FOODARAMA SUPERMARKETS, INC.
Form 10-Q
March 14, 2006

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

FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: January 28, 2006

or

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

For the transition period from _____________ to _______________

Commission file number 1-5745-1

FOODARAMA SUPERMARKETS, INC.
(Exact name of Registrant as specified in its charter)

New Jersey	21-0717108
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Building 6, Suite 1, 922 Highway 33, Freehold, New Jersey 07728
(Address of principal executive offices)

Telephone #732-462-4700
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes _X_ No ____

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes____ No _X_

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes No _X_

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

CLASS	OUTSTANDING AT March 10, 2006

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Common Stock $1 par value	988,117 shares

FOODARAMA SUPERMARKETS, INC.

Disclosure Concerning Forward-Looking Statements

All statements, other than statements of historical fact, included in this Form 10-Q, including without limitation the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Such forward-looking statements involve assumptions, known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Foodarama Supermarkets, Inc. (the "Company", which may be referred to as we, us or our) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements contained in this Form 10-Q. Such potential risks and uncertainties, include without limitation, competitive pressures from other supermarket operators, warehouse club stores and discount general merchandise stores, economic conditions in the Company's primary markets, consumer spending patterns, availability of capital, cost of labor, cost of goods sold including increased costs from the Company's cooperative supplier, Wakefern Food Corporation ("Wakefern"), and other risk factors detailed herein and in other of the Company's Securities and Exchange Commission filings. The forward-looking statements are made as of the date of this Form 10-Q and the Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those projected in such forward-looking statements.

PART I - Item 1. FINANCIAL INFORMATION

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets

(In thousands)

	January 28, 2006 (Unaudited)	October 29, 2005 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,415	$ 5,488
Merchandise inventories	56,093	55,889
Receivables and other current assets	7,635	7,597
Prepaid and refundable income taxes	61	797
Related party receivables - Wakefern	8,252	14,587
	80,456	84,358
Property and equipment:		
Land	308	308
Buildings and improvements	1,220	1,220
Leasehold improvements	60,397	61,360
Equipment	157,711	164,238
Property under capital leases	152,354	152,354
Construction in progress	275	199
	372,265	379,679
Less accumulated depreciation and amortization	159,874	161,975
	212,391	217,704
Other assets:		
Investments in related parties	18,323	18,323
Goodwill	1,715	1,715
Intangible assets, net	1,257	1,304
Other	3,444	3,364
Related party receivables - Wakefern	2,165	2,237
Deferred income taxes	757	-
	27,661	26,943
	$320,508	$329,005

(continued)

(1) Derived from the Audited Consolidated Financial Statements for the year ended October 29, 2005.
See accompanying notes to the consolidated condensed financial statements.

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES

Consolidated Condensed Balance Sheets

(In thousands except share data)

	January 28, 2006 (Unaudited)	October 29, 2005 (1)
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 9,028	$ 9,009
Current portion of long-term debt, related party	1,021	1,026
Current portion of obligations under capital leases	2,004	1,966
Current income taxes payable	567	-
Deferred income taxes	2,151	2,151
Accounts payable:		
Related party-Wakefern	44,650	40,419
Others	9,464	9,671
Accrued expenses	14,618	13,479
	83,503	77,721
Long-term debt	36,753	50,912
Long-term debt, related party	2,955	3,185
Obligations under capital leases	140,028	140,540
Deferred income taxes	-	175
Other long-term liabilities	13,616	13,577
	193,352	208,389
Commitments and Contingencies		
Shareholders' equity:		
Common stock, $1.00 par; authorized 2,500,000 shares; issued 1,621,767 shares; outstanding 988,117 shares	1,622	1,622
Capital in excess of par	4,071	4,168
Deferred compensation	-	(242)
Retained earnings	52,928	52,315
Accumulated other comprehensive income:		
Minimum pension liability	(2,802)	(2,802)
	55,819	55,061
Less 633,650 shares, held in treasury, at cost	12,166	12,166
	43,653	42,895
	$ 320,508	$ 329,005

(1) Derived from the Audited Consolidated Financial Statements for the year ended October 29, 2005.

See accompanying notes to the consolidated condensed financial statements.

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FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Operations - Unaudited

(In thousands - except share data)

13 Weeks Ended

	January 28, 2006	January 29, 2005
Sales	$ 323,871	$ 317,589
Cost of goods sold	240,988	237,482
Gross profit	82,883	80,107
Selling, general and administrative expenses	77,300	75,075
Earnings from operations	5,583	5,032
Other income (expense):		
Interest expense	(4,632)	(4,660)
Interest income	40	36
	(4,592)	(4,624)
Earnings before income tax provision	991	408
Income tax provision	(378)	(155)
Net income	$ 613	$ 253
Per share information:		
Net income per common share:		
Basic	$ .62	$ .26
Diluted	$ .59	$ .24
Weighted average shares outstanding:		
Basic	988,117	987,617
Diluted	1,040,875	1,035,753
Dividends per common share	-0-	-0-

See accompanying notes to the consolidated condensed financial statements.

