EUROSEAS LTD.
Form 6-K
December 03, 2007

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of November 2007

EUROSEAS LTD.

(Translation of registrant's name into English)

Euroseas Ltd.

Aethrion Center

40 Ag. Konstantinou Street

151 24 Maroussi, Greece

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual

reports under cover Form 20-F or Form 40-F.

Form 20-F |X| Form 40-F |_|

Indicate by check mark whether the registrant by furnishing the information

contained in this Form is also thereby furnishing the information to the

commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes |_| No |X|

<PAGE>

INFORMATION CONTAINED IN THIS FORM 6-K REPORT

Attached to this Report on Form 6-K as Exhibit 1 is a copy of the press release issued by Euroseas Ltd. (the "Company") on November 29, 2007 announcing that the Company Reports Results for the Third Quarter and Nine Month Period Ended September 30, 2007

EXHIBIT 1

The Company hereby incorporates this Form 6-K into the Company's Registration Statement on Form F-1, filed on October 20, 2005, Registration Statement No. 333-129145, and the Company's Registration Statement on Form F-3, filed on May 10, 2007, Registration Statement No. 333-142794.

Euroseas Ltd. Reports Results for the Third Quarter and Nine Month Period Ended September 30, 2007

Maroussi, Athens, Greece November 29, 2007 Euroseas Ltd. (NASDAQ: ESEA), an owner and operator of drybulk and container carrier vessels and provider of seaborne transportation for drybulk and containerized cargoes, announced today its results for the third quarter and nine month period ended September 30, 2007.

Third quarter 2007 Highlights:

- Net income of $9.5 million or $0.40 basic earnings per share calculated on 23,934,434 weighted average number of shares outstanding on total net revenues of $21.5 million. Diluted earnings per share were $0.39 calculated on 24,061,880 weighted average number of shares. Earnings per share for the third quarter of 2007 do not include $0.03 of cash flow attributable to amortization of the fair value of period charter contracts acquired that is usually included by security analysts in their published estimates of earnings per share.

- Adjusted EBITDA was $15.2 million. Please refer to a subsequent section of the Press Release for a reconciliation of adjusted EBITDA to net income.

- An average 12.13 vessels were operated during the third quarter 2007 earning an average time charter equivalent rate of $20,024 per day.

- Declared a quarterly dividend of $0.29 per share for the third quarter 2007 payable on November 28, 2007 to shareholders of record as of November 5, 2007

Nine months 2007 Highlights:

- Net income of $25.3 million or $1.30 basic and diluted per share calculated on 19,508,531 basic weighted average number of shares outstanding and 19,557,805 diluted weighted average number of shares outstanding on total net revenues of $50.6 million. Earnings per share for the nine month period ended September 30, 2007 do not include $0.09 of cash flow attributable to amortization of the fair value of period charter contracts acquired that is usually included by security analysts in their published estimates of earnings per share.

- Adjusted EBITDA was $40.2 million. Please refer to a subsequent section of the Press Release for a reconciliation of adjusted EBITDA to net income.

- An average 10.42 vessels were operated during the first nine months of 2007 earning an average time charter equivalent rate of $19,177 per day

- Declared quarterly dividends for the first, second and third quarters of 2007, aggregating $0.78 per share.

Fleet Developments:

- In October 2007, took delivery of the M/V Tiger Bridge, a handysize container ship the Company had previously agreed to acquire for $24 million, in August 2007. The vessel has a capacity of 30,400 dwt and 2,228 teu built in 1990 in South Korea. The vessels are employed on a time charters until July 2009, at a rate of about $16,500 per day.

- In November 2007, took delivery of the M/V Ioanna P (ex M/V Trust Jakarta), a panamax size drybulk carrier the Company had previously agreed to acquire in October 2007, for $28.6 million. The vessel has a capacity of 64,873 dwt, built in 1984 in Japan, The vessel is employed under a period charter contract at a rate of $35,500 per day till July 2008.

- Following these charter agreements, approximately 46% of Euroseas total fleet days in 2008 are fixed under period charters, already concluded spot charters, or, otherwise protected from market fluctuations.

Company Development:

- In November 2007, the Company announced the closing of its 6,325,000 share follow-on public offering at a price of $17.00 per share. Net proceeds to Euroseas after underwriting discounts and estimated offering expenses were approximately $93.4 million. The Company intends to use the net proceeds to acquire additional vessels in the drybulk and container sectors and for general corporate purposes.

Aristides Pittas, Chairman and CEO of Euroseas commented: The third quarter of 2007 has continued to be one of significant progress in the development of Euroseas as a public company. During the third quarter of 2007, we deployed the remaining of the proceeds of our July 2007 follow-on offering increasing our revenue base and market capitalization. Equally significantly, in November 2007, we completed our third follow-on common stock offering raising net proceeds of about $93 million, funds that will enable us to continue our growth. We have a fleet of 15 vessels and we intend to continue executing our plan to grow our fleet by focusing on age and size segments of the drybulk and containership sectors which we believe maximize our shareholder returns. The growth of our dividend from $0.57 per share for the first nine months of 2006 to $0.78 per share for the first nine months of 2007, a 37% increase, is the best evidence of the effectiveness of our investment and employment strategy, especially since it represents only a fraction of our net income even excluding any capital gains during those periods. We believe our strategy will enable us to continue providing consistent and significant dividends and overall returns to our shareholders.

Tasos Aslidis, Chief Financial Officer of Euroseas commented: The results of the first nine months of 2007 reflect significantly higher revenues compared to the first nine months 2006 due to the higher average time charter equivalent rate our vessels have achieved and the higher number of vessels in our fleet. Specifically during the first nine months of 2007, our fleet earned on average $19,177 per vessel per day compared to $13,766 per vessel per day during the same period in 2006. Daily vessel operating expenses including management fees during the first nine months of 2007 reflect an increase of about 12% on a per vessel per day basis compared to the same period in 2006. This is increase is mainly due to the increase in euro/dollar exchange rate, higher cost of lubricants due to higher oil prices and higher crew costs because of the increased competition in securing quality personnel.

As of today, including the vessels we recently took delivery of, 46% of our ship capacity days in 2008 have been fixed under time charter contracts or protected from market fluctuations. We believe that our contract coverage gives us a solid revenue base for 2008 and beyond, more predictable cash flows and sufficient downside protection, while still allowing us to participate in the potential upside of the spot market during periods of rising market rates.

Third quarter 2007 Results:

For the third quarter of 2007, the Company reported total net revenues of $21.5 million and net income of $9.5 million representing a 141.1% and 76.6% increase, respectively, over total net revenues of $8.9 million and net income of $5.4 million during the third quarter of 2006. On average, 12.13 vessels were operated during the third quarter 2007 earning an average time charter equivalent rate of $20,024 per day compared to 7.35 vessels in the same period 2006 earning on average $14,536 per day. Net income for the third quarter of 2006 includes a $2.3 million capital gain from the sale of M/V John P in July 2006. Excluding this capital gain, net income in the third quarter of 2007 represents an increase of 206% over the third quarter of 2006.

Adjusted EBITDA for the third quarter of 2007 was $15.2 million, a 104% increase of $7.5 million during the third quarter of 2006; exclusive of the capital gain in the third quarter of 2006, Adjusted EBITDA would have been $5.2 million resulting in an increase of 193%. Please see below for Adjusted EBITDA reconciliation to net income and cash flow provided by operating activities.

Basic earnings per share for the third quarter of 2007 were $0.40, calculated on 23,934,434 weighted average number of shares outstanding, compared to earnings per share of $0.43, inclusive of a $0.18 capital gain per share on the sale of M/V John P , for the third quarter of 2006, calculated on 12,620,114 weighted average number of shares outstanding. Diluted earnings per share were $0.39 and $0.43, the latter inclusive of capital gains of $0.18, for the third quarter of 2007 and 2006, respectively. The Company has recently declared a quarterly dividend of $0.29 per share, which represents its ninth consecutive quarterly dividend and a 38% increase over last year s third quarter dividend.

Earnings per share for the third quarter of 2007 and 2006 do not include $0.03 and ($0.02) respectively of cash flow attributable to amortization of the fair value of period charter contracts acquired that is usually included by security analysts in their published estimates of earnings per share.

