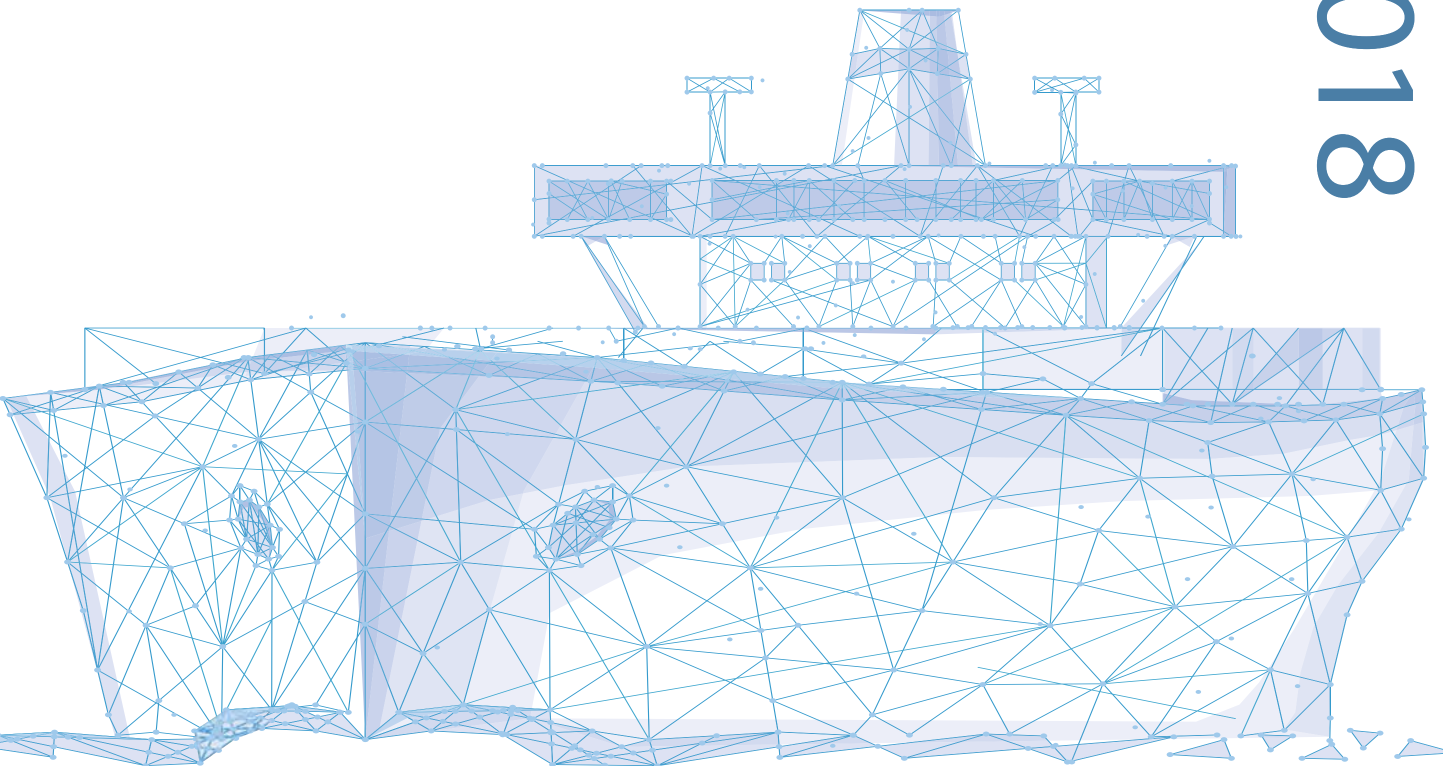
DIANA SHIPPING INC.