FOODARAMA SUPERMARKETS, INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Cash Flows - Unaudited

(In thousands)

	13 Weeks Ended	
	January 28, 2006	January 29, 2005
Cash flows from operating activities:		

Net income	$ 613	$ 253
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,311	5,494
Amortization, intangibles	47	47
Amortization, deferred financing costs	136	244
Amortization, deferred rent escalation	(96)	(80)
Provision to value inventory at LIFO	235	238
Deferred income taxes	(932)	(441)
Non cash compensation expense	145	86
(Increase) decrease in		
Merchandise inventories	(439)	(252)
Receivables and other current assets	(38)	(335)
Prepaid and refundable income taxes	736	(357)
Other assets	(32)	(246)
Related party receivables-Wakefern	6,407	7,097
Increase (decrease) in		
Accounts payable	4,024	2,768
Income taxes payable	567	586
Other liabilities	1,274	(1,907)
	17,958	13,195
Cash flows from investing activities:		
Decrease in construction advance due from landlords	-	775
Cash paid for the purchase of property and equipment	(426)	(1,347)
Proceeds from sale of equipment	482	-
Cash paid for construction in progress	(76)	-
	(20)	(572)
Cash flows from financing activities:		
Principal payments under long-term debt	(14,140)	(11,736)
Principal payments under capital lease obligations	(474)	(388)
Principal payments under long-term debt, related party	(235)	(214)
Deferred financing and other costs	(162)	-
	(15,011)	(12,338)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,927	285
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	5,488	6,001
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,415	$ 6,286

See accompanying notes to the consolidated condensed financial statements.

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NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS (Unaudited)

Note 1 Basis of Presentation

The unaudited Consolidated Condensed Financial Statements as of or for the period ending January 28, 2006, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and rule 10-01. The balance sheet at October 29, 2005 has been taken from the audited financial statements at that date. In the opinion of the management of the Company, all adjustments (consisting only of normal recurring accruals) which are considered necessary for a fair presentation of the results of operations for the period have been made. Certain financial information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The reader is referred to the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended October 29, 2005.

At both January 28, 2006 and October 29, 2005, approximately 81% of merchandise inventories are valued by the Last-In-First-Out ("LIFO") method of inventory valuation while the balance of inventories is valued by the First-In-First-Out ("FIFO") method. If the FIFO method had been used for the entire inventory, inventories would have been $4,955,000 and $4,720,000 higher than reported at January 28, 2006 and October 29, 2005, respectively.

These results are not necessarily indicative of the results for the entire fiscal year.

Note 2 Adoption of New Accounting Standards

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 151, "Inventory Costs," in the first quarter of fiscal 2006. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and spoilage. This statement requires that those items be recognized as current period charges regardless of whether they meet the criterion of "so abnormal" which was the criterion specified in ARB No. 43. The adoption of this standard did not have any impact on our financial statements.

The Company adopted SFAS No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123(R)"), effective October 30, 2005. SFAS No. 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair value. Pro forma disclosure is no longer an alternative. The adoption of this standard increased earnings from operations by $127,000, increased net income by approximately $79,000, net of tax, and increased basic and diluted earnings per share by $.08 for the 13 weeks ended January 28, 2006. This represents the difference in expense recognition between SFAS 123(R) and the previous method for accounting for stock options under APB 25 and is due to the difference in treatment of recognition of forfeitures (See Note 3).

Note 3 Stock-Based Compensation

The Company maintains a Stock option plan (the "2001 Plan") for the issuance of up to 215,000 shares of common stock under non-qualified stock options.

Effective October 30, 2005, the Company adopted SFAS 123(R), "Share-Based Payment." SFAS 123(R) replaces SFAS 123 "Accounting for Stock-Based Compensation" and supersedes Accounting Principles Board Opinion No. 25 ("APB 25"), "Accounting for Stock Issued to Employees." SFAS 123(R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Under SFAS 123(R), the pro forma disclosures previously permitted under SFAS 123 are no longer an alternative to financial statement recognition.

The Company has selected the Black-Scholes method of valuation for share-based

compensation and has adopted the modified prospective transition method under

SFAS 123(R), which requires that compensation cost be recorded, as earned, for all unvested stock options outstanding at the beginning of the first quarter of adoption of SFAS 123(R). As permitted by SFAS 123(R), prior periods have not been restated. The charge is generally recognized as non cash compensation on a straight-line basis over the remaining service period after the adoption date based on the options' original estimate of fair value. Due to the Going Private Transaction (See Note 5), all unvested stock options vested immediately. Therefore, the recognition of the remaining stock option expense was accelerated and recognized in the 13 weeks ended January 28, 2006. The non cash compensation expense for the 13 weeks ended January 28, 2006 was $115,000.

Prior to the adoption of SFAS 123(R), the Company applied the intrinsic-value-based method of accounting prescribed by APB 25 and related interpretations, to account for its fixed-plan stock options to employees. Under this method, compensation cost was recorded only if the market price of the underlying stock on the date of grant exceeded the exercise price. As permitted by SFAS 123, the Company elected to continue to apply the intrinsic-value-based method of accounting described above, and adopted only the disclosure requirements of SFAS 123. The fair-value-based method used to determine historical pro forma amounts under SFAS 123 was similar in most respects to the method used to determine stock-based compensation expense under SFAS 123(R). However, in its pro forma disclosures, the Company accounted for option forfeitures as they occurred, rather than based on estimates of future forfeitures.

In connection with the adoption and provisions of SFAS 123(R), the Company reversed the deferred compensation balance of $242,000, resulting from the application of the intrinsic-value-based method of accounting for stock options, at October 30, 2005 against Capital In Excess of Par. This expense is now superceded by the SFAS 123(R) expense, which was recorded over the vesting period of the stock options.