Nine months Ended September 30, 2007 Results:

For the nine months ended September 30, 2007, the company reported total net revenues of $50.6 million and net income of $25.3 million, representing a 77.9% and 65.4% increase, respectively over the same period of 2006. Adjusted EBITDA for the period was $40.2 million, a 87.0% increase over 2006 (please see below for Adjusted EBITDA reconciliation to net income and cash flow from operating activities). In the first nine months ended September 30, 2006, net revenues were $28.4 million, net income was $15.3 million and EBITDA was $21.5 million. On average, 10.42 vessels were operated during the period in 2007 earning an average time charter equivalent rate of $19,177 per day compared to 7.91 vessels in the same period 2006 earning a time charter equivalent rate of $13,766. Results for the nine month period ended September 30, 2007 included a capital gain of $3.4 million from the sale of M/V Ariel , while results for the nine month period ended September 30, 2006 included a capital gain of $4.4 million from the sale of M/V Pantelis P and M/V John P , two of the Company s handysize vessels. Excluding the capital gains, net income and Adjusted EBITDA for the nine month period ended September 30, 2007 increased 102% and 116%, respectively, over the same period of 2006.

Basic earnings per share for the nine months ended September 30, 2007, were $1.30, calculated on 19,508,531 weighted average number of shares outstanding, compared to earnings per share of $1.23 for the same period of 2006 calculated on 12,506,793 weighted average number of shares outstanding. Diluted earnings per share were $1.30 and $1.23 for the first nine months of 2007 and 2006, respectively.

Earnings per share for the nine month period ended September 30, 2007 and 2006 do not include $0.09 and ($0.03) respectively of cash flow attributable to amortization of the fair value of period charter contracts acquired that is usually included by security analysts in their published estimates of earnings per share.

Fleet Profile:

The Euroseas Ltd. fleet profile is as follows:

Name	Type	Dwt	TEU	Year Built	Employment	TCE Rate ($/day)
<u>Dry Bulk Vessels</u>						
IRINI (*)	Panamax	69,734		1988	Baumarine Pool til end 2008	$17,000 to $20,000
ARISTIDES N.P.	Panamax	69,268		1993	TC til Jan-08	$29,000
IOANNA P.	Panamax	64,873		1984	TC til Jul-08	$35,500
NIKOLAOS P.	Handysize	34,750		1984	Spot	$47,000
GREGOS	Handysize	38,691		1984	Spot	$57,000
Total Dry Bulk Vessels	**5**	**277,316**				
<u>Multipurpose Dry Cargo Vessels</u>						
TASMAN TRADER	**1**	22,568	950	1990	TC til Mar-12	$8,850 til Dec-08, $9,500 til Dec-10, $9,000 til Mar-12
<u>Container Carriers</u>						
TIGER BRIDGE	Intermediate	30,400	2,228	1990	TC til Jul-09	$16,500
ARTEMIS	Intermediate	29,693	2,098	1987	TC til Dec-08	$19,000
DESPINA P	Handysize	33,667	1,932	1990	Scheduled drydocking	-

JONATHAN P	Handysize	33,667	1,932	1990	Scheduled drydocking	-
CLAN GLADIATOR	Handysize	30,007	1,742	1992	TC til Apr-08	$19,000
YM XINGANG I	Handysize	23,596	1,599	1993	TC til Jul-09	$26,650
MANOLIS P	Handysize	20,346	1,452	1995	TC til Mar-08	$13,450
NINOS (ex-YM QINGDAO I)	Feeder	18,253	1,169	1990	TC til Apr-08	$12,800
KUO HSIUNG	Feeder	18,154	1,169	1993	TC til Feb-09	$15,800
Total Container Carriers	**9**	**237,783**	**15,321**			
Fleet Grand Total	**15**	**537,667**	**16,271**			

(*)

IRINI , is employed in the Baumarine pool that is managed by Klaveness, a major global charterer in the dry bulk area, and also participates in two short funds (contracts to carry cargo at agreed rates), minimizing its exposure to the spot market (covered at 77% for 2007 and 42% for 2008, approximately).

Summary Fleet Data:

	3 months, ended September 30, 2006	**3 months, ended September 30, 2007**	**9 months, ended September 30, 2006**	**9 months, ended September 30, 2007**
FLEET DATA				
Average number of vessels (1)	7.35	12.13	7.91	10.42
Calendar days for fleet (2)	676.00	1116.00	2,159.0	2,844.0
Available days for fleet (3)	652.00	1100.41	2,111.9	2,727.0

Voyage days for fleet (4)	628.27	1100.28	2,083.9	2,723.4
Fleet utilization (5)	96.36%	99.99%	98.68%	99.87%
AVERAGE DAILY RESULTS				
Time charter equivalent rate (6)	14,536	20,024	13,766	19,177
Vessel operating expenses (7)	4,466	5,233	4,281	4,797
General and administrative expenses (8)	350	434	351	411
Total vessel operating expenses (9)	4,816	5,667	4,632	5,208

(1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of calendar days each vessel was a part of our fleet during the period divided by the number of calendar days in that period.

(2) Calendar days. We define calendar days as the total number of days in a period during which each vessel in our fleet was in our possession including off-hire days associated with major repairs, drydockings or special or intermediate surveys. Calendar days are an indicator of the size of our fleet over a period and affect both the amount of revenues and the amount of expenses that we record during that period.

(3) Available days. We define available days as the total number of days in a period during which each vessel in our fleet was in our possession net of off-hire days associated with scheduled repairs, drydockings or special or intermediate surveys. The shipping industry uses available days to measure the number of days in a period during which vessels were available to generate revenues.

(4) Voyage days. We define voyage days as the total number of days in a period during which each vessel in our fleet was in our possession net of off-hire days associated with scheduled and unscheduled repairs, drydockings or special or intermediate surveys or days waiting to find employment or other offhire. The shipping industry uses voyage days to measure the number of days in a period during which vessels actually generate revenues.

(5) Fleet utilization. We calculate fleet utilization by dividing the number of our voyage days during a period by the number of our available days during that period. The shipping industry uses fleet utilization to measure a company s efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons such as unscheduled repairs or days waiting to find employment.

(6) Time charter equivalent, or TCE, is a measure of the average daily revenue performance of a vessel on a per voyage basis. Our method of calculating TCE is consistent with industry standards and is determined by dividing revenue generated from voyage charters net of voyage expenses by available days for the relevant time period. Voyage expenses primarily consist of port, canal and fuel costs that are unique to a particular voyage, which would

otherwise be paid by the charterer under a time charter contract, as well as commissions. TCE is a standard shipping industry performance measure 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 voyage charters, time charters and bareboat charters) under which the vessels may be employed between the periods.

(7) Daily vessel operating expenses, which includes crew costs, provisions, deck and engine stores, lubricating oil, insurance, maintenance and repairs are calculated by dividing vessel operating expenses by fleet calendar days for the relevant time period.

(8) Daily general and administrative expense is calculated by dividing general and administrative expense by fleet calendar days for the relevant time period.

(9) Total vessel operating expenses, or TVOE, is a measure of our total expenses associated with operating our vessels. TVOE is the sum of vessel operating expenses and general and administrative expenses. Daily TVOE is calculated by dividing TVOE by fleet calendar days for the relevant time period.

Conference Call and Webcast:

Tomorrow, Friday, November 30, 2007 at 10:00 a.m. EDT, the company's management will host a conference call to discuss the results.

Conference Call details:

Participants should dial into the call 10 minutes before the scheduled time using the following numbers: 1 866 819 7111 (from the US), 0800 953 0329 (from the UK) or +44 (0)1452 542 301 (international standard dial in). Please quote Euroseas .

In case of any problems with the above numbers, please dial 1 866 223 0615 (from the US), 0800 694 1503 (from the UK) or +44 (0)1452 586 513 (international standard dial in). Quote Euroseas .

A recording of the conference call will be available until December 7, 2007 by dialing 1 866 247 4222 (from the US), 0800 953 1533 (from the UK) or +44 (0)1452 550 000 (international standard dial in). Access Code: 6973591#

Audio webcast Slides Presentation:

There will be a live and then archived audio webcast of the conference call, via the internet through the Euroseas website (www.euroseas.gr). Participants to the live webcast should register on the website approximately 10 minutes prior to the start of the webcast.

A slides presentation on the third quarter and nine month period ended September 30, 2007 results in PDF format will also be available 30 minutes prior to the conference call and webcast accessible on the company s website (www.euroseas.gr) on the webcast page. Participants to the webcast can download the PDF presentation.

Euroseas Ltd.