ANNUAL REPORT 2018



Corporate Profile

Diana Shipping Inc. (NYSE: DSX) is a global provider of shipping transportation services. We specialize in the ownership of dry bulk vessels. As of May 6, 2019 our fleet consists of 45 dry bulk vessels (4 Newcastlemax, 14 Capesize, 5 Post-Panamax, 5 Kamsarmax and 17 Panamax), as well as one Panamax dry bulk vessel, the “Erato”, that has been sold and expected to be delivered to her new owners at the latest by June 10, 2019. As of the same date, the combined carrying capacity of our fleet, including the m/v Erato, is approximately 5.5 million dwt with a weighted average age of 9.24 years.

Our fleet is managed by our wholly-owned subsidiary Diana Shipping Services S.A., or DSS and our established 50/50 joint venture with Wilhelmsen Ship Management named Diana Wilhelmsen Management Limited, or DWM.

Among the distinguishing strengths that we believe provide us with a competitive advantage in the dry bulk shipping industry are the following:

- We own a modern, high quality fleet of dry bulk carriers.
- Our fleet includes groups of sister ships, providing operational and scheduling flexibility, as well as cost efficiencies.
- We have an experienced management team.
- We benefit from the experience and reputation of Diana Shipping Services S.A. and the relationship with Wilhelmsen Ship Management through the Diana Wilhelmsen Management Limited joint venture.
- We benefit from strong relationships with members of the shipping and financial industries.
- We have a strong balance sheet and a low level of indebtedness.

Our main objective is to manage and expand our fleet in a manner that will enable us to enhance shareholder value. To accomplish this objective, we intend to pursue highly focused business strategies, including: maintaining a high quality fleet; strategically expanding the size of our fleet; pursuing an appropriate balance of short-term and long-term time charters; maintaining a strong balance sheet; and maintaining low cost, highly efficient operations. In addition, we intend to capitalize on our reputation for high standards of performance, reliability and safety to establish and maintain relationships with major international charterers and financial institutions.

2018 ANNUAL REPORT OF DIANA SHIPPING INC.

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DIANA SHIPPING INC.

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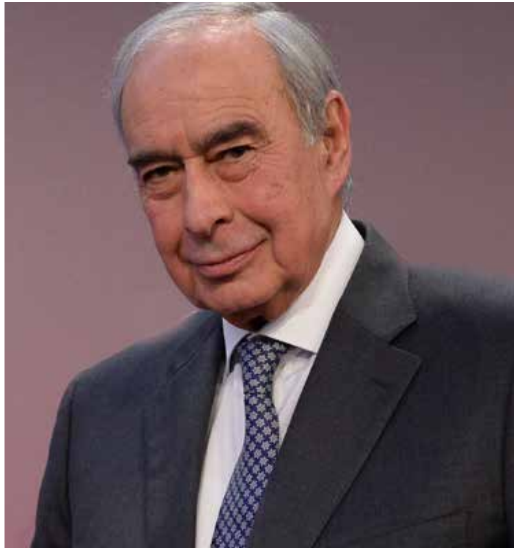

LETTER TO SHAREHOLDERS

To Our Shareholders:

The operating and financial performance of Diana Shipping Inc. strengthened significantly in 2018, as we benefited from strategic decisions that positioned the Company to benefit from the reasonably positive industry environment that prevailed for much of the year. Time charter revenues increased and we generated a significant turnaround in profitability. We also continued to actively manage our fleet profile to optimize our mix of vessels and maintain our operational and financial flexibility. In addition, we took steps to fortify our balance sheet, while also demonstrating our commitment to shareholder value by conducting a self-tender offer in 2018, and commencing another self-tender in early 2019. These actions – and our solid results for 2018 – reflect the patient and focused strategies we have consistently followed over many years, which positioned the Company to take advantage of improving industry conditions.

Financial Performance Highlights. Time charter revenues rose to $226.2 million for 2018, a sharp increase from $161.9 million for 2017. This was largely due to increased average time charter rates achieved for our vessels during the year. For the year 2018, net income was $16.6 million and net income attributed to common stockholders was $10.8 million. This was a significant improvement compared with a net loss of $511.7 million and a net loss attributed to common stockholders of $517.5 million, which included an impairment loss of $442.3 million, for 2017.