The following table illustrates the pro forma effect on the Company's net income and earnings per share as if the Company had adopted the fair-value-based method of accounting for stock-based compensation under SFAS 123 for the 13 weeks ended January 29, 2005:

	Thirteen Weeks Ended January 29, 2005 (In thousands, except per share amounts)
Net income - as reported	$ 253
Add:	
Stock-based employee compensation expense included in reported net income, net of related tax effects	52
Deduct:	
Adjustment to total stock-based employee compensation expense determined under the fair value based method, net of related tax effects	(71)
Pro forma net income	$ 234
Earnings per share:	
Basic, as reported	$ .26
Basic, pro forma	$ .24

Diluted, as reported	$ .24
Diluted, pro forma	$.23

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There were no stock options granted during the 13 weeks ended January 28, 2006 or January 29, 2005. The fair value of each stock option is estimated on the date of grant using the Black-Scholes option-pricing model. The following assumptions were used for the grants made under the 2001 Plan:

Risk -free interest rate	5.00%
Expected option life	5 years
Dividend yield	None
Volatility	40.2%

As of January 28, 2006, 94,750 options are exercisable. The weighted average exercise price of all outstanding options is $19.60.

On January 23, 2006, the Company extended the term (the "Extension") of 40,000 options, which were set to expire on January 27, 2006, to December 27, 2006. The Extension resulted in additional non-cash compensation expense of $30,000, which was fully expensed in the 13 weeks ended January 28, 2006. This expense had an effect, net of tax, on net income of $19,000 for the 13 weeks ended January 28, 2006.

Note 4 Employee Benefit Plans

The following tables summarize the components of the net periodic pension expense for the Company sponsored defined benefit pension plans (both funded and unfunded postretirement plans) for the 13 weeks ended January 28, 2006 and January 29, 2005 (in thousands):

Components of Net Periodic Benefit Cost:

Pension Plans	13 Weeks Ended	
	January 28, 2006	January 29, 2005
Service cost	$ 166	$123
Interest cost	135	132
Expected return on plan assets	(145)	(134)
Settlement (gain) loss recognized	-	-
Amortization of prior service cost	16	11
Recognized net actuarial loss	81	95
Net periodic benefit cost	$ 253	$ 227

Other Postretirement Plan	13 Weeks Ended	
	January 28, 2006	January 29, 2005

Service cost	$ 46	$ 46
Interest cost	83	83
Amortization of prior service cost	7	21
Recognized net actuarial loss	23	46
Net periodic benefit cost	$ 159	$ 196

As previously disclosed in the Notes to the Consolidated Financial Statements in the Company's 2005 Annual Report on Form 10-K filed with the SEC on January 27, 2006, the Company's current funding policy for its qualified pension plans is to contribute annually the amount required by regulatory authorities to meet minimum funding requirements. The Company presently anticipates contributing

approximately $1,500,000 to its pension plans during fiscal 2006. This amount is based on preliminary information and the actual amount contributed will be determined based on the final actuarial calculations, plan asset performance, possible changes in law and other factors. The Company has contributed $277,000 during the 13 weeks ended January 28, 2006, and anticipates contributing approximately $1,223,000 more for expected future benefit payments during the remainder of fiscal 2006.

Since the Company's Other Post Retirement Plan is unfunded, the contributions to this plan are equal to the benefit payments made during the year. Benefit payments made during the 13 weeks ended January 28, 2006 were $40,000.

Note 5 Going Private Transaction

As reported in the Company's current report on Form 8-K filed on March 3, 2006 with the Securities and Exchange Commission ("SEC"), the Company has entered into a definitive agreement with respect to the going private transaction previously proposed by Saker Holdings Corp. Under the terms of the definitive agreement, Saker Holdings Corp. has agreed to make a cash tender offer for the Company's outstanding common stock at a price of $53 per share and the Special Committee of the Company's Board of Directors appointed to review the proposed transaction has recommended that the Company's shareholders accept the offer and tender their shares to Saker Holdings Corp. The Company is still in the initial stages of this transaction. For the thirteen weeks ended January 28, 2006, the Company incurred approximately $370,000 of transaction costs related to the going private transaction, which is included in selling, general and administrative expenses. The Company is required to pay Saker Holdings Corp. a termination fee of $1,500,000 if the Special Committee withdraws its recommendation that the shareholders accept the offer or the Company's Board of Directors approves or recommends another takeover proposal, or if the Company breaches or terminates the agreement for any reason other than Saker Holdings Corp.'s breach. In addition, the Company will be required to reimburse Saker Holdings Corp. for certain out of pocket expenses if the agreement is terminated under certain other circumstances.

The tender offer for outstanding shares of the Company's common stock described in this Quarterly Report on Form 10-Q has not commenced. The description of the tender offer set forth in this report is for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell securities. At the time the tender offer is commenced, Saker Holdings Corp. will file a tender offer statement with the SEC, and the Company will file a solicitation and recommendation statement with respect to the tender offer. The tender offer statement (including an offer to purchase, a related letter of transmittal and other offer documents) and the solicitation/recommendation statement will contain important information that should be read carefully before any decision is made with respect to the tender offer. Those materials will be made available to the Company's shareholders at no expense to them. In addition, all of those materials (and all other offer documents filed with the SEC) will be available at no charge on the SEC's web site (www.sec.gov) and from the Company.

Part I - Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

We operate a chain of 26 ShopRite supermarkets in Central New Jersey. In the first quarter of fiscal 2006 we closed one location in Edison, New Jersey. We believe it is important to maintain a modern, one stop competitive shopping environment for our customers and therefore have invested heavily in new, expanded and remodeled facilities. We have incorporated upscale service departments in our World Class supermarket concept. We are the largest member of Wakefern, the largest retailer owned food cooperative warehouse in the United States. Since we purchase from Wakefern most of the product we sell, participate

in advertising, supply, insurance, payroll administration and technology programs with Wakefern, and receive 13.6% of Wakefern's patronage dividend, our success is integrally tied to the success of Wakefern.

