consolidate the beneficial owners of the ship owning companies in existence at that time. Euroseas Ltd, through its wholly owned vessel owning subsidiaries (collectively the "Company") is engaged in the ocean transportation of drybulk commodities and containers through ownership and operation of drybulk vessels and containerships.

The operations of the vessels are managed by Eurobulk ("Management Company") and Eurobulk FE, (collectively the "Management Companies"), corporations controlled by members of the Pittas family. Eurobulk has an office in Greece located at 4 Messogiou & Evropis Street, Maroussi, Greece; Eurobulk FE has an office at Manilla, Philippines Suite 1003, 10th Floor Ma. Natividad Building, 470 T.M. Kalaw cor. Cortada Sts., Ermita. Both provide the Company with a wide range of shipping services such as technical support and maintenance, insurance consulting, chartering, financial and accounting services, while Eurobulk also provides executive management services, in consideration for fixed and variable fees (see Note 5).

The Pittas family is the controlling shareholder of Friends Investment Company Inc. which, in turn, owns 29.1% of the Company's shares as of March 31, 2017.

The accompanying unaudited condensed consolidated financial statements include the accounts of Euroseas Ltd., and its wholly owned vessel owning subsidiaries and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 as filed with the Securities and Exchange Commission ("SEC") on Form 20-F.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) for interim financial information. Accordingly, they do not include all the information and notes required by US GAAP for complete financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments considered necessary for a fair presentation of the Company's financial position, results of operations and cash flows for the periods presented. Operating results for the three month period ended March 31, 2017 are not necessarily indicative of the results that might be expected for the fiscal year ending December 31, 2017.

As of March 31, 2017, the Company had a cash balance of \$10.84 million and cash in restricted retention accounts of \$7.57 million and a working capital surplus of \$0.17 million and has been incurring losses.

The Company has under construction one Kamsarmax newbuilding vessel with a total contracted amount of \$22.5 million remaining to be paid. An amount of \$2.25 million was paid on April 6, 2017. Another instalment of \$2.25 million will be paid not earlier than September 29, 2017. The third instalment of \$2.25 million will be paid after the launching of the vessel which is scheduled not earlier than February 28, 2018. The final instalment of the \$15.75 million will be paid with the delivery of the vessel within the second quarter of 2018.

Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

1. Basis of Presentation and General Information (continued)

The Company intends to fund its working capital requirements and its capital commitments via cash at hand, cash flow from operations, new mortgage debt financing for the vessel under construction, debt balloon payment refinancing, proceeds from its on-going at-the-market offering and other equity offerings. In the unlikely event that these are not sufficient the Company may also draw down up to \$4.00 million under a commitment from COLBY Trading Ltd., a company controlled by the Pittas family and affiliated with the Company's Chief Executive Officer, and possible vessel sales (where equity will be released) or sale of the newbuilding contract itself, if required, among other options. The Company believes it will have adequate funding through the sources described above and, accordingly, it believes it has the ability to continue as a going concern and finance its obligations as they come due over the next twelve months following the date of the issuance of these financial statements. Consequently, the interim condensed consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and satisfaction of liabilities in the normal course of business.

2. Significant Accounting Policies

A summary of the Company's significant accounting policies is identified in Note 2 of the Company's Annual Report on Form 20-F for the fiscal year ended December 31, 2016. There have been no changes to the Company's significant accounting policies, except as noted below.

Recent accounting pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers" ("ASU 2014-09"), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle is that a company should recognize revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The FASB also permitted early adoption of the standard, but not before the original effective date of December 15, 2016. Subsequent to the issuance of ASU 2014-09, the FASB issued the following ASU's which amend or provide additional guidance on topics addressed in ASU 2014-09. In March 2016, the FASB issued ASU No. 2016-08, "Revenue Recognition - Principal versus Agent" (reporting revenue gross versus net). In April 2016, the FASB issued ASU No. 2016-10, "Revenue Recognition - Identifying Performance Obligations and Licenses." Lastly, in May 2016, the FASB issued No. ASU 2016-12, "Revenue Recognition - Narrow Scope Improvements and Practical Expedients." The standard is effective for annual periods beginning after December 15, 2017, and interim periods therein, and shall be applied either retrospectively to each period presented or as a cumulative effect adjustment as of the date of adoption. Early adoption of the standard, but not before December 15, 2016 is permitted. The Company is evaluating the potential impact of this adoption on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory" to simplify the measurement of inventory using first-in, first out (FIFO) or average cost method. According to this ASU an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices less reasonably predictable costs of completion, disposal and transportation. This update is effective for public entities with reporting periods beginning after December 15, 2016. The Company adopted this standard as of January 1, 2017 without any impact to its interim condensed consolidated financial statements as of March 31, 2017.



Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

2. Significant Accounting Policies – continued

In February 2016, the FASB issued ASU 2016-02, Leases. The standard amends the existing accounting standards for lease accounting and adds additional disclosures about leasing arrangements. The ASU requires lessees to recognize on the balance sheet the assets and liabilities for the rights and obligations created by most leases, while lessor accounting remains largely unchanged. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. This update is effective for public entities with reporting periods beginning after December 15, 2018. Early adoption is permitted for all entities. The Company is currently evaluating the impact, if any, of the adoption of this new standard.

In March 2016, the FASB issued Accounting Standards Update No. 2016-09, Stock Compensation. The new guidance is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. The Company adopted this standard as of January 1, 2017 without any impact to its interim condensed consolidated financial statements as of March 31, 2017.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses. The main objective of this Update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this Update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The ASU requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. For public business entities that are U.S. Securities and Exchange Commission (SEC) filers, the amendments in this Update are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company has not yet evaluated the impact, if any, of the adoption of this new standard.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments. This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted for all entities. The Company believes that the implementation of this update will not have any material impact on its financial statements and has not elected early adoption.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash" This ASU requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. This update is effective for public entities with reporting periods beginning after December 15, 2017, including interim periods within those years. The Company has elected early adoption of this standard as of January 1, 2017 and the statements of cash flows

for the three months ended March 31, 2016 and 2017 explain the change during the respective periods in the total cash, cash equivalents and restricted cash. This presentation was applied retrospectively to all periods presented as required under the guidance.

Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

2. Significant Accounting Policies – continued

In January 2017, the FASB issued ASU No. 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business ("ASU 2017-01"). ASU 2017-01 provides greater clarity on the definition of a business to assist entities in evaluating whether transactions should be accounted for as an acquisition or disposal of assets or businesses. ASU 2017-01 is effective for public entities on January 1, 2018, with early adoption permitted. Because all of the Company's acquisitions have been asset acquisitions, the Company does not expect the adoption of this new standard to have an impact on its consolidated financial statements.

3. Advances for Vessels under Construction and Vessel Acquisition Deposits

As of March 31, 2017 the amount of the advances for vessels under construction amounts to \$9,609 and mainly represents other costs related to the construction of Hull number YZJ 1153. Within the first quarter of 2017, the Company took delivery of M/V Alexandros P. and M/V Tasos.

	Costs
Balance, January 1, 2017	17,753,737
Advances for vessels under construction	668,402
Advances for vessel acquisition	3,810,765
New building vessel delivered during the period	(17,749,847)
Vessel delivered during the period	(4,473,448 )
Balance, March 31, 2017	9,609

4. Vessels, net

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

	Costs	Accumulated Depreciation	Net Book Value
Balance, January 1, 2017	139,378,104	(33,793,471 )	105,584,633
Depreciation for the period	-	(2,117,645 )	(2,117,645 )
Vessel acquisition	4,473,448		4,473,448
Vessel sale	(1,807,199 )		(1,807,199 )
Delivery of newbuilding vessel	17,749,847	-	17,749,847
Balance, March 31, 2017	159,794,200	(35,911,116 )	123,883,084

On January 31, 2017, the Company sold M/V RT Dagr, one of the Company's containership vessels it had acquired in 2016, for a net price of \$2.44 million. After sales commissions of 4%, which includes the 1% payable to Eurochart, and other sale expenses, the Company realized a gain of \$516,651.

All vessels as of March 31, 2017 are used as collateral under the Company's loan agreements (see Note 6). In May 2017, vessel M/V Joanna became unencumbered as its debt was repaid and the vessel was released from its mortgage and guarantee (see Notes 6 and 12).





Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

5. Related Party Transactions

The Company's vessel owning companies are parties to management agreements with the Management Companies which are controlled by members of the Pittas family, whereby the Management Companies provide technical and commercial vessel management for a fixed daily fee of Euro 685 for 2016 and Euro 685 for 2017 under the Company's Master Management Agreement (see below) in case of Eurobulk, or, under a direct management agreement with two of the Company's vessel owning subsidiaries in case of Eurobulk FE. Vessel management fees paid to the Management Companies amounted to \$794,196 and \$859,594 in the three-month periods ended March 31, 2016 and 2017, respectively.

In addition to the vessel management services, the Management Company provides the Company with the services of its executives, services associated with the Company being a public company and other services to our subsidiaries. For each of the three-month periods ended March 31, 2016 and March 31, 2017, compensation paid to the Management Company for such additional services to the Company was \$500,000. This amount is included in the general and administration expenses.

Amounts due to or from related companies represent net disbursements and collections made on behalf of the vessel-owning companies by the Management Companies during the normal course of operations for which a right of offset exists. As of December 31, 2016 the amount due to related companies was \$11,539. As of March 31, 2017, the amount due from related companies was \$7,316. Based on the Master Management Agreement between the Company and the Management Company and the management agreements with Eurobulk FE, an estimate of the quarter's operating expenses, expected drydocking expenses, vessel management fee and fee for management executive services are to be paid in advance at the beginning of each quarter to the Management Companies.

Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

5. Related Party Transactions - continued

The Company uses brokers for various services, as is industry practice. Eurochart S.A., an affiliated company controlled by certain members of the Pittas family, provides vessel sale and purchase services, and chartering services to the Company whereby the Company pays commission of 1% of the vessel sales or acquisition prices and 1.25% of charter revenues. Commission on vessel sales amounted to \$53,871 for the sale of M/V RT Dagr and M/V Eleni P and \$44,000 for the acquisition of M/V Tasos during the three-month period ended March 31, 2017. Eurochart S.A. received \$90,000 as commission for the acquisition of M/V Alexandros P. during the same period. Commission on vessel sale amounted to \$28,055 for the sale of M/V Aristides NP during the three-month period ended March 31, 2016. Eurochart S.A. received \$213,500 as commission for the acquisition of M/V Xenia during the same period. Commissions to Eurochart S.A. for chartering services were \$85,701 and \$109,186 for the three-month periods ended March 31, 2016 and 2017, respectively.

Certain members of the Pittas family, together with another unrelated ship management company, have formed a joint venture with the insurance broker Sentinel Maritime Services Inc. ("Sentinel"). Technomar Crew Management Services Corp ("Technomar"), is a company owned by certain members of the Pittas family, together with two other unrelated ship management companies. Sentinel is paid a commission on premium not exceeding 5%; Technomar is paid a fee of about \$50 per crew member per month. Total fees charged by Sentinel and Technomar were \$26,174 and \$31,665 in the first three months of 2016, respectively. In the first three months of 2017, total fees charged by Sentinel and Technomar were \$35,101 and \$33,038, respectively. These amounts are recorded in "Vessel operating expenses" under "Operating expenses".

Related party revenue amounting to \$60,000 for the three-month periods ended March 31, 2016 and 2017 relates to fees received from Euromar LLC, a joint venture of the Company (see below Note 11), for strategic, financial, reporting and various administrative services provided by Euroseas.

Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

## 6. Long-Term Debt

Long-term debt represents bank loans of the Company. Outstanding long-term debt as of December 31, 2016 and March 31, 2017 is as follows:

Borrower	December 31, 2016	March 31, 2017
Xingang Shipping Ltd. / Joanna Maritime Ltd.	1,103,915	1,103,915
Pantelis Shipping Corp.	4,840,000	4,840,000
Noumea Shipping Ltd.	6,360,000	6,360,000
Eirini Shipping Ltd. / Eleni Shipping Ltd. / Areti Shipping Ltd.	11,600,000	11,600,000
Allendale Investments S.A. / Alterwall Business Inc. / Manolis Shipping Ltd. / Saf Concord Shipping Ltd. / Aggeliki Shipping Ltd. / Eternity Shipping Company / Jonathan John Shipping Ltd.	13,120,000	12,660,000
Ultra One Shipping Ltd.	-	10,862,500
Kamsarmax One Shipping Ltd.	13,333,000	12,866,000
	50,356,915	60,292,415
Less: Current portion	(5,697,915 )	(11,506,887)
Long-term portion	44,659,000	48,785,528
Deferred charges, current portion	148,697	285,067
Deferred charges, long-term portion	292,024	533,239
Long-term debt, current portion net of deferred charges	5,549,218	11,221,820
Long-term debt, long-term portion net of deferred charges	44,366,976	48,252,289

None of the above loans are registered in the U.S. The future annual loan repayments are as follows:

To March 31:	
2017	11,506,887
2018	19,477,972
2019	10,297,972
2020	9,879,584
2021	934,000
Thereafter	8,196,000
Total	60,292,415

Details of the loans are discussed in Notes 9 and 20(d) of our consolidated financial statements for the year ended December 31, 2016 included in the Company's annual report on Form 20-F and are supplemented by the changes noted below.

Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated financial statements  
(All amounts expressed in U.S. Dollars)

6. Long-Term Debt - continued

In May 2017, the Company repaid in full the loan of Xingang Shipping Ltd. guaranteed by Joanna Maritime Ltd. of \$1,103,915 earlier than scheduled, and made a pre-payment of \$400,000 against the loans of Eirini Shipping Ltd. / Eleni Shipping Ltd. / Areti Shipping Ltd and Pantelis Shipping Corp. As a result, Joanna Maritime Ltd. was released from its mortgage and guarantee and M/V Joanna has become unencumbered.

The Company's loans are secured with one or more of the following:

- first priority mortgage over the respective vessels on a joint and several basis.
- first assignment of earnings and insurance.
- a corporate guarantee of Euroseas Ltd.
- a pledge of all the issued shares of each borrower.

The loan agreements contain covenants such as minimum requirements regarding the hull ratio cover (the ratio of fair value of vessel to outstanding loan less cash in retention accounts), restrictions as to changes in management and ownership of the vessel shipowning companies, distribution of profits or assets (i.e. limiting dividends in some loans to 60% of profits, or, not permitting dividend payment or other distributions in cases that an event of default has occurred), additional indebtedness and mortgage of vessels without the lender's prior consent, sale of vessels, maximum fleet-wide leverage, sale of capital stock of our subsidiaries, ability to make investments and other capital expenditures, entering in mergers or acquisitions, minimum cash balance requirements and minimum cash retention accounts (restricted cash). The loan agreements also require the Company to make deposits in retention accounts with certain banks that can only be used to pay the current loan installments. Restricted cash under "Current Assets" and "Long-term assets" amounts to \$5,605,740 and \$7,037,958 as of December 31, 2016 and March 31, 2017 and is comprised of deposits held in retention accounts and deposits required to be maintained as certain minimum cash balances per mortgaged vessel.

Interest expense excluding loan fee amortization for the three-month periods ended March 31, 2016 and 2017 amounted to \$280,715 and \$691,498, respectively. At March 31, 2017, LIBOR for the Company's loans was on average approximately 0.94% per year, the average interest rate margin over LIBOR on our debt was approximately 4.37% per year for a total average interest rate of approximately 5.31% per year.

Euroseas Ltd. and Subsidiaries  
 Notes to Unaudited Condensed Consolidated financial statements  
 (All amounts expressed in U.S. Dollars)

7. Commitments and Contingencies

As of March 31, 2017 a subsidiary of the Company, Alterwall Business Inc. owner of M/V Ninos, is in a dispute with a fuel oil supplier who claimed a maritime lien against the vessel after the company which had time-chartered the vessel from the Company went bankrupt and failed to pay certain invoices. The vessel was arrested in Karachi (a) and released after a bank guarantee for an amount of \$0.53 million, for which the bank has restricted an equal amount of the Company's cash which is presented within Restricted Cash, was provided on behalf of the Company. Legal proceedings continue. Although the Company believes it will be successful in its claim, it made a provision of \$0.15 million for any costs that may be incurred.

There are no other material legal proceedings to which the Company is a party or to which any of its properties are subject, other than routine litigation incidental to the Company's business. In the opinion of the management, the disposition of these lawsuits should not have a material impact on the consolidated results of operations, financial position and cash flows.

Future gross minimum revenues upon collection of hire under non-cancellable time charter agreements involving one of its vessels in operation as of March 31, 2017 totals \$13.69 million (one off-hire day per quarter for each (b) vessel is assumed and no drydockings are due for the vessel during the charter period; in addition early delivery of the vessel by the charterers or any exercise of the charterers' options to extend the terms of the charters are not accounted for).