Solid Balance Sheet We have continued to focus on maintaining a strong balance sheet. Our cash, cash equivalents and restricted cash totaled $151.4 million at December 31, 2018. Long-term debt net of deferred financing costs, including the current portion, was $530.5 million at 2018 year-end, and stockholders' equity was $627.7 million.

Among the actions taken to strengthen the balance sheet during the past year, we obtained a term loan facility with BNP Paribas for up to $75 million, with a maturity date on July 16, 2023, and completed a drawdown of $75 million under this facility. The facility is secured by seven of the Company's vessels. The proceeds from the loan facility, together with available cash, were used to voluntarily prepay in full the balance of $130 million under the existing credit facility with BNP Paribas. It is important to note that 15 of our vessels are now unencumbered.

The Company received the full and final repayment of its loan to Performance Shipping Inc. in July 2018. It is important to note that this loan was repaid in full and ahead of schedule, and provided an attractive return on the Company's available cash during the downturn in the dry bulk sector.

Other financing initiatives during 2018 included a $100 million placement of senior unsecured bonds maturing in September 2023. This financing enabled us to redeem all of the outstanding 8.50% Senior Notes due 2020, in the aggregate principal amount of approximately $63.25 million, in late October. We are pleased to note that the financing initiatives completed during the year have enabled the Company to extend the duration of its financing and have increased our financial flexibility.

Returning Capital to Shareholders Reflecting our commitment to return value to shareholders, at the end of December 2018, the Company completed a self-tender offer to purchase up to 4,166,666 shares of our outstanding common stock at a price of $3.60 per share, returning approximately $15 million to shareholders. In February 2019, we commenced another self-tender offer to purchase up to 5,178,571 shares, or about 4.9%, of our outstanding common stock at a price of $2.80 per share. The Board of Directors determined that repurchasing our shares via the tender offers was in the Company's best interest, given our cash position and stock price.

Fleet Management Strategy In 2018, we continued our active management of the Company's fleet, in order to maintain a modern and diversified range of vessels. In the 2018 fourth quarter we agreed to sell two vessels: the "Alcyon", for a sale price of $7.45 million before commissions, and the "Triton", for a sale price of $7.35 million before commissions. In early 2019, we announced agreements to sell the vessels "Danae" and "Dione" at a sale price of $7.2 million each. All four of these vessels were 2001-built, and were among the oldest vessels in the fleet. We will continue to manage our fleet of 46 vessels in a responsible manner that promotes a balance of time charter maturities and produces a predictable revenue stream.

Steering a Steady Course At this writing, the outlook for the global economy is muted. GDP growth in many established and developing economies is expected to be modest in the coming year. Uncertainties about trade policy, and political movements that are opposed to globalization, may create headwinds. While this implies somewhat weak prospects for the world economy and for the dry bulk market, the impact may be mitigated by an improving balance in the demand for and supply of tonnage.

As we have in the past, we will focus on maintaining our financial strength and managing our business in a prudent manner in response to market conditions. We deeply appreciate your interest and support of Diana Shipping Inc., and we remain committed to building enduring shareholder value.

Sincerely,

Simeon Palios

Chairman and Chief Executive Officer

This 2018 Annual Report of Diana Shipping Inc. (the "Company") is substantially derived from the Company's 2018 Annual Report filed on Form 20-F with the U.S. Securities and Exchange Commission (the "SEC") on March 12, 2019, which is available on the SEC's website at www.sec.gov. Additional information, including documents filed as exhibits to the Company's Form 20-F, is also available on the SEC's website.

FORWARD-LOOKING STATEMENTS

Diana Shipping Inc., or the Company, desires to take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and is including this cautionary statement in connection with this safe harbor legislation. This document and any other written or oral statements made by us or on our behalf may include forward-looking statements, which reflect our current views with respect to future events and financial performance. The words "believe", "except," "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "may," "should," "expect" and similar expressions identify forward-looking statements.