We operate in a highly competitive geographic area. Certain of our competitors are non-union and therefore may have lower labor and related fringe benefit costs. In the past six years a non-union competitor, Wegmans, has opened five stores in our trading area. We expect Wegmans to continue to open additional locations in our marketing area in the future. Additionally, another non-union operator, Wal-Mart, is expected to open Super Centers, which include extensive food operations, in our trading area.

Certain categories of selling, general and administrative expenses have increased disproportionately in comparison to our sales growth and to inflation in the last three years. We have experienced substantial increases in employee health and pension costs under union contracts and for non-union associates. Additionally, the cost of utilities to operate our stores increased dramatically in the last two years. These trends have continued in fiscal 2006.

We look at a variety of indicators to evaluate our performance, such as same store sales; sales per store; sales per selling square foot; percentage of total sales by department; shrink by department and store; departmental gross profit margins; sales per man hour; hourly labor rates; and percent of overtime.

Critical Accounting Policies and Estimates

Critical accounting policies are those accounting policies that management believes are important to the portrayal of the Company's financial condition and results and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's critical accounting policies relating to the impairment of goodwill, inventory valuation, patronage dividends earned as a stockholder of Wakefern, pension plans and other postretirement benefits, workers' compensation insurance and long-lived assets are described in the Company's Annual Report on Form 10-K for the year ended October 29, 2005. As of January 28, 2006 there have been no material changes to any of the critical accounting policies contained therein.

Financial Condition and Liquidity

The Company is a party to a Third Amended and Restated Revolving Credit and Term Loan Agreement (the "Credit Agreement") with four financial institutions. The Credit Agreement serves as our primary funding source for working capital and capital expenditures. The Credit Agreement is secured by substantially all of the Company's assets and provided for a total commitment of up to $80,000,000, including a revolving credit facility (the "Revolving Note") of up to $35,000,000, a term loan ("the Term Loan") in the amount of $25,000,000 and a capital expenditures facility (the "Capex Facility") of up to $20,000,000. As of January 28, 2006 the Company owed $16,032,884 on the Revolving Note, $8,750,000 on the Term Loan and $16,677,857 under the Capex Facility.

The Company's compliance with the major financial covenants under the Credit Agreement was as follows as of January 28, 2006:

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Financial Covenant	Credit Agreement	Actual (As defined in the Credit Agreement)
Adjusted EBITDA (1)	Greater than $26,000,000	$ 27,700,000
Leverage Ratio (1)(2)	Less than 2.5 to 1.00	1.80 to 1.00
Debt Service Coverage Ratio (3)	Greater than 1.10 to 1.00	1.42 to 1.00
Adjusted Capex (4)	Less than $7,299,000 (5) (7)	$ 426,000 (6)
Store Project Capex	Less than $40,018,000 (5) (7)	$ 76,000 (6)

(1) Excludes obligations under capitalized leases, interest expense and depreciation expense attributable to capitalized leases, non-cash write downs and changes in the LIFO reserve.

(2) The Leverage Ratio is calculated by dividing the current and non-current portions of Long-Term Debt and Long-Term Debt Related Party by Adjusted EBITDA.

(3) The Debt Service Coverage Ratio is calculated by dividing Operating Cash Flow by the sum of adjusted net interest expense, which excludes interest on capitalized leases, the current provision for income taxes and regularly scheduled principal payments, which exclude principal payments on capitalized leases. Operating Cash Flow is calculated by subtracting amounts expended for property and equipment for projects involving the expenditure of less than $500,000 ($426,000 in the first quarter of fiscal

2006) from Adjusted EBITDA.

(4) Adjusted Capex is all capital expenditures other than New/Replacement Store Project Capex.

(5) Represents limitations on capital expenditures for fiscal 2006. For fiscal 2006 the Company has budgeted $8,649,000 for capital expenditures. Any unused amounts available under the Credit Agreement will be carried forward to future periods.

(6) Represents capital expenditures for fiscal 2006.

(7) Includes amounts available but not used in the prior fiscal year and available to be carried forward to fiscal 2006: $399,000 for Adjusted Capex and $26,018,000 for Store Project Capex.

No cash dividends have been paid on the Common Stock since 1979, and the Company has no present intentions or ability to pay any dividends in the near future on its Common Stock. The Credit Agreement does not permit the payment of any cash dividends on our Common Stock.

Working Capital

At January 28, 2006, the Company had a working capital deficiency of $3,047,000 as compared to working capital of $6,637,000 at October 29, 2005 and a working capital deficiency of $4,606,000 at January 29, 2005. Since the end of fiscal 2005, working capital declined and a deficiency was created as a result of the collection of related party receivables from Wakefern related to the fiscal 2005 patronage dividend receivable and the increase in related party accounts payable to Wakefern resulting from increased sales and the deferral of payment for Wakefern promotional programs. Funds used to pay these accounts payable will come from the revolving credit facility thereby increasing the Revolving Note which is classified as long-term borrowings. This will result in a corresponding increase in working capital.

The Company normally requires small amounts of working capital since inventory is generally sold at approximately the same time that payments to Wakefern and other suppliers are due and most sales are for cash or cash equivalents.

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Working capital ratios were as follows:

January 28, 2006	.96 to 1.0
October 29, 2005	1.09 to 1.0
January 29, 2005	.95 to 1.0

Cash flows (in millions) were as follows:

	Thirteen Weeks Ended	
	1/28/06	1/29/05
Operating activities	$ 17.9	$ 13.2
Investing activities	-	(.6)
Financing activities	(15.0)	(12.3)
Totals	$ 2.9	$ .3

Cash increased primarily as the result of timing differences related to the funding of payroll. These timing differences were due to the conversion to the Wakefern administered payroll system.