(c) As of March 31, 2017, the Company had under construction one bulk carrier, a Kamsarmax, with a total contracted amount remaining to be paid of \$4.5 million in 2017 and \$18 million in 2018.

8. Stock Incentive Plan

A summary of the status of the Company's non-vested shares as of January 1, 2017, and changes during the three month period ended March 31, 2017, are presented below:

Unvested Shares	Shares	Weighted-Average Grant-Date Fair Value per share
Non-vested on January 1, 2017	116,280	2.08
Granted	-	-
Vested	-	-
Non-vested on March 31, 2017	116,280	2.08

As of March 31, 2017, there was \$116,752 of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted. That cost is expected to be recognized over a weighted-average period of 0.765 years. The share-based compensation recognized relating to the unvested shares was \$40,461 for the three month periods ended March 31, 2017 (March 31, 2016: \$68,417) and is included in general and administrative expenses.

Euroseas Ltd. and Subsidiaries  
 Notes to Unaudited Condensed Consolidated Financial Statements  
 (All amounts expressed in U.S. Dollars)

9. Loss Per Share

Basic and diluted loss per common share is computed as follows:

	For the three months ended March 31,	
	2016	2017
Net loss attributable to common shareholders	(3,262,027)	(2,627,562)
Weighted average common shares – Outstanding	8,104,860	10,999,554
Basic and diluted loss per share	(0.40)	(0.24)

The Company excluded the effect of 90,900 and 116,280 non-vested stock awards as of March 31, 2016 and 2017, respectively, as they were anti-dilutive.

Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

10. Financial Instruments

The principal financial assets of the Company consist of cash at banks, other investment and accounts receivable due from charterers. The principal financial liabilities of the Company consist of long-term loans, derivatives including interest rate swaps, and accounts payable due to suppliers.

Interest rate risk

The Company enters into interest rate swap contracts as economic hedges to manage some of its exposure to variability in its floating rate long term debt. Under the terms of the interest rate swaps the Company and the bank agree to exchange, at specified intervals the difference between a paying fixed rate and floating rate interest amount calculated by reference to the agreed principal amounts and maturities. Interest rate swaps allow the Company to convert long-term borrowings issued at floating rates into equivalent fixed rates. Even though the interest rate swaps were entered into for economic hedging purposes, the derivatives described below in this note do not qualify for hedge accounting, under the guidance relating to Derivatives and Hedging, as the Company does not have currently written contemporaneous documentation identifying the risk being hedged and, both on a prospective and retrospective basis, performing an effectiveness test to support that the hedging relationship is highly effective. Consequently, the Company recognizes the change in fair value of these derivatives in "(Loss) / gain on derivatives, net" in the "Unaudited condensed consolidated statements of operations." As of December 31, 2016 and March 31, 2017, the Company had one open interest rate swap contract for a notional amount of \$10 million.

Concentration of credit risk

Financial instruments, which potentially subject the Company to significant concentration of credit risk consist primarily of cash and trade accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with high credit qualified financial institutions. The Company performs periodic evaluation of the relative credit standing of these financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable.

Fair value of financial instruments

The estimated fair values of the Company's financial instruments such as trade receivables, trade accounts payable, cash and cash equivalents and restricted cash approximate their individual carrying amounts as of December 31, 2016 and March 31, 2017, due to their short-term maturity. Cash and cash equivalents and restricted cash are considered Level 1 items as they represent liquid assets with short-term maturities. The fair value of the Company's long term borrowings approximates \$59.6 million as of March 31, 2017 or approximately \$0.7 million less than its carrying value of \$60.3 million (excluding the unamortized deferred charges). The fair value of the long term borrowing is estimated based on current interest rates offered to the Company for similar loans. LIBOR rates are observable at commonly quoted intervals for the full terms of the loans and hence fair value of the long-term bank loans are considered Level 2 items in accordance with the fair value hierarchy due to their variable interest rate, being the LIBOR. The fair value of the Company's interest rate swaps was the estimated amount the Company would pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current creditworthiness of the Company and its counter parties.





Euroseas Ltd. and Subsidiaries  
Notes to Unaudited Condensed Consolidated Financial Statements  
(All amounts expressed in U.S. Dollars)

10. Financial Instruments - continued

Fair value of financial instruments - continued

The Company follows guidance relating to "Fair value measurements", which establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosure about fair value measurements. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data;

Level 3: Unobservable inputs that are not corroborated by market data.