Please note in this annual report, "we", "us", "our" and "the Company" all refer to Diana Shipping Inc. and its subsidiaries, unless otherwise indicated.

The forward-looking statements in this document are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in our records and other data available from third parties. Although we believe that these assumptions were reasonable when made, because these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond our control, we cannot assure you that we will achieve or accomplish these expectations, beliefs or projections.

In addition to these important factors and matters discussed elsewhere herein, important factors that, in our view, could cause actual results to differ materially from those discussed in the forward-looking statements include the strength of world economies, fluctuations in currencies and interest rates, general market conditions, including fluctuations in charter hire rates and vessel values, changes in demand in the dry-bulk shipping industry, changes in the supply of vessels, changes in the Company's operating expenses, including bunker prices, crew costs, drydocking and insurance costs, changes in governmental rules and regulations or actions taken by regulatory authorities, potential liability from pending or future litigation, general domestic and international political conditions or labor disruptions, potential disruption of shipping routes due to accidents or political events, and other important factors described from time to time in the reports filed by the Company with the Securities and Exchange Commission, or the SEC, and the New York Stock Exchange, or the NYSE. We caution readers of this annual report not to place undue reliance on these forward-looking statements, which speak only as of their dates. We undertake no obligation to update or revise any forward-looking statements.

DIANA SHIPPING INC.

Operating and Financial Review and Prospects

The following management's discussion and analysis should be read in conjunction with our historical consolidated financial statements and their notes included elsewhere in this annual report. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, such as those set forth in the section entitled "Risk Factors"discussed in of our Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") on March 12, 2019, and elsewhere in this annual report.

A. Operating results

We charter our vessels to customers pursuant to short-term, medium-term and long-term time charters. Currently, the majority of our vessels are employed on short-term and medium-term time charters. Under our time charters, the charterer typically pays us a fixed daily charter hire rate and bears all voyage expenses, including the cost of bunkers (fuel oil) and port and canal charges. However, our voyage results may be affected by differences in bunker prices. We remain responsible for paying the chartered vessel's operating expenses, including the cost of crewing, insuring, repairing and maintaining the vessel, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, and we also pay commissions to one or more unaffiliated ship brokers and to in-house brokers associated with the charterer for the arrangement of the relevant charter.

Factors Affecting Our Results of Operations

We believe that the important measures for analyzing trends in our results of operations consist of the following:

> *Ownership days*. We define ownership days as the aggregate number of days in a period during which each vessel in our fleet has been owned by us. Ownership 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 a period.

> *Available days.* We define available days as the number of our ownership days less the aggregate number of days that our vessels are off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys and the aggregate amount of time that we spend positioning our vessels for such events. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

> *Operating days.* We define operating days as the number of our available days in a period less the aggregate number of days that our vessels are off-hire due to any reason, including unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

> *Fleet utilization.* We calculate fleet utilization by dividing the number of our operating days during a period by the number of our available days during the 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 other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning for such events.

> *TCE rates.* We define Time Charter Equivalent, or TCE rates as our time charter revenues less voyage expenses during a period divided by the number of our available days during the period, which is consistent with industry standards. TCE rate is a non-GAAP measure and is a standard shipping industry performance measure used primarily to compare daily earnings generated by vessels on time charters with daily earnings generated by vessels on voyage charters, because charter hire rates for vessels on voyage charters are generally not expressed in per day amounts while charter hire rates for vessels on time charters generally are expressed in such amounts.

The following table reflects our ownership days, available days, operating days, fleet utilization and TCE rates for the periods indicated.

	Year Ended December 31,		
	2018	2017	2016
Ownership days	18,204	18,119	16,542
Available days	17,964	17,890	16,447
Operating days	17,799	17,566	16,354
Fleet utilization	99.1%	98.2%	99.4%
Time charter equivalent (TCE) rate (1)	$ 12,179	$ 8,568	$ 6,106

(1) Please see "Item 3. Key Information—A. Selected Financial Data" in our Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") on March 12, 2019, for a reconciliation of TCE to GAAP measures.