Consolidated Condensed Statement of Income

(All amounts expressed in U.S. Dollars except share amounts)

	Three Months Ended September 30, 2006	**Three Months Ended, September 30, 2007**	**Nine months Ended, September 30, 2006**	**Nine months Ended September 30, 2007**
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues				
Voyage revenue	9,280,725	22,538,504	29,701,945	53,062,852
Commissions	(384,437)	(1,086,167)	(1,280,405)	(2,507,268)
Net revenues	8,896,288	21,452,337	28,421,540	50,555,584
Operating expenses				
Voyage expenses	148,018	506,663	1,014,383	835,286
Vessel operating expenses	2,488,781	4,867,262	7,599,948	11,217,421
Amortization and depreciation	1,794,682	4,667,638	4,989,757	10,830,769
Management fees	530,292	973,416	1,643,142	2,424,794
Other general and administrative expenses	236,341	484,302	758,281	1,168,218
Total operating expenses	**5,198,114**	**11,499,281**	**16,005,511**	**26,476,488**
Net gain from sale of vessel	**2,280,057**	**-**	**4,445,856**	**3,411,397**
Operating income	**5,978,231**	**9,953,056**	**16,861,885**	**27,490,493**
Other income/(expenses)				
Interest and finance cost	(867,004)	(1,233,086)	(2,258,950)	(3,591,190)
Interest income	250, 210	751,966	720,551	1,447,947
Foreign exchange (loss)/gain	943	(1,824)	(1,064)	(1,764)
Other expenses, net	**(615,851)**	**(482,944)**	**(1,539,463)**	**(2,145,007)**

Net income	**5,362,380**	**9,470,112**	**15,322,422**	**25,345,486**
Earnings, per share, basic	0.43	0.40	1,23	1.30
Weighted average number of shares, basic	12,620,114	23,934,434	12,506,793	19,508,531
Earnings, per share, diluted	0.43	0.39	1,23	1.30
Weighted average number of shares, diluted	12,620,114	**24,061,880**	12,506,793	**19,557,805**

Euroseas Ltd.

Consolidated Condensed Balance Sheet

(All amounts expressed in U.S. Dollars)

	December 31, 2006	September 30, 2007
ASSETS	(unaudited)	(unaudited)
Current Assets:		
Cash and cash equivalents	2,791,107	43,159,409
Trade accounts receivables	378,216	274,476
Other receivables	268,864	306,313
Due from related company	2,649,259	4,067,773
Inventories	716,131	1,100,932
Restricted cash	1,146,621	951,997
Vessel held for sale, net	1,782,840	-
Prepaid expenses	242,558	549,432
Total current assets	**9,975,596**	**50,410,332**
Fixed assets:		
Vessels, net	95,494,342	181,375,853
Cash advances for vessel acquisitions	-	2,408,154
Long-term assets:		
Restricted cash	2,700,000	3,900,000
Deferred charges, net	1,291,844	3,617,066
Deferred offering expenses	500,000	-
Fair value of above market time charter acquired	7,543,477	5,342,287
Total long-term assets	**107,529,663**	**196,643,360**
Total assets	**117,505,259**	**247,053,692**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Long term debt, current portion	18,040,000	18,480,000
Trade accounts payable	1,034,713	1,865,545
Accrued expenses	1,233,185	1,396,125
Deferred revenue	1,357,501	4,085,797
Total current liabilities	**21,665,399**	**25,827,467**
Long-term liabilities:		

Long term debt, net of current portion	56,910,000	52,880,000
Fair value of below market time charter acquired	918,200	569,553
Total long-term liabilities	**57,828,200**	**53,449,553**
Total liabilities	**79,493,599**	**79,277,020**
Shareholders' equity:		
Common stock (par value $0.03, 100,000,000 shares authorized, 12,620,150 and 24,242,979 issued and outstanding)	378,605	727,290
Preferred shares (par value $0.01, 20,000,000 shares authorized, no shares issued and outstanding)		
Additional paid-in capital	18,283,767	135,592,427
Retained earnings	19,349,288	31,456,955
Total shareholders' equity	**38,011,660**	**167,776,672**
Total liabilities and shareholders' equity	**117,505,259**	**247,053,692**

Euroseas Ltd.

Reconciliation of Adjusted EBITDA to

Net Income and Cash Flow Provided By Operating Activities

(All amounts expressed in U.S. Dollars)

	Three Months Ended September 30, 2006	**Three Months Ended September 30, 2007**	**Nine months Ended September 30, 2006**	**Nine months Ended September 30, 2007**
Net income	5,362,380	9,470,112	15,322,422	25,345,486
Interest and finance costs, net	616,794	481,120	1,538,399	2,143,243

(includes interest income)	1,794,682	4,667,638		10,830,769
Depreciation and amortization			4,989,757	
Amortization of deferred revenue of below market time charter acquired	(286,566)	(116,856)	(369,806)	(348,647)
Amortization of deferred revenue of above market time charter acquired	-	737,773	-	2,201,190
	7,487,290	**15,239,787**		**40,172,041**
Adjusted EBITDA			**21,480,772**	

	Three Months Ended September 30, 2006	**Three Months Ended September 30, 2007**	**Nine months Ended September 30, 2006**	**Nine months Ended September 30, 2007**
Net cash flow provided by operating activities	4,262,431	11,989,767	15,715,298	33,312,855
Changes in operating assets /	350,664	2,785,603	(159,999)	1,359,099

liabilities				3,411,397
Gain from vessel sale	2,280,057	-	4,445,856	
Interest, net	594,138	464,417	1,479,617	2,088,690
	7,487,290	**15,239,787**	**21,480,772**	**40,172,041**
Adjusted EBITDA				

EBITDA Reconciliation:

Euroseas Ltd. considers Adjusted EBITDA to represent net earnings before interest, taxes, depreciation, amortization and amortization of deferred revenues from above or below market time charters acquired. Adjusted 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 Adjusted EBITDA may not be comparable to that reported by other companies. Adjusted 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 Adjusted EBITDA may not be the same as that used by other companies in the shipping or other industries.

About Euroseas Ltd.

Euroseas Ltd. was formed on May 5, 2005 under the laws of the Republic of the Marshall Islands to consolidate the ship owning interests of the Pittas family of Athens, Greece, which has been in the shipping business over the past 136 years. Euroseas trades on the NASDAQ Global Market under the ticker ESEA since January 31, 2007.

Euroseas operates in the dry cargo, drybulk and container shipping markets. Euroseas operations are managed by Eurobulk Ltd., an ISO 9001:2000 certified affiliated ship management company, which is responsible for the day-to-day commercial and technical management and operations of the vessels. Euroseas employs its vessels on spot and period charters and through pool arrangements.

The Company has a fleet of 15 vessels, including 3 Panamax drybulk carriers, 2 Handysize drybulk carriers, 2 Intermediate container ship, 5 Handysize container ships, 2 Feeder container ships and a multipurpose dry cargo vessel. Euroseas 5 drybulk carriers have a total cargo capacity of 277,316 dwt, its 9 container ships will have a cargo capacity of 15,321 teu and its 1 multipurpose vessel has a cargo capacity of 22,568 dwt or 950 teu.

Forward Looking Statement

This press release contains forward-looking statements (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) concerning future events and the Company s growth strategy and measures to implement such strategy; including expected vessel acquisitions and entering into further time charters. Words such as expects, intends, plans, believes, anticipates, hopes, esti variations of such words and similar expressions are intended to identify forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. These statements involve known and unknown risks and are based upon a number of assumptions and estimates that are inherently subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to changes in the demand for dry bulk vessels and container ships, competitive factors in the market in which the Company operates; risks associated with operations outside the United States; and other factors listed from time to time in the Company s filings with the Securities and Exchange Commission. The Company expressly disclaims any obligations or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company s expectations with respect thereto or any change in events, conditions or circumstances on which any statement is based.