The fair value of the Company's interest rate swap agreements is determined using a discounted cash flow approach based on market-based LIBOR swap rates. LIBOR swap rates are observable at commonly quoted intervals for the full terms of the swaps and therefore are considered Level 2 items. The fair values of the interest rate swap determined through Level 2 of the fair value hierarchy as defined in guidance relating to "Fair value measurements" are derived principally from or corroborated by observable market data. Inputs include quoted prices for similar assets, liabilities (risk adjusted) and market-corroborated inputs, such as market comparables, interest rates, yield curves and other items that allow value to be determined.

Recurring Fair Value Measurements

	Fair Value Measurement at Reporting Date Total,			
	December 31, 2016	(Level 1)	(Level 2)	(Level 3)
<u>Liabilities</u>				
Interest rate swap contracts, long-term portion	\$240,181	-	\$240,181	-

	Fair Value Measurement at Reporting Date Total,			
	March 31, 2017	(Level 1)	(Level 2)	(Level 3)
<u>Liabilities</u>				
Interest rate swap contracts, long-term portion	\$235,109	-	\$235,109	-



Euroseas Ltd. and Subsidiaries  
 Notes to Unaudited Condensed Consolidated Financial Statements  
 (All amounts expressed in U.S. Dollars)

10. Financial Instruments - continued

	Balance Sheet Location	December 31, 2016	March 31, 2017
Derivatives not designated as hedging instruments	Long-term liabilities - Derivatives		
Interest rate contracts		240,181	235,109
Total derivative liabilities		240,181	235,109

  

	Location of gain (loss) recognized	Three Months Ended March 31, 2016	Three Months Ended March 31, 2017
Derivatives not designated as hedging instruments			
Interest rate – Fair value	(Loss) / gain on derivatives, net	(129,661)	5,072
Interest rate contracts - Realized loss	(Loss) / gain on derivatives, net	(69,983 )	(331 )
Total (loss) / gain on derivatives		(199,644)	4,741

Euroseas Ltd. and Subsidiaries  
 Notes to Unaudited Condensed Consolidated Financial Statements  
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### 11. Investment in joint venture and Other Investment

During 2016, Euromar reached agreements with its lenders to restructure its debt that provided the latter with increased payments before any capital is returned to Euromar's partners, which include the Company, and, in addition, participation of the lenders in the profits of and any distributions made by Euromar. As a consequence of the restructured credit facilities and continued adverse market developments, the Company determined in 2016 that its investment in the joint venture was not recoverable and as a result it recorded a \$14.1 million impairment for the year ended December 31, 2016. The carrying value of the Company's investment in Euromar LLC as of December 31, 2016 and March 31, 2017 is zero.

Other Investment represents the Company's preferred equity investment in Euromar. The Company recorded an accrued dividend income of \$341,571 for the period ended March 31, 2016. This amount was recorded in the "Unaudited condensed consolidated statements of operations" as "Other Investment Income" under "Other Income / (expenses)". In the fourth quarter of 2016, the Company determined that its "Other investment" was not recoverable except for the undistributed Escrowed Funds (\$4,000,000). The Company stopped recognizing dividend income from its "Other investment" from October 1, 2016.

In USD	Other Investment
Balance, December 31, 2016	4,000,000
Balance, March 31, 2017	4,000,000

### 12. Subsequent Events

(a) In May 2017, the Company early repaid in full the loan of Xingang Shipping Ltd. guaranteed by Joanna Maritime Ltd. of \$1,103,915 earlier than scheduled, and made a pre-payment of \$400,000 against the loans of Eirini Shipping Ltd. / Eleni Shipping Ltd. / Areti Shipping Ltd and Pantelis Shipping Corp. As a result, Joanna Maritime Ltd. was released from its mortgage and guarantee and M/V Joanna has become unencumbered.

(b) In May 2017, the Company entered in a Memorandum of Agreement to acquire containership M/V EM Astoria, a 2,888 teu vessel built in 2004. The vessel is to be acquired at market price from Euromar LLC, the Company's joint venture with two private equity firms. The agreement to acquire the vessel includes 100% bank financing and a profit share agreed with the bank.

SIGNATURES

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

EUROSEAS LTD.

Dated: May 30, 2017 By: /s/ Dr. Anastasios Aslidis  
Name: Dr. Anastasios Aslidis  
Title: Chief Financial Officer and Treasurer