Lack of Historical Operating Data for Vessels before Their Acquisition

Although vessels are generally acquired free of charter, we have acquired (and may in the future acquire) some vessels with time charters. Where a vessel has been under a voyage charter, the vessel is usually delivered to the buyer free of charter. It is rare in the shipping industry for the last charterer of the vessel in the hands of the seller to continue as the first charterer of the vessel in the hands of the buyer. In most cases, when a vessel is under time charter and the buyer wishes to assume that charter, the vessel cannot be acquired without the charterer's consent and the buyer entering into a separate direct agreement (called a "novation agreement") with the charterer to assume the charter. The purchase of a vessel itself does not transfer the charter because it is a separate service agreement between the vessel owner and the charterer.

Where we identify any intangible assets or liabilities associated with the acquisition of a vessel, we record all identified assets or liabilities at fair value. Fair value is determined by reference to market data. We value any asset or liability arising from the market value of the time charters assumed when a vessel is acquired. The amount to be recorded as an asset or liability at the date of vessel delivery is based on the difference between the current fair market value of the charter and the net present value of future contractual cash flows. When the present value of the time charter assumed is greater than the current fair market value of such charter, the difference is recorded as prepaid charter revenue. When the opposite situation occurs, any difference, capped to the vessel's fair value on a charter-free basis, is recorded as deferred revenue. Such assets and liabilities, respectively, are amortized as a reduction of, or an increase in, revenue over the period of the time charter assumed.

When we purchase a vessel and assume or renegotiate a related time charter, among others, we must take the following steps before the vessel will be ready to commence operations:

> obtain the charterer's consent to us as the new owner;

> obtain the charterer's consent to a new technical manager;

> in some cases, obtain the charterer's consent to a new flag for the vessel;

> arrange for a new crew for the vessel, and where the vessel is on charter, in some cases, the crew must be approved by the charterer;

- replace all hired equipment on board, such as gas cylinders and communication equipment;
- negotiate and enter into new insurance contracts for the vessel through our own insurance brokers;
- register the vessel under a flag state and perform the related inspections in order to obtain new trading certificates from the flag state;
- implement a new planned maintenance program for the vessel; and
- ensure that the new technical manager obtains new certificates for compliance with the safety and vessel security regulations of the flag state.

When we charter a vessel pursuant to a long-term time charter agreement with varying rates, we recognize revenue on a straight line basis, equal to the average revenue during the term of the charter.

The following discussion is intended to help you understand how acquisitions of vessels affect our business and results of operations.

Our business is mainly comprised of the following elements:

- employment and operation of our vessels; and
- management of the financial, general and administrative elements involved in the conduct of our business and ownership of our vessels.

The employment and operation of our vessels mainly require the following components:

- vessel maintenance and repair;
- crew selection and training;
- vessel spares and stores supply;
- contingency response planning;
- onboard safety procedures auditing;
- accounting;
- vessel insurance arrangement;
- vessel chartering;
- vessel security training and security response plans (ISPS);
- obtaining of ISM certification and audit for each vessel within the six months of taking over a vessel;
- vessel hiring management;
- vessel surveying; and
- vessel performance monitoring.

The management of financial, general and administrative elements involved in the conduct of our business and ownership of our vessels mainly requires the following components:

- management of our financial resources, including banking relationships, i.e., administration of bank loans and bank accounts;
- management of our accounting system and records and financial reporting;
- administration of the legal and regulatory requirements affecting our business and assets; and
- management of the relationships with our service providers and customers.

The principal factors that affect our profitability, cash flows and shareholders' return on investment include:

- rates and periods of charter hire;
- levels of vessel operating expenses;
- depreciation expenses;
- financing costs; and
- fluctuations in foreign exchange rates.