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Visit our website www.euroseas.gr

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Euroseas Ltd. and Subsidiaries

Unaudited Condensed Consolidated Financial Statements

September 30, 2006 and 2007

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Euroseas Ltd. and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets

(All amounts, except share data, expressed in U.S. Dollars)

	Notes	**December 31, 2006**	**September 30, 2007**
Assets			
Current assets			
Cash and cash equivalents		2,791,107	43,159,409
Trade accounts receivable		378,216	274,476
Other receivables		268,864	306,313
Due from related company	8	2,649,259	4,067,773
Inventories	3	716,131	1,100,932
Restricted cash	9	1,146,621	951,997
Vessel held for sale, net	4	1,782,840	-
Prepaid expenses		242,558	549,432
Total current assets		**9,975,596**	**50,410,332**
Fixed assets			
Vessels, net	4	95,494,342	181,375,853
Cash advances for vessel acquisitions	12	-	2,408,154
Long-term assets			
Restricted cash	9	2,700,000	3,900,000
Deferred charges, net	5	1,291,844	3,617,066
Deferred offering expenses		500,000	-
Fair value of above market time charter acquired	7	7,543,477	5,342,287
Total long-term assets		**107,529,663**	**196,643,360**
Total assets		**117,505,259**	**247,053,692**
Liabilities and shareholders equity			
Current liabilities			
Long-term debt, current portion	9	18,040,000	18,480,000
Trade accounts payable		1,034,713	1,865,545
Accrued expenses	6	1,233,185	1,396,125
Deferred revenues		1,357,501	4,085,797
Total current liabilities		**21,665,399**	**25,827,467**
Long-term liabilities			
Long-term debt, net of current portion	9	56,910,000	52,880,000

Fair value of below market time charters acquired	7	918,200	569,553
Total long-term liabilities		**57,828,200**	**53,449,553**
Total liabilities		**79,493,599**	**79,277,020**
Commitments and contingencies	10	-	-
Shareholders equity			
Common stock (par value of $0.03, 100,000,000 shares authorized, 12,620,150 and 24,242,979 shares issued and outstanding)		378,605	727,290
Preferred shares (par value $0.01, 20,000,000 shares authorized, no shares issued and outstanding)		-	-
Additional paid-in capital		18,283,767	135,592,427
Retained earnings		19,349,288	31,456,955
Total shareholders equity		**38,011,660**	**167,776,672**
Total liabilities and shareholders equity		**117,505,259**	**247,053,692**

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

Euroseas Ltd. and Subsidiaries

Unaudited Condensed Consolidated Statements of Income

(All amounts, except for share data, expressed in U.S. Dollars)

	Notes	Three Months ended September 30, 2006	Three Months ended September 30, 2007	Nine months ended September 30, 2006	Nine months ended September 30, 2007
Revenues					
Voyage revenue		9,280,725	22,538,504	29,701,945	53,062,852
Commissions	8	(384,437)	(1,086,167)	(1,280,405)	(2,507,268)
Net revenue		**8,896,288**	**21,452,337**	**28,421,540**	**50,555,584**
Operating expenses					
Voyage expenses		148,018	506,663	1,014,383	835,286
Vessel operating expenses		2,488,781	4,867,262	7,599,948	11,217,421
Amortization of dry-docking and special survey expense and vessel depreciation	4, 5	1,794,682	4,667,638	4,989,757	10,830,769
Management fees	8	530,292	973,416	1,643,142	2,424,794
Other general and administrative expenses		236,341	484,302	758,281	1,168,218
Net gain on sale of vessel	4	(2,280,057)	-	(4,445,856)	(3,411,397)
Total operating expenses		**2,918,057**	**11,499,281**	**11,559,655**	**23,065,091**
Operating income		**5,978,231**	**9,953,056**	**16,861,885**	**27,490,493**
Other income/(expenses)					
Interest and other financing costs		(867,004)	(1,233,086)	(2,258,950)	(3,591,190)
Interest income		250,210	751,966	720,551	1,447,947
Foreign exchange gain/(loss)		943	(1,824)	(1,064)	(1,764)
Other income (expenses), net		**(615,851)**	**(482,944)**	**(1,539,463)**	**(2,145,007)**
Net income		**5,362,380**	**9,470,112**	**15,322,422**	**25,345,486**

Earnings per share - basic	11	**0.43**	**0.40**	**1.23**	**1.30**
Earnings per share - diluted	11	**0.43**	**0.39**	**1.23**	**1.30**
Weighted average number of shares outstanding during the period - basic	11	**12,620,114**	**23,934,434**	**12,506,793**	**19,508,351**
Weighted average number of shares outstanding during the period - diluted	11	**12,620,114**	**24,061,880**	**12,506,793**	**19,557,805**

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

Euroseas Ltd. and Subsidiaries

Unaudited Condensed Consolidated Statements of Changes in Shareholders Equity

For the nine month period ended September 30, 2007

(All amounts, except share data, expressed in U.S. Dollars)

	Comprehensive Income	**Number of Shares**	Common **Stock Amount**	Preferred Shares Amount	**Paid - in Capital**	**Retained Earnings**	***Total***
Balance, December 31, 2006		**12,620,150**	**378,605**	**-**	**18,283,767**	**19,349,288**	**38,011,660**
Net income	25,345,486					25,345,486	25,345,486
Issuance of shares, net of issuance costs		11,662,829	348,685	-	117,308,660	-	117,657,345
Dividends paid (declared per common share $0.22, $0.24 and $0.25)	-	-	-	-	-	(13,237,819)	(13,237,819)
Balance, September 30, 2007		**24,242,979**	**727,290**	**-**	**135,592,427**	**31,456,955**	**167,776,672**

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

Euroseas Ltd. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(All amounts expressed in U.S. Dollars)

	Nine months ended September 30,	
	2006	**2007**
Cash flows from operating activities:		
Net income	15,322,422	25,345,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of vessels	4,196,029	9,818,391
Amortization of deferred dry-docking charges	793,728	1,012,378
Amortization of deferred finance cost	58,782	54,553
Amortization of fair value of time charters	(369,806)	1,852,543
Gain on sale of vessels	(4,445,856)	(3,411,397)
Changes in operating assets and liabilities:		
(Increase)/decrease in:		
Trade accounts receivable	34,561	103,740
Prepaid expenses	(346,318)	(306,874)
Other receivables	67,396	(37,449)
Inventories	(189,699)	(384,801)
Due from related company	1,853,500	(1,418,514)
Increase/(decrease) in:		
Trade accounts payable	488,085	830,832
Accrued expenses	(531,981)	507,109
Deferred revenue	(394,347)	2,728,296
Dry-docking expenses paid	(821,198)	(3,381,438)
Net cash provided by operating activities	**15,715,298**	**33,312,855**
Cash flows from investing activities:		
Purchase of vessels	(34,427,573)	(95,699,902)
Advances for vessel acquisitions	-	(2,408,154)
Change in restricted cash	(274,131)	(1,005,376)
Proceeds from sale of vessels	9,152,494	5,223,522
Net cash used in investing activities	**(25,549,210)**	**(93,889,910)**
Cash flows from financing activities:		
Issuance of share capital	10,000	348,685

Net proceeds from shares issued in follow-on offering and warrant exercise	-	118,687,556
Dividends paid	(6,814,859)	(13,237,819)
Loan arrangement fees paid	(101,250)	(40,000)
Offering expenses paid	-	(1,223,065)
Proceeds from long-term debt	23,750,000	10,000,000
Repayment of long-term debt	(13,400,000)	(13,590,000)
Net cash (used in) provided by financing activities	**3,443,891**	**100,945,357**
Net (decrease) increase in cash and cash equivalents	(6,390,021)	40,368,302
Cash and cash equivalents at beginning of the period	20,447,301	2,791,107
Cash and cash equivalents at end of the period	**14,057,280**	**43,159,409**

(Condensed consolidated statements of cash flows continues in the next page)

Euroseas Ltd. and Subsidiaries

Unaudited Condensed Consolidated Statements of Cash Flows

(All amounts expressed in U.S. Dollars)

(Continued)

	Nine months ended September 30,	
	2006	**2007**
Cash paid for interest	2,189,009	3,596,292
Non cash items:		
Change in accrued offering expenses	-	(344,169)
Reversal of unutilized accrued offering expenses	400,779	-

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

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

1.

Basis of Presentation and General Information

Euroseas Ltd. (the Company) 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 (see list below). On June 28, 2005, the beneficial owners exchanged all their shares in the ship-owning companies for shares in Friends Investment Company Inc., a newly formed Marshall Islands company. On June 29, 2005, Friends Investment Company Inc. then exchanged all the shares in the ship-owning companies for shares in Euroseas Ltd., thus, becoming the sole shareholder of Euroseas Ltd. The transaction described above constitutes a reorganization of companies under common control, and has been accounted for in a manner similar to a pooling of interests, as each ship-owning company was under the common control of the Pittas family prior to the transfer of ownership of the companies to Euroseas Ltd. Accordingly, the accompanying consolidated financial statements have been presented as if the ship-owning companies were consolidated subsidiaries of the Company for all periods presented and using the historical carrying costs of the assets and the liabilities of the ship-owning companies in existence at that time (see list below). All share counts are adjusted for the Company s 1-for-3 reverse common stock split effected on October 6, 2006.