The Company had $17,326,000 of available credit, at January 28, 2006, under its revolving credit facility. The availability does not include the additional $622,000 provided by the August 22, 2005 amendment to the Credit Agreement which allows the inclusion of cash in transit as additional collateral. The Company has no capital commitments for leasehold improvements or equipment as of January 28, 2006. The amounts available under the Credit Agreement will adequately meet our operating needs, scheduled capital expenditures and debt service for fiscal 2006.

For the 13 weeks ended January 28, 2006 depreciation was $5,311,000 while capital expenditures totaled $502,000, compared to $5,494,000 and $1,347,000, respectively, in the prior year period. The decrease in depreciation was the result of the completion of depreciation for some older equipment and leasehold improvements. Capital expenditures decreased in the first quarter of fiscal 2006 when no major projects were in process as compared to capital expenditures in the first quarter of fiscal 2005 when the store in West Long Branch, New Jersey was remodeled and the remodeling of the Neptune, New Jersey location was substantially completed.

The following table summarizes our contractual obligations at January 28, 2006, and the effect such obligations are expected to have on liquidity and cash flow in future periods.

	Payments Due By Period				
Contractual Obligations	Total	Less Than 1 Year	2-3 Years	4-5 Years	After 5 Years
	(Dollars In Thousands)				
Long-term debt	$ 45,781	$ 9,028	$36,182	$ 571	$ -
Interest on long-term debt (1)	6,979	3,606	3,349	24	-
Related party debt, non interest bearing	3,976	1,021	1,512	1,052	391
Capital lease obligations (2)	334,463	15,895	31,297	32,335	254,936
Operating leases (2)	52,575	8,421	14,067	9,186	20,901
Other liabilities (3)	5,034	1,550	762	1,182	1,540
Purchase obligations - leaseholds and equipment	-	-	-	-	-
Lease commitments - stores under construction	-	-	-	-	-
Total	$ 448,808	$39,521	$87,169	$ 44,350	$277,768

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(1) Includes interest expense at estimated interest rates of 8.50% to 9.50% on variable rate debt of $41,461 and interest expense at interest rates of 6.20% to 6.44% on fixed rate debt of $4,320.

(2) Lease obligation figures do not include insurance, common area maintenance charges and real estate taxes for which the Company is obligated.

(3) Other liabilities include estimated unfunded pension liabilities, and estimated post-retirement and post-employment obligations based on available actuarial data.

Results of Operations (13 weeks ended January 28, 2006 compared to 13 weeks ended January 29, 2005)

Sales:

Sales for the current period totaled $323.9 million as compared to $317.6 million in the prior year period. This represents an increase of 2.0%. Sales for the current quarter included the operations of the location in Pennington, New Jersey purchased from Wakefern in September 2005. In November 2005, a location in Edison, New Jersey was closed at the end of its lease term.

Same store sales from the twenty-five stores in operation in both periods increased 2.3%. Comparable store sales increases were partially offset by decreased sales in certain of the Company's stores affected by competitive store openings.

Gross Profit:

Gross profit as a percent of sales increased to 25.6% in the first quarter of fiscal 2006 compared to 25.2% for the comparable period in fiscal 2005. Cost of goods sold includes the costs of inventory sold and the related purchase, inbound freight and distribution costs including those costs charged by Wakefern for operation of warehouses, distribution and delivery of product to our stores. Vendor allowances and rebates and Wakefern patronage dividends are reflected as a reduction of cost of goods sold. Any costs to us related to other services which Wakefern provides are not included in cost of goods sold.

Patronage dividends, applied as a reduction of the cost of goods sold, were $2.7 million in the current year period compared to $2.5 million in the prior year period.

The increase in gross profit was the result of a reduction in the cost of programs implemented in certain of the Company's stores to address competitive store openings (.06%), the contribution of the new location purchased from Wakefern in September 2005, including Wakefern incentive programs for new locations (.04%), reduced Wakefern assessment as a percentage of sales (.04%), an increase in the projected Wakefern patronage dividend (.03%) and a decrease in shrink (.20%). Shrink is the difference between expected gross profit, based on the difference between the cost and expected selling price of merchandise purchased, and actual gross profit. Shrink results from theft, spoilage, breakage, mark ups and mark downs.

Operating Expenses:

Selling, general and administrative expenses totaled $77.3 million in the first quarter of fiscal 2006 compared to $75.1 million for the comparable period in fiscal 2005. Selling, general and administrative expenses as a percent of sales were 23.9% versus 23.6% in the prior year period. Increases in fringe benefits,

occupancy costs, miscellaneous expense, administration and a decrease in miscellaneous income were partially offset by decreases in labor and depreciation. The increase in fringe benefits was the result of contractual increases. Fringe benefits increased from $13,733,000 to $14,446,000. The increase in occupancy costs was primarily the result of an increase in utility costs partially offset by a decrease in repairs and maintenance. Occupancy increased from $10,070,000 to $10,387,000. Miscellaneous expense increased as the result of increases in Wakefern support services and debit/credit card and bank service fees. Miscellaneous expense increased from $4,944,000 to $5,430,000. The increase in administration was the result of the incurrence of costs related to the going private transaction, an increase in idle facilities expense and an increase in the incentive compensation accrual for administrative personnel based upon operating results for the current quarter. Administration costs increased from $4,769,000 to $5,244,000.The decrease in miscellaneous income was due to decreased baling income. Miscellaneous income decreased from $778,000 to $660,000. Although labor decreased as a percent of sales, labor expense increased from $30,867,000 to $30,977,000. The decrease in labor as a percent of sales was due to improved efficiency in the operations of several of our stores and the increase in labor expense was due to an increase in labor rates. Depreciation decreased due to the completion of depreciation for some older equipment and leasehold improvements. Depreciation expense decreased from $5,494,000 to $5,311,000.