Time Charter Revenues

Our revenues are driven primarily by the number of vessels in our fleet, the number of days during which our vessels operate and the amount of daily charter hire rates that our vessels earn under charters, which, in turn, are affected by a number of factors, including:

- the duration of our charters;
- our decisions relating to vessel acquisitions and disposals;
- the amount of time that we spend positioning our vessels;
- the amount of time that our vessels spend in drydock undergoing repairs;
- maintenance and upgrade work;
- the age, condition and specifications of our vessels;
- levels of supply and demand in the dry bulk shipping industry; and
- other factors affecting spot market charter rates for dry bulk carriers.

Vessels operating on time charters for a certain period of time provide more predictable cash flows over that period of time, but can yield lower profit margins than vessels operating in the spot charter market during periods characterized by favorable market conditions. Vessels operating in the spot charter market generate revenues that are less predictable but may enable their owners to capture increased profit margins during periods of improvements in charter rates although their owners would be exposed to the risk of declining charter rates, which may have a

materially adverse impact on financial performance. As we employ vessels on period charters, future spot charter rates may be higher or lower than the rates at which we have employed our vessels on period charters. Our time charter agreements subject us to counterparty risk. In depressed market conditions, charterers may seek to renegotiate the terms of their existing charter parties or avoid their obligations under those contracts. Should a counterparty fail to honor their obligations under agreements with us, we could sustain significant losses which could have a material adverse effect on our business, financial condition, results of operations and cash flows. For 2019, we expect our revenues to remain at the same levels compared to 2018. Although we have already obtained in 2018 charter rates covering part of 2019, the market rates have since been declining. Additionally, we have sold four vessels, two in December 2018 and two in 2019, which are expected to be delivered to their new buyers by April and by June 2019.

Voyage Expenses

We incur voyage expenses that mainly include commissions because all of our vessels are employed under time charters that require the charterer to bear voyage expenses such as bunkers (fuel oil), port and canal charges. Although the charterer bears the cost of bunkers, we also have bunker gain or loss deriving from the price differences of bunkers. When a vessel is delivered to a charterer, bunkers are purchased by the charterer and sold back to us on the redelivery of the vessel. Bunker gain, or loss, result when a vessel is redelivered by her charterer and delivered to the next charterer at different bunker prices, or quantities.

We currently pay commissions ranging from 3.75% to 5.00% of the total daily charter hire rate of each charter to unaffiliated ship brokers, in-house brokers associated with the charterers, depending on the number of brokers involved with arranging the charter. In addition we pay a commission to DWM and to DSS for those vessels for which they provide commercial management services. The commissions paid to DSS are eliminated from our consolidated financial statements as intercompany transactions. For 2019, we expect our voyage expenses to remain at the same levels compared to 2018, or increase, depending on the change in revenues and the gain, or loss from bunkers.

Vessel Operating Expenses

Vessel operating expenses include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the cost of spares and consumable stores, tonnage taxes, environmental plan costs and HSQ and vetting. Our vessel operating expenses, which generally represent fixed costs, have historically increased as a result of the enlargement of our fleet with the exception of 2016 when operating expenses decreased despite the enlargement of our fleet, as a result of our efforts to decrease costs without compromising the quality and seaworthiness of our vessels. For 2019, we expect our operating expenses to remain at the same levels as in 2018 or decrease as a result of the sale of four vessels, two in December 2018 and two in 2019 which are expected to be delivered to their new buyers by April and by June 2019.

Vessel Depreciation

The cost of our vessels is depreciated on a straight-line basis over the estimated useful life of each vessel. Depreciation is based on the cost of the vessel less its estimated salvage value. We estimate the useful life of our dry bulk vessels to be 25 years from the date of initial delivery from the shipyard, which we believe is common in the dry bulk shipping industry. Furthermore, we estimate the salvage values of our vessels based on historical average prices of the cost of the light-weight ton of vessels being scrapped. Our depreciation charges decreased rapidly in 2018 due to the vessel cost impairment we recorded in 2017. For 2019, we expect depreciation expense to decrease as a result of the sale of four vessels, two in December 2018 and two in 2019 with expected deliveries to their new buyers in April and June 2019.