On August 25, 2005, Euroseas Ltd. sold 2,342,331 common shares at $9.00 per share in an institutional private placement, together with 0.25 of detachable warrants for each common share to acquire up to 585,589 common shares. The total proceeds, net of issuance costs of $3,500,309, amounted to $17,510,400. The warrants allow their holders to acquire one share of Euroseas Ltd. stock at a price of $10.80 per share and are exercisable for a period of five years from the issue of the warrant.

On August 25, 2005, as a condition to the institutional private placement described above, the Company and Cove Apparel, Inc. (Cove, an unrelated party and public shell corporation) signed an Agreement and Plan of Merger (the Merger Agreement). The Merger Agreement provided for the merger of Cove and Euroseas Acquisition Company Inc., a Delaware corporation and a wholly-owned subsidiary of Euroseas Ltd. formed on June 21, 2005, with the current stockholders of Cove receiving 0.0034323 shares of Euroseas Ltd. common shares for each share of Cove common stock they presently own. Euroseas Ltd., as part of the merger, filed a registration statement with the Securities and Exchange Commission (SEC) to register the shares issued in the merger to the Cove stockholders.

The SEC declared effective on February 3, 2006 the Company s registration statement on Form F-4 that registered the Euroseas Ltd. common shares issued to Cove shareholders. The SEC also declared effective on February 3, 2006 the Company s registration statement on Form F-1 that registered the re-sale of the 2,342,331 Euroseas Ltd. common shares and 585,589 Euroseas Ltd. common shares issuable upon the exercise of the warrants issued in connection with the institutional private placement as well as 272,868 Euroseas Ltd. common shares that were issued to certain Cove shareholders as part of the merger with Cove.

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended June 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

1.

Basis of Presentation and General Information - continued

On March 27, 2006, Euroseas Ltd. consummated the merger with Cove and, as a result, Cove merged into Euroseas Acquisition Company Inc., and the separate corporate existence of Cove ceased. The Cove stockholders received Euroseas Ltd. common shares and received dividends totaling to $140,334 related to dividends previously declared by Euroseas Ltd. Euroseas Acquisition Company Inc. changed its name to Cove Apparel, Inc. Also, following the completion of the merger, the common stock of Cove has been de-listed and no longer trades on the OTC Bulletin Board. On the date of the merger, Cove had cash of $10,000, had no other assets and had no liabilities.

Euroseas Ltd. common share was approved to trade on March 2, 2006 and started trading on the OTC Bulletin Board on May 5, 2006. On October 6, 2006, the Company effected a 1-for-3 reverse split of its common stock. On January 31, 2007 upon the pricing of the Company s follow-on common stock offering of 5,750,000 shares the Euroseas Ltd. common share started trading on the NASDAQ Global Market. The total proceeds of the follow-on common stock offering, net of issuance costs of $4,122,289, amounted to $43,315,220. On June 29, 2007 the Company priced, and, on July 5, 2007 completed an additional follow-on offering of 5,750,000 shares of common stock. The total proceeds of this follow-on offering, net of issuance costs of $4,609,428, amounted to $73,015,572.

The operations of the vessels are managed by Eurobulk Ltd. (the manager), a corporation controlled by members of the Pittas family. The Pittas family is the controlling shareholders of Friends Investment Company Inc.

The manager has an office in Greece located at 40 Ag. Konstantinou Ave, Maroussi, Athens, Greece. The manager provides the Company with a wide range of shipping services such as technical support and maintenance, insurance consulting, chartering, financial and accounting services, as well as executive management services, in consideration for fixed and variable fees (see Note 8).

The Company is engaged in the ocean transportation of dry bulk and containers through ownership and operation of dry bulk and container carriers owned by the following ship-owning companies:

- Searoute Maritime Ltd. incorporated in Cyprus on May 20, 1992, owner of the Cyprus flag 33,712 DWT bulk carrier motor vessel (M/V) Ariel , which was built in 1977 and acquired on March 5, 1993. M/V Ariel was sold on February 22, 2007.

- Oceanopera Shipping Ltd. incorporated in Cyprus on June 26, 1995, owner of the Cyprus flag 34,750 DWT bulk carrier M/V Nikolaos P , which was built in 1984 and acquired on July 22, 1996.

- Oceanpride Shipping Ltd. incorporated in Cyprus on March 7, 1998, owner of the Cyprus flag 26,354 DWT bulk carrier M/V John P , which was built in 1981 and acquired on March 7, 1998. M/V John P was sold on July 5, 2006.

- Alterwall Business Inc. incorporated in Panama on January 15, 2001, owner of the Panama flag 18,253 DWT container carrier M/V Ninos which was built in 1990 and acquired on February 16, 2001.

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

1.

Basis of Presentation and General Information - continued

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Alcinoe Shipping Ltd. incorporated in Cyprus on March 20, 1997, owner of the Cyprus flag 26,354 DWT bulk carrier M/V Pantelis P , which was built in 1981 and acquired on June 4, 1997. M/V Pantelis P was sold on May 31, 2006. On February 22, 2007, Alcinoe Shipping Ltd. acquired the 38,691 DWT Cyprus flag drybulk carrier M/V Gregos , which was built in 1984. On June 14, 2007, M/V Gregos s was transferred to Gregos Shipping Limited incorporated in the Marshall Islands on June 7, 2007 and its flag was changed to the flag of the Marshall Islands.

•

Allendale Investment S.A. incorporated in Panama on January 22, 2002, owner of the Panama flag 18,154 DWT container carrier M/V Kuo Hsiung , which was built in 1993 and acquired on May 13, 2002.

•

Diana Trading Ltd. incorporated in the Marshall Islands on September 25, 2002, owner of the Marshall Islands flag 69,734 DWT bulk carrier M/V Irini , which was built in 1988 and acquired on October 15, 2002.

•

Salina Shipholding Corp., incorporated in the Marshall Islands on October 20, 2005, owner of the Marshall Islands flag 29,693 DWT container carrier M/V Artemis , which was built in 1987 and acquired on November 25, 2005.

•

Xenia International Corp., incorporated in the Marshall Islands on April 6, 2006, owner of the Marshall Islands flag 22,568 DWT / 950 TEU multipurpose M/V Tasman Trader , which was built in 1990 and acquired on April 27, 2006.

- Prospero Maritime Inc., incorporated in the Marshall Islands on July 21, 2006, owner of the Marshall Islands flag 69,268 DWT dry bulk M/V Aristides N.P. , which was built in 1993 and acquired on September 4, 2006.

- Xingang Shipping Ltd., incorporated in Liberia on October 16, 2006, owner of the Liberian flag 23,596 DWT container carrier M/V YM Xingang I , which was built in February 1993 and acquired on November 15, 2006.

- Manolis Shipping Ltd., incorporated in the Marshall Islands on March 16, 2007, owner of the Marshall Islands flag 20,356 DWT / 1,452 TEU container carrier M/V Manolis P , which was built in 1995 and acquired on April 12, 2007.

- Eternity Shipping Company, incorporated in the Marshall Islands on May 17, 2007, owner of the Marshall Islands flag 30,007 DWT / 1,742 TEU container carrier M/V Clan Gladiatior , which was built in 1992 and acquired on June 13, 2007.

- Emmentaly Business Inc., incorporated in Panama on July 4, 2007, owner of the Panamanian flag 33,667 DWT / 1,932 TEU container carrier M/V Jonathan P , which was built in 1990 and acquired on August 7, 2007.

- Pilory Associates Corp., incorporated in Panama on July 4, 2007, owner of the Panamanian flag 33,667 DWT / 1,932 TEU container carrier M/V Despina P , which was built in 1990 and acquired on August 13, 2007.

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

2.

Significant Accounting Policies

The accompanying 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 flow for the periods presented. Operating results for the three and nine month periods ended September 30, 2007 are not necessarily indicative of the results that might be expected for the fiscal year ending December 31, 2007.

The condensed consolidated financial statements as of and for the three and nine month periods ended September 30, 2007 and 2006 should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 as filed with the SEC on Form 20-F. On January 1, 2007, the Company changed its inventory valuation method for lubricants (see below).