As a percentage of sales, fringe benefits increased .14%, occupancy increased ..04%, miscellaneous expense increased .13%, administration increased .12% and miscellaneous income decreased .04%. These increases were partially offset by a decrease in labor of .16% and a decrease in depreciation, including depreciation on capitalized leases, of .09%.

Interest Expense:

Interest expense decreased to $4,632,000 from $4,660,000, while interest income was $40,000 compared to $36,000 for the prior year period. The decrease in interest expense for the current year period was due to a net decrease in average outstanding debt, including capitalized lease obligations, partially offset by an increase in the average interest rate paid on debt.

Income Taxes:

An income tax rate of 38% has been used in both the current and the prior year periods. The tax rate used is based on the expected effective tax rates.

Net Income:

Net income was $613,000 in the current year period compared to $253,000 in the prior year period. Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the current period were $10,981,000 as compared to $10,737,000 in the prior year period. Net income per common share on a diluted basis was $.59 in the current year period compared to $.24 in the prior year period. Per share calculations are based on 1,040,875 weighted average shares outstanding in the current year period and 1,035,753 weighted average shares outstanding in the prior year period.

EBITDA is presented because management believes that EBITDA is a useful supplement to net income and other measurements under accounting principles generally accepted in the United States since it is a meaningful measure of a company's performance and ability to meet its future debt service requirements, fund capital expenditures and meet working capital requirements. EBITDA is not a measure of financial performance under accounting principles generally accepted in the United States and should not be considered as an alternative to (i) net income (or any other measure of performance under generally accepted accounting principles) as a measure of performance or (ii) cash flows from operating, investing or financing activities as an indicator of cash flows or as a measure of liquidity. The following table reconciles reported net income to EBITDA:

	Thirteen Weeks Ended	
	January 28, 2006	January 29, 2005
Net income	$ 613,000	$ 253,000
Add:		
Interest expense, net	4,592,000	4,624,000
Income tax provision	378,000	155,000
Depreciation	5,311,000	5,494,000
Amortization	87,000	211,000
EBITDA	$10,981,000	$10,737,000

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except for indebtedness under the Credit Agreement, which is variable rate financing, the balance of our indebtedness is fixed rate financing. We believe that our exposure to market risk relating to interest rate risk is not material. The Company believes that its business operations are not exposed to market risk relating to foreign currency exchange risk, commodity price risk or equity price risk.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this quarterly report, the Company carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of the Company's management, including the Company's President and Chief Executive Officer along with the Company's Chief Financial Officer, who concluded that the Company's disclosure controls and procedures are effective. The Company's Director of Internal Audit and Principal Accounting Officer also participated in this evaluation. During the Company's last fiscal quarter, there has been no significant change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Company reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Company reports filed under the Exchange Act is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

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PART II OTHER INFORMATION

Item 6. Exhibits

Exhibit 31.1	Section 302 Certification of Chief Executive Officer
Exhibit 31.2	Section 302 Certification of Chief Financial Officer
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350
Exhibit 32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350

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SIGNATURES

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

FOODARAMA SUPERMARKETS, INC.
(Registrant)

Date: March 14, 2006

/S/ MICHAEL SHAPIRO
(Signature)
Michael Shapiro
Senior Vice President,
Chief Financial Officer

Date: March 14, 2006

/S/ THOMAS H. FLYNN
(Signature)
Thomas H. Flynn
Vice President,
Principal Accounting Officer

EXHIBIT 31.1

CERTIFICATION

I, Richard J. Saker, certify that:

1. I have reviewed this report on Form 10-Q of Foodarama Supermarkets, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2006

/s/ RICHARD J. SAKER

(Signature)
Richard J. Saker
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Michael Shapiro, certify that:

1. I have reviewed this report on Form 10-Q of Foodarama Supermarkets, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2006

/s/ MICHAEL SHAPIRO

(Signature)
Michael Shapiro
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-Q for the period ended January 28, 2006 (the "Report"), I, Richard J. Saker, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C.ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of ss. 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2006

/s/ RICHARD J. SAKER

(Signature)
Richard J. Saker
Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Foodarama Supermarkets, Inc. (the "Company") on Form 10-Q for the period ended January 28, 2006 (the "Report"), I, Michael Shapiro, Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C.ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Report fully complies with the requirements of ss. 13(a) or 15(d) of the Securities Exchange Act of 1934, 15 U.S.C. ss. 78m(a) or 78o(d), and,

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 13, 2006

/s/ MICHAEL SHAPIRO

(Signature)
Michael Shapiro
Chief Financial Officer

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e="margin:0pt; font-family:Arial; color:#FFFFFF" align=center>**Nine Months Ended September 30,**

2017

2018

2017

2018

Revenues

Voyage revenue

6,003,534

8,793,275

16,730,329

27,834,560

Related party revenue

60,000

-

180,000

-

Commissions

(334,640)

(444,228)

(940,645)

(1,428,265)

Net revenue, continuing operations

5,728,894

8,349,047

15,969,684

26,406,295

Operating expenses

Voyage expenses

144,760

372,821

1,217,387

639,528

Vessel operating expenses

3,799,090

4,586,421

10,457,937

15,445,744

Drydocking expenses

103,781

1,263,207

141,559

2,438,573

Vessel depreciation

980,027

798,712

2,877,809

2,507,238

Related party management fees

667,146

877,629

1,769,247

2,738,638

Gain on sale of vessel

-

-

(516,561)