Inventories

Inventories are stated at the lower of cost and market value. Inventories are valued using the FIFO (First-In First-Out) method. On January 1, 2007, the Company changed its accounting policy for the valuation of the inventories of lubricants to the FIFO method to more accurately value its inventories and better match revenues and expenses. Until December 31, 2006, inventories of lubricants were valued on an average cost basis; victualling inventories have always been valued using the FIFO method. The net cumulative effect of this change amounted to ($13,568) which was recorded in the vessel operating expenses in the three month period ended March 31, 2007. The effect on the three and nine month periods ended September 30, 2006 is immaterial and, therefore, the Company has not retrospective applied the new accounting principle.

3.

Inventories

This consisted of the following:

	December 31, 2006	September 30, 2007
Lubricants	637,758	1,011,013
Victualling	78,373	89,919
Total	**716,131**	**1,100,932**

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

4.

Vessels, net

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

	Costs	Accumulated Depreciation	Net Book Value
Balance, January 1, 2007	**113,530,775**	**(18,036,433)**	**95,494,342**
-		(9,818,391)	(9,818,391)
Depreciation for the period			
-	95,699,902	-	95,699,902
Purchase of vessels			
Balance, September 30, 2007	**209,230,677**	**(27,854,824)**	**181,375,853**

On December 19, 2006, Searoute Maritime Ltd., a wholly-owned subsidiary of the Company, signed a Memorandum of Agreement to sell M/V Ariel , a handysize bulk carrier of 33,712 DWT built in 1977 for a gross price of $5,350,000 with 2% sales commissions or net sale proceeds of $5,223,521. The vessel was delivered to the buyers on February 22, 2007 and the Company recognized a gain of $3,411,397. M/V Ariel is presented as vessel held for sale in the consolidated balance sheet as of December 31, 2006. The vessel was already carried at its estimated salvage value as of December 19, 2006 and, therefore, its classification as vessel held for sale had no effect on the depreciation. The book value of M/V Ariel (representing its estimated salvage value) as of December 31, 2006 was $1,782,840.

On February 22, 2007, the Company took delivery of M/V Gregos , a 38,691 dwt bulk carrier built in 1984. At the time of purchase, the Company assessed that the vessel s condition would allow it to operate economically for at least 5 years and decided to use a depreciation life of 28 years for M/V Gregos measured from the date of vessel construction in 1984. The vessel underwent dry-docking in June 2007, and, the Company also intends to pass the vessel through its next special survey in 2009. M/V Gregos was acquired for $13,100,000. The Company recorded M/V Gregos at $13,165,025 consisting of the amount paid plus additional cost of acquisition amounting to $65,027.

On April 12, 2007, the Company took delivery of M/V Manolis P , a 20,356 dwt / 1,452 teu container carrier built in 1995. M/V Manolis P was acquired for $19,150,000. The Company recorded M/V Manolis P at $19,210,275 consisting of the amount paid plus additional cost of acquisition amounting to $60,275.

On June 13, 2007, the Company took delivery of M/V Clan Galdiator , a 30,007 dwt / 1,742 teu container carrier built in 1992. M/V Clan Gladiator was acquired for $25,700,000. The Company recorded M/V Clan Gladiator at $25,753,439 consisting of the amount paid plus additional cost of acquisition amounting to $53,439.

On August 7, 2007, the Company took delivery of M/V Jonathan P , a 33,667 dwt / 1,932 teu container carrier built in 1990. M/V Jonathan P was acquired for $18,700,000. The Company recorded M/V Jonathan P at $18,791,829 consisting of the amount paid plus additional cost of acquisition amounting to $91,829.

On August 13, 2007, the Company took delivery of M/V Despina P , a 33,667 dwt / 1,932 teu container carrier built in 1990. M/V Despina P was acquired for $18,700,000. The Company recorded M/V Despina P at $18,779,334 consisting of the amount paid plus additional cost of acquisition amounting to $79,334.

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

5.

Deferred Charges, net

This consisted of:

	Three months ended September 30, 2006	**Three months ended September 30, 2007**	**Nine months ended September 30, 2006**	**Nine months ended September 30, 2007**
Balance, beginning of the period	1,461,348	3,292,320	1,855,829	1,291,844
Additions	581,876	803,794	922,448	3,421,438
Amortization of dry-docking and special survey expenses	(230,809)	(462,345)	(793,728)	(1,012,378)
Amortization of loan arrangement fees	(22,655)	(16,703)	(58,782)	(54,553)
Unamortized portion of dry-docking and special survey expenses written-off upon sale of M/V Pantelis P in May 2006, M/V John P in July 2006, and, sale of M/V Ariel in February 2007	(310,315)	-	(446,322)	(29,285)
Balance, end of the period	**1,479,445**	**3,617,066**	**1,479,445**	**3,617,066**

The additions of $803,794 in the three month period ended September 30, 2007 consisted of dry-docking expenses for M/V Manolis P. The additions of $581,876 in the three month period ended September 30, 2006 consisted of dry-docking expenses of $521,876 for M/V Nikolaos P and of loan fees of $60,000 for the loan drawn to partly finance the acquisition of M/V Aristides NP.

The additions of $3,421,438 in the nine month period ended September 30, 2007 consisted of dry-docking expenses of $808,604 for M/V Tasman Trader, $539,902 for M/V Artemis, $585,725 for M/V Ninos, $643,413 for M/V Gregos $803,794 for M/V Manolis P and of loan fees of $40,000 for the loan drawn to partly finance the acquisition of M/V

Manolis P . The additions of $922,448 in the nine month period ended September 30, 2006 consisted of dry-docking expenses of $299,322 for M/V Kuo Hsiung , $521,876 for M/V Nikolaos P and of loan fees of $41,250 for the loan drawn to partly finance the acquisition of M/V Tasman Trader and of $60,000 for a loan drawn to partly finance the acquisition of M/V Aristides NP .

6.

Accrued Expenses

The accrued expenses account consisted of:

	December 31, 2006	**September 30, 2007**
Accrued follow-on offering expenses	458,329	114,160
Accrued payroll expenses	72,807	162,418
Accrued interest	291,567	231,913
Accrued general and administrative expenses	199,678	391,060
Other accrued expenses	210,804	496,574
Total	**1,233,185**	**1,396,125**

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

7.

Fair Value of Above or Below Market Time Charters Acquired

M/V Tasman Trader was acquired on April 27, 2006 with an outstanding time charter terminating on December 17, 2008 with a charter rate of $8,850 per day and M/V Aristides N.P. was acquired on September 4, 2006 with an outstanding time charter contract terminating on November 8, 2006 with a charter rate of $19,750 per day. These charter rates were below the market rates for equivalent time charters prevailing at the time the foregoing vessels were acquired. The present values of the below the market charters were estimated by the Company at $1,237,072 and $412,500, respectively, and were recorded as liabilities in the consolidated balance sheets. Net voyage revenues included $286,566 and $116,856 as amortization of the below market rate charters for M/V Tasman Trader and M/V Aristides NP for the three month period ended September 30, 2006 and 2007, respectively, and, $369,806 and $348,647 for the nine month period ended September 30, 2006 and 2007, respectively. The unamortized below market rate charter for M/V Tasman Trader and M/V Aristides NP was $918,200 and $569,553 as of December 31, 2006 and September 30, 2007, respectively and is recorded as a liability in the consolidated balance sheets.

M/V YM Xingang I was acquired on November 15, 2006 with an outstanding time charter terminating on July 21, 2009 with a charter rate of $26,650 per day. This charter rate was above the market rates for equivalent time charters prevailing at the time. The present value of the above the market charter was estimated by the Company at $7,923,480, and was recorded as an asset in the consolidated balance sheets. Net voyage revenues included ($737,773) and ($2,201,190) as amortization of the above market rate charter for M/V YM Xingang I for the three and nine month periods ended September 30, 2007, respectively. The remaining unamortized above market rate charter was $7,543,477 and $5,342,287 as of December 31, 2006 and September 30, 2007, respectively and is recorded as a long-term asset in the consolidated balance sheets.

8.

Related Party Transactions

The Company s vessel owning companies are parties to management agreements with Eurobulk Ltd. (Management Company), which is controlled by members of the Pittas family, whereby the Management Company provides technical and commercial vessel management for a fixed daily fee of Euro 610 and Euro 630 per vessel in the three month period ended September 30, 2006 and 2007, respectively, and, Euro 607.8 and Euro 627.8 per vessel in the nine month period ended September 30, 2006 and 2007, respectively, under our Master Management Agreement (see below). Vessel management fees paid to the Management Company amounted to $530,292 and $973,416 in the three month periods ended September 30, 2006 and 2007, respectively, and, $1,643,142 and $2,424,794 in the nine month periods ended September 30, 2006 and 2007, respectively. These agreements were renewed on January 31, 2005 and amended in August and October 2006 with an initial term of five years and will automatically be extended after the initial term until terminated by the parties. Termination is not effective until two months following notice having been delivered in writing by either party after the expiration of the initial five-year period. An annual adjustment of the management fee due to inflation as provided under the management agreement took effect on the annual anniversary of the agreement on January 31, 2006 increasing the management fee by Euro 20 per vessel per day to Euro 610 per vessel per day and again on January 31, 2007 increasing the management fee by another Euro 20 per vessel per day to Euro 630 per vessel per day.

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

8.

Related Party Transactions - Continued

Our master management agreement with Eurobulk is effective as of October 1, 2006 and has an initial term of five years until September 30, 2011. In addition to the vessel management services, Eurobulk provides us with management services for our needs as a public company. In the three month periods ended September 30, 2006 and 2007, compensation for such services to us as a public company was $129,375 and $175,000, respectively, and in the nine month periods ended September 30, 2006 and 2007 was $379,375 and $433,750, respectively, incremental to the management fee and included in the Other general and administrative expenses under Operating expenses . On July 1, 2007, the compensantion for executive services was increased to $175,000 per quarter, to be adjusted annually for inflation every July 1st.

Amounts due to or from related parties represent net disbursements and collections made on behalf of the vessel-owning companies by the Management Company during the normal course of operations for which a right of off-set exists. As of December 31, 2006 and September 30, 2007, the amount due from related companies was $2,649,259 and $4,067,773, respectively. Based on the master management agreement between Euroseas Ltd. and Euroseas ship owning subsidiaries and Eurobulk Ltd. an estimate of the quarter s operating expenses, expected dry docking expenses, vessel management fee and fee for management executive services is to be advanced in the beginning of quarter to Eurobulk Ltd. For the fleet as of December 31, 2006 and September 30, 2007, this advance is estimated between $3,500,000 and $5,500,000 excluding any advances needed for dry docking expenses and is paid in advance around the beginning of each quarter. Interest earned on funds deposited in related party accounts is credited to the account of the ship-owning companies or Euroseas Ltd.

The Company uses brokers for various services, as is industry practice. Eurochart S.A., a 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 price and 1.25% of charter revenues. There were no commission expenses for the three month period ended September 30, 2007, while during the same period of 2006, commission expenses of $49,500 were paid for the sale of M/V John P . Commission expenses for the nine month period ended September 30, 2007 of $53,500 were paid to Eurochart S.A. for the sale of M/V Ariel ; during the same period of 2006, commission expenses of $106,000 were paid for the sale of M/V Pantelis P and M/V John P as mentioned above. Commissions for chartering services were $109,246 and $304,103 in the three month periods ended on September 30, 2006 and 2007, respectively, and, $337,095, and $715,292 in the nine month period ended on September 30, 2006 and 2007, 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., and with a crewing agent More Maritime Agencies Inc. The shareholders percentage participation in these joint ventures was 68.6% and 78% in the three and nine month periods ended on September 30, 2006 and 2007, respectively. Sentinel Maritime Services Inc. is paid a commission on premium not exceeding 5%; More Maritime Agencies Inc. is paid a fee of $50 per crew member per month. Total fees charged by Sentinel Marine Services Inc. and More Maritime Agencies Inc. in the three month period ended on September 30, 2006 and 2007 were $20,510 and $30,408, respectively to More, and $15,427 and $18,154, respectively to Sentinel; total fees in the nine month periods ended on September 30, 2006 and 2007 were $59,016 and $76,750, respectively to More, and $38,412 and $50,950, respectively to Sentinel. These amounts are recorded in Vessel operating expenses under Operating expenses .

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

9.

Long-Term Debt

This consisted of bank loans of the ship-owning companies are as follows:

Borrower		**December 31, 2006**	**September 30, 2007**
Diana Trading Limited	(a)	$ 4,180,000	$ 2,620,000
Alcinoe Shipping Limited (2006)/ Oceanpride Shipping Limited/ Searoute Maritime Ltd/ Oceanopera Shipping Ltd	(b)	3,800,000	2,900,000
Alterwall Business Inc./ Allendale Investments S.A	(c)	11,750,000	8,725,000
Salina Shipholding Corp.	(d)	12,000,000	10,250,000
Xenia International Corp	(e)	7,720,000	6,925,000
Prospero Maritime Inc.	(f)	15,500,000	13,100,000
Xingang Shipping Ltd. / Alcinoe Shipping Ltd	(g)	20,000,000	17,000,000
Manolis Shipping Ltd.	(h)	-	9,840,000
		74,950,000	71,360,000
Less: Current portion		(18,040,000)	(18,480,000)
Long-term portion		**$ 56,910,000**	**$ 52,880,000**

The future annual loan repayments are as follows:

To September 30:	
2008	18,480,000
2009	11,640,000
2010	7,950,000
2011	9,750,000
2012	5,975,000
Thereafter	17,565,000
Total	**$ 71,360,000**

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

9.

Long-Term Debt - continued

(a)

This consisted of a loan amounting to $4,900,000 and $1,000,000 drawn in 2002. The loan is payable in twenty-four consecutive quarterly installments of $220,000 each, and a balloon payment of $620,000 payable together with the final quarterly installment due in October 2008. The interest is based on LIBOR plus 1.6% per annum.

An additional loan of $4,200,000 was drawn on May 9, 2005. The loan is payable in twelve consecutive quarterly installments consisting of four installments of $450,000 each, and eight installments of $300,000 each with the final installment due in May 2008. The interest is based on LIBOR plus 1.25% per annum.

(b)

Alcinoe Shipping Ltd., Oceanpride Shipping Ltd., Searoute Maritime Ltd. and Oceanopera Shipping Ltd. drew, in 2005, $13,500,000 against a loan facility for which they are jointly and severally liable. The loan is payable in twelve consecutive quarterly installments consisting of two installments of $2,000,000 each, one installment of $1,500,000, nine installments of $600,000 each and a balloon payment of $2,600,000 payable with the final installment due in May 2008. The interest is based on LIBOR plus 1.5% per annum.

The Company made two additional early repayments for a total of $3,000,000 from the sales proceeds of M/V John P and M/V Pantelis P in June 2006 and July 2006. The Company also negotiated a revised repayment schedule starting July 1, 2006, which provides for payment of $300,000 per quarter and a balloon payment of $2,000,000 payable with the final installment due in the second quarter of 2008. After the sale of the above mentioned vessels in 2006 and the sale of M/V Ariel in February 2007, Oceanopera Shipping Ltd., the owner of M/V Nikolaos P remains the sole liable entity for this loan facility.

(c)

Allendale Investments S.A. and Alterwall Business Inc. drew $20,000,000 on May 26, 2005 against a loan facility for which they are jointly and severally liable. The loan is payable in twenty-four unequal consecutive quarterly installments of $1,500,000 each in the first year, $1,125,000 each in the second year, $775,000 each in the third year, $450,000 each in the fourth through sixth years and a balloon payment of $1,000,000 payable with the final installment due in May 2011. The interest is based on LIBOR plus 1.25% per annum as long as the outstanding loan amount remains below 60% of the fair market value (FMV) of M/V Ninos (previously named, M/V YM Quingdao I) and M/V Kuo Hsiung and plus 1.375% if the outstanding loan amount is above 60% of the FMV of such vessels.

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

9.

Long-Term Debt - continued

(d)

This is a $15,500,000 loan drawn by Salina Shipholding Corp. on December 30, 2005. The loan is payable in ten consecutive semi-annual installments consisting of six installments of $1,750,000 each and four installments of $650,000 each and a balloon payment of $2,400,000 payable with the final installment due in January 2011. The interest is based on LIBOR plus a margin that ranges between 0.9%-1.1%, depending on the asset cover ratio. The loan is secured with the following: (i) first priority mortgage over M/V Artemis, (ii) first assignment of earnings and insurance of M/V Artemis, (iii) a corporate guarantee of Euroseas Ltd., (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Salina Shipholding Corp. maintains with the bank, and, (v) overall liquidity (cash and cash equivalents) of $300,000 for each of the Company s vessels throughout the life of the facility.

(e)

This is an $8,250,000 loan drawn by Xenia International Corp. on June 30, 2006. The loan is payable in twenty three consecutive quarterly installments consisting of $265,000 each and a balloon payment of $2,155,000 payable with the final quarterly installment due in March 2012. The interest is based on LIBOR plus a margin of 0.95%. The loan is secured with the following: (i) first priority mortgage over M/V Tasman Trader , (ii) first assignment of earnings and insurance of M/V Tasman Trader , (iii) a corporate guarantee of Euroseas Ltd., and, (iv) overall liquidity (cash and cash equivalents) of $300,000 for each of the Company s vessels throughout the life of the facility.