(1,340,952)

Other general and administrative expenses

544,238

601,350

1,963,209

2,052,258

Loss on write-down of vessels held for sale

4,595,819

-

4,595,819

-

Total operating expenses, continuing operations

10,834,861

8,500,140

22,506,406

24,481,027

Operating (loss) / income, continuing operations

(5,105,967)

(151,093)

(6,536,722)

1,925,268

Other income/(expenses)

Interest and other financing costs

(376,288)

(717,676)

(1,062,952)

(2,062,728)

Gain / (loss) on derivative, net

7,808

(50,528)

(21,245)

(45,374)

Foreign exchange loss

(13,320)

-

(30,916)

(3,263)

Interest income

13,296

21,521

29,395

60,145

Other expenses, net, continuing operations

(368,504)

(746,683)

(1,085,718)

(2,051,220)

Net loss, continuing operations

(5,474,471)

(897,776)

(7,622,440)

(125,952)

Dividend Series B Preferred shares

(458,623)

(240,994)

(1,344,408)

(1,091,701)

Net loss of continuing operations available to common shareholders

(5,933,094)

(1,138,770)

(8,966,848)

(1,217,653)

Loss, per share, basic and diluted, continuing operations

(0,53)

(0,10)

(0,81)

(0,11)

Weighted average number of shares outstanding, basic and diluted

11,093,672

11,183,899

11,051,957

11,150,659

Net income / (loss) attributable to common shareholders, discontinued operations

650,922

1,415,410

(426,620)

(5,591)

Net (loss) / income attributable to common shareholders

(5,282,172)

276,640

(9,393,468)

(1,223,244)

Euroseas Ltd.,

Unaudited Consolidated Condensed Balance Sheets

		September 30, 2018
ASSETS	(unaudited)	
Current Assets		
Cash and cash equivalents	2,858,927	4,479,115
Trade accounts receivable, net	885,495	1,034,261
Other receivables	965,037	1,863,877
Inventories	1,193,018	1,252,417
Restricted cash	1,103,953	224,776
Prepaid expenses	247,039	177,020
Vessel held for sale	4,914,782	-
Total current assets, continuing operations	**12,168,251**	**9,031,466**
Current assets of discontinued operations	3,914,117	-
Total current assets	**16,082,368**	**9,031,466**
Long-term assets		
Vessels, net	52,132,079	49,624,840
Restricted cash	4,334,267	4,334,267
Due from spun-off subsidiary	24,585,518	-
Fixed and long- term assets of discontinued operations	65,197,615	-
Total assets	**162,331,847**	**62,990,573**
Liabilities, Mezzanine equity and shareholders' equity		
Current liabilities		
Long-term bank loans, current portion	4,203,261	3,670,720
Trade accounts payable	1,522,473	1,724,464
Accrued expenses	1,117,110	2,095,513
Deferred revenue	590,178	639,594
Derivative	229,451	74,120
Due to related company	4,986,836	5,337,662
Total current liabilities, continuing operations	**12,649,309**	**13,542,073**
Current liabilities of discontinued operations	5,885,574	-
Total current liabilities	**18,534,883**	**13,542,073**

Long-term liabilities		
Long -term bank loans, net of current portion	29,811,241	26,521,045
Derivative	16,631	-
Vessel profit participation liability	1,297,100	1,704,500
Total long-term liabilities, continuing operations	**31,124,972**	**28,225,545**
Long- term liabilities of discontinued operations	30,364,035	-
Total long term liabilities	**61,489,007**	**28,225,545**
Total liabilities	**80,023,890**	**41,767,618**
Mezzanine equity:		
Series B Preferred shares (par value $0.01, 20,000,000 shares authorized, 37,314 and 19,362 issued and outstanding, respectively)	**35,613,759**	**18,513,330**
Shareholders equity:		
Common stock (par value $0.03, 200,000,000 shares authorized, 11,274,126 and 11,274,126 issued and outstanding)	338,230	338,230
Additional paid-in capital	284,236,597	231,812,905
Accumulated deficit	(237,880,629)	(229,441,510)
Total shareholders' equity	**46,694,198**	**2,709,625**
Total liabilities, mezzanine equity and shareholders' equity	**162,331,847**	**62,990,573**

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

Euroseas Ltd.

Unaudited Consolidated Condensed Statements of Cash Flows

(All amounts expressed in U.S. Dollars)

	Nine Months Ended September 30,	
	2017	**2018**
Cash flows from operating activities:		
Net loss, continuing operations	(7,622,440)	(125,952)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Vessel depreciation	2,877,809	2,507,238
Amortization of deferred charges	92,259	106,272
Share-based compensation	98,562	97,129
Gain on sale of vessel	(516,561)	(1,340,952)
Loss on write-down of vessels held for sale	4,595,819	-
Unrealized loss / (gain) on derivative	32,159	(171,962)
Amortization of debt discount	30,494	319,390
Changes in operating assets and liabilities	2,562,983	322,687
Net cash provided by operating activities of continuing operations	**2,151,084**	**1,713,850**
Cash flows from investing activities:		
Cash paid for vessel acquisition and capitalized expenses	(9,123,181)	(1,867)
Release of funds from minority investment	4,000,000	-
Proceeds from sale of vessels	5,136,804	6,255,735
Net cash provided by investing activities of continuing operations	**13,623**	**6,253,868**
Cash flows from financing activities:		
Proceeds from issuance of common stock, net of commissions paid	549,495	-
Investment in subsidiary spun-off	(692,577)	(3,298,356)
Due from spun-off subsidiary	639,313	-
Loan arrangement fees paid	(50,000)	(119,863)
Offering expenses paid	(341,072)	(12,488)
Proceeds from long- term bank loans	4,750,000	4,250,000
Repayment of long-term bank loans	(4,303,915)	(8,046,000)

Repayment of related party loan	(2,000,000)	-
Net cash used in financing activities of continuing operations	**(1,448,756)**	**(7,226,707)**
Net increase in cash, cash equivalents and restricted cash	715,951	741,011
Cash, cash equivalents and restricted cash at beginning of period	7,004,684	8,297,147
Cash, cash equivalents and restricted cash at end of period, continuing operations	**7,720,635**	**9,038,158**
Cash breakdown		
Cash and cash equivalents	3,946,368	4,479,115
Restricted cash, current	240,000	224,776
Restricted cash, long term	3,534,267	4,334,267
Total cash, cash equivalents and restricted cash shown in the statement of cash flows, continuing operations	**7,720,635**	**9,038,158**
Discontinued operations:		
Net cash provided by operating activities of discontinued operations	**906,858**	**2,909,315**
Net cash used in investing activities of discontinued operations	**(9,201,220)**	**(18,818,171)**
Net cash provided by financing activities of discontinued operations	**9,220,153**	**16,117,927**

Euroseas Ltd. Continuing Operations

Reconciliation of Adjusted EBITDA to Net loss

(All amounts expressed in U.S. Dollars)

	Three Months Ended September 30, 2017	**Three Months Ended September 30, 2018**	**Nine Months Ended September 30, 2017**	**Nine Months Ended September 30, 2018**
Net loss	**(5,474,471)**	**(897,776)**	**(7,622,440)**	**(125,952)**
Interest and other financing costs, net (incl. interest income)	362,992	696,155	1,033,557	2,002,583
Vessel depreciation	980,027	798,712	2,877,809	2,507,238
Loss on write-down of vessels held for sale	4,595,819	-	4,595,819	-
Gain on sale of vessel	-	-	(516,561)	(1,340,952)
Unrealized and realized loss / (gain) on derivative, net	(7,808)	50,528	21,245	45,374
Adjusted EBITDA	**456,559**	**647,619**	**389,429**	**3,088,291**

Adjusted EBITDA Reconciliation:

Euroseas Ltd. considers Adjusted EBITDA to represent net loss before interest, income taxes, depreciation, gain / loss in derivative, loss on write-down of vessels held for sale and gain on sale of vessel. Adjusted EBITDA does not represent and should not be considered as an alternative to net loss, as determined by United States generally accepted accounting principles, or GAAP. Adjusted EBITDA is included herein because it is a basis upon which the Company assesses its financial performance and we believe that these non- GAAP financial measures assist our management and investors by increasing the comparability of our performance from period to period by excluding the potentially disparate effects between periods, of financial costs, gain/ loss in derivative and depreciation. The Company's definition of Adjusted EBITDA may not be the same as that used by other companies in the shipping or other industries.

Euroseas Ltd. Continuing Operations

Reconciliation of Net loss to Adjusted net loss

(All amounts expressed in U.S. Dollars except share data and number of shares)

	Three Months Ended September 30, 2017	**Three Months Ended September 30, 2018**	**Nine Months Ended September 30, 2017**	**Nine Months Ended September 30, 2018**
Net loss	**(5,474,471)**	**(897,776)**	**(7,622,440)**	**(125,952)**
Unrealized (gain) / loss on derivative	(1,478)	(29,746)	29,873	(171,962)
Realized (gain) / loss on derivative	(6,330)	80,274	(8,628)	217,336
Gain on sale of vessel	-	-	(516,561)	(1,340,952)
Loss on write-down of vessels held for sale	4,595,819	-	4,595,819	-
Adjusted net loss	**(886,460)**	**(847,248)**	**(3,521,937)**	**(1,421,530)**
Preferred dividends	(458,623)	(240,994)	(1,344,408)	(1,091,701)
Adjusted net loss attributable to common shareholders	**(1,345,083)**	**(1,088,242)**	**(4,866,345)**	**(2,513,231)**
Adjusted net loss per share, basic and diluted	(0.12)	(0.10)	(0.44)	(0.23)
Weighted average number of shares, basic and diluted	11,093,672	11,183,899	11,051,957	11,150,659

"Adjusted net loss " and "Adjusted net loss " Reconciliation:

Euroseas Ltd. considers "Adjusted net loss" to represent net loss before gain / loss on derivative, loss on write-down of vessels held for sale and gain on sale of vessel. "Adjusted net loss and Adjusted net loss per share" is included herein because we believe it assists our management and investors by increasing the comparability of the Company's fundamental performance from period to period by excluding the potentially disparate effects between periods of gain / loss on derivative and gain on sale of vessel, which items may significantly affect results of operations between periods.

"Adjusted net loss" and "Adjusted net loss per share" do not represent and should not be considered as an alternative to net loss or loss per share, as determined by GAAP. The Company's definition of "Adjusted net loss" and "Adjusted net loss per share" 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 140 years. Euroseas trades on the NASDAQ Capital Market under the ticker ESEA.

Euroseas operates in the container shipping market. Euroseas' operations are managed by Eurobulk Ltd., an ISO 9001:2008 and ISO 14001:2004 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 11 vessels, including 10 Feeder containerships and 1 Intermediate Container carrier. Euroseas 11 containerships have a cargo capacity of 25,483 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," "estimates," and 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 containerships, 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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