(f)

This is a $15,500,000 loan drawn by Prospero Maritime Inc. on September 4, 2006. The loan is payable in fourteen consecutive semi-annual installments consisting of two installments of $1,200,000 each, one installment of $1,000,000 each and eleven installments of $825,000 each and a balloon payment of $3,025,000 payable with the final semi-annual installment due in September 2013. The interest is based on LIBOR plus a margin that ranges between 0.9%-0.95%, depending on the asset cover ratio. The loan is secured with the following: (i) first priority mortgage over M/V Aristides N.P. , (ii) first assignment of earnings and insurance of M/V Aristides N.P. , (iii) a corporate guarantee of Euroseas Ltd., (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Prospero Maritime Inc. maintains with the bank, and, (v) overall liquidity (cash and cash equivalents) of $300,000 for each of the Company s vessels throughout the life of the facility.

Euroseas Ltd. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

9.

Long-Term Debt - continued

(g)

This is a $20,000,000 loan drawn by Xingang Shipping Ltd. on November 15, 2006; Alcinoe Shipping Ltd., owner of the M/V Gregos , became a guarantor to the loan in March 2007. The loan is payable in eight consecutive quarterly installments of $1.0 million each, the first of which is due in February 2007, followed by four consecutive quarterly installments of $750,000 each, followed by sixteen consecutive installments of $250,000 each and a balloon payment of $5.0 million payable with the final quarterly instalment due in November 2013. The interest was based on LIBOR plus a margin of 0.935% initially; after Alcinoe Shipping Ltd. became a guarantor the rate became 0.90%. The loan is secured with the following: (i) first priority mortgage over M/V YM Xingang I , (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a third mortgage on M/V Irini also financed by the same bank.

(h)

This is a $10,000,000 loan drawn by Manolis Shipping Ltd. on June 11, 2007. The loan is payable in thirty-two consecutive quarterly instalments of $160,000 each, the first of which is due in September 2007, plus a balloon payment of $4,880,000 payable with the final quarterly instalment in June 2015. The interest is based on LIBOR plus a margin of 0.80% if the ratio of the outstanding loan to the vessel value is below 55%, otherwise the margin is 0.90%. The loan is secured with the following: (i) first priority mortgage over M/V Manolis P , (ii) first assignment of earnings and insurance, (iii) a corporate guarantee of Euroseas Ltd. and (iv) a minimum cash balance equal to an amount of no less than $300,000 in an account Manolis Shipping Ltd. maintains with the bank. Other covenants and guarantees are similar to the rest of the loans of the Company.

In addition to the terms specific to each loan described above, all the above loans are secured with one or more of the following:

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first priority mortgage over the respective vessels on a joint and several basis.

- first assignment of earnings and insurance.
- a personal guarantee of one shareholder.
- a corporate guarantee of Eurobulk Ltd. and/or Euroseas Ltd.
- a pledge of all the issued shares of each borrower.

The loan agreements contain covenants such as restrictions as to changes in management and ownership of the vessel ship owning companies, additional indebtedness and mortgage of vessels without the lender s prior consent, sale of vessels, maximum fleet leverage, sale of capital stock of our subsidiaries, ability to make investments and other capital expenditures, entering in mergers or acquisitions, minimum requirements regarding the hull ratio cover, minimum cash balance requirements and minimum cash retention accounts (restricted cash). The loans agreements also require that the Company to make deposits in retention accounts with certain banks that can only be used to pay the current loan instalments. Minimum cash balance requirements are in addition to cash held in retention accounts. These cash deposits amounted to $3,846,621 and $4,851,997 as of December 31, 2006 and September 30, 2007, respectively, and are shown as Restricted cash under Current Assets and Long-Term Assets in the consolidated balance sheets. The Company is not in default of any of the foregoing covenants.

Interest expense for the three month periods ended September 30, 2006 and 2007 amounted to $844,348 and $1,216,383, respectively; for the nine month periods ended September 30, 2006 and 2007 amounted to $2,200,168 and $3,536,638, respectively. As September 30, 2007, average LIBOR for the Company s loans was on approximately 5.75% and the average interest rate was about 6.75%.

Euroseas Ltd. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

10.

Commitments and Contingencies

There are no 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.

At September 30, 2007, the distribution of the net earnings by one of the chartering pools which has one of the Company s vessels in its pool had not yet been finalized. Any effect on the Company s operations resulting from any future reallocation of pool income cannot be reasonably estimated, however, the effect on the results for the year is not expected to be significant.

11.

Earnings Per Share

Basic and diluted earnings per common share are computed as follows:

	Three month period ended September 30,		Nine month period ended September 30,	
	2006	**2007**	**2006**	**2007**
Income:				

Net income	5,362,380	9,470,112	15,322,422	25,345,486
Basic earnings per share:				
Weighted average common shares Outstanding (as adjusted for the 1 for 3 reverse stock split on October 6, 2006)	12,620,114	23,934,434	12,506,793	19,508,351
Basic earnings per share	0.43	0.40	1.23	1.30
Effect of dilutive securities				
Warrants outstanding and exercised	-	118,886	-	46,132
Weighted average common shares Outstanding (as adjusted for the 1 for 3 reverse stock split on October 6, 2006)	12,620,114	24,061,880	12,506,793	19,557,805
Diluted earnings per share	0.43	0.39	1.23	1.30

During the nine month period ended September 30, 2007, 122,829 warrants were exercised for gross proceeds of $1,326,553. As of September 30, 2007, the Company has outstanding warrants that entitle their holders to purchase 462,760 shares of common stock at an exercise price of $10.80 per share. The exercise price of the warrants was above the average market price of the Company s shares during the three and nine month periods ended September 30, 2006. The warrant exercise price was below the average market price of the Company s shares during the three and nine month periods ended September 30, 2007. Consequently, the Company s warrants were anti-dilutive and not included in the computation of diluted earnings per share for the three and nine month periods ended September 30, 2006, but they were dilutive and included in the computation of diluted earnings per share for the three and month periods ended September 30, 2007.

Euroseas Ltd. and subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

For the three and nine month periods ended September 30, 2006 and 2007

(All amounts expressed in U.S. Dollars)

11.

Earnings Per Share - Continued

The average market price of the Company s shares for the three and nine month periods ended September 30, 2007 were $14.25 and $11.92; consequently, using the treasury method, the dilutive effect of warrants outstanding at the end of the period and exercised during the period is 118,886 and 46,132 shares for the three and nine month periods ended September 30, 2007, respectively.

12.

Subsequent Events

a)

On August 29, 2007, a subsidiary of the Company entered into an agreement to purchase M/V Tiger Bridge a 2,228 TEU container vessels built in 1990 in Germany, for $24.0 million. The vessel was delivered to the Company on October 4, 2007. The vessel acquisition was partly financed with the proceeds of the Company s follow-on offering of common stock completed on July 5, 2007.

b)

On October 3, 2007, a subsidiary of the Company entered into an agreement to purchase M/V Trust Jakarta a 64,873 dwt dry bulk vessel built in 1984 in Japan, for $28.6 million. The vessel was delivered to the Company on November 1, 2007. The vessel acquisition was partly financed with the proceeds of the Company s follow-on offering of common stock completed on July 5, 2007 and partly with a $15 million loan repayable is 12 consecutive quarterly installments of which the first four of $1.85 million, the subsequent four of $0.75 million and the next four of $0.55 million each plus a balloon payment of $2.4 million payable along with the last installment. The interest rate of the loan is LIBOR plus 90 basis points.

c)

The Board of Directors declared a cash dividend of $0.29 per Euroseas Ltd. common share on October 16, 2007. Such cash dividend will be paid on or about November 28, 2007 to the holders of record of Euroseas Ltd. common shares as of November 5, 2007.

d)

On November 9, 2007, the Company completed a follow-on offering of common stock of 5,825,000 shares with net proceeds of $93,426,188 after issuance costs of $5,598,812.

EUROSEAS LTD. AND SUBSIDIARIES

Unaudited Condensed Consolidated Financial Statements

for the Three and Nine month Periods Ended

September 30, 2006 and 2007

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.

(registrant)

Dated November 29, 2007

By: /s/ Aristides J. Pittas

Aristides J. Pittas

President