General and Administrative Expenses

We incur general and administrative expenses which include our onshore related expenses such as payroll expenses of employees, executive officers, directors and consultants, compensation cost of restricted stock awarded to senior management and non-executive directors, traveling, promotional and other expenses of the public company, such as legal and professional expenses and other general expenses. For 2019, we expect our general and administrative expenses to remain at the same levels.

Interest and Finance Costs

We have historically incurred interest expense and financing costs in connection with vessel-specific debt, since May 2015 until October 2018 in connection with senior unsecured Notes and since September 2018 in connection with our Bond. As at December 31, 2018 our debt amounted to $534.9 million, including our Bond. We expect to manage any exposure in interest rates through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. For 2019, we expect interest and finance expenses to decrease due to decreased average debt.

Our Fleet – Illustrative Comparison of Possible Excess of Carrying Value Over Estimated Charter-Free Market Value of Certain Vessels

In “Critical Accounting Policies – Impairment of long-lived assets,” we discuss our policy for impairing the carrying values of our vessels. Historically, the market values of vessels have experienced volatility, which from time to time may be substantial. As a result, the charter-free market value of certain of our vessels may have declined below those vessels’ carrying value, even though we would not impair those vessels’ carrying value under our accounting impairment policy. In 2017, we recorded impairment charges for 20 vessels in our fleet, as our impairment test exercise indicated that their carrying values were not recoverable.

Based on: (i) the carrying value of each of our vessels as of December 31, 2018 and 2017, consisting of the net book value of the vessels and the unamortized value of deferred dry-dock and special surveys cost and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2018 and 2017, the aggregate carrying value of 23 and 22 of the vessels in our fleet as of December 31, 2018 and 2017, respectively, exceeded their aggregate charter-free market value by approximately $92 million and $114 million, respectively, as noted in the table below. This aggregate difference represents the approximate analysis of the amount by which we believe we would have to increase our loss or reduce our net income if we sold all of such vessels at December 31, 2018 and 2017, on a charter-free basis, on industry standard terms, in cash transactions, and to a willing buyer where we were not under any compulsion to sell, and where the buyer was not under any compulsion to buy. For purposes of this calculation, we have assumed that these 23 and 22 vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2018 and 2017, respectively.

Our estimates of charter-free market value assume that our vessels were all in good and seaworthy condition without need for repair and if inspected would be certified in class without notations of any kind. Our estimates are based on information available from various industry sources, including:

- reports by industry analysts and data providers that focus on our industry and related dynamics affecting vessel values;
- news and industry reports of similar vessel sales;
- news and industry reports of sales of vessels that are not similar to our vessels where we have made certain adjustments in an attempt to derive information that can be used as part of our estimates;
- approximate market values for our vessels or similar vessels that we have received from shipbrokers, whether solicited or unsolicited, or that shipbrokers have generally disseminated;
- offers that we may have received from potential purchasers of our vessels; and
- vessel sale prices and values of which we are aware through both formal and informal communications with shipowners, shipbrokers, industry analysts and various other shipping industry participants and observers.

As we obtain information from various industry and other sources, our estimates of charter-free market value are inherently uncertain. In addition, vessel values are highly volatile; as such, our estimates may not be indicative of the current or future charter-free market value of our vessels or prices that we could achieve if we were to sell them. We also refer you to the risk factor discussed in our Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") on March 12, 2019, in "Item 3. Key Information—D. Risk Factors" entitled "The market values of our vessels have declined and may further decline, which could limit the amount of funds that we can borrow and could trigger breaches of certain financial covenants contained in our current and future loan facilities, which could adversely affect our operating results, and we may incur a loss if we sell vessels following a decline in their market values" and the discussion under the heading "Item 4. Information on the Company—B. Business Overview–Vessel Prices."

				Carrying Value (in millions of US dollars)	
Vessel		**Dwt**	**Year Built**	**2018**	**2017**
1	*Alcmene*	**93,193**	**2010**	**14.8**	**15.5**
2	*Alcyon***	**75,247**	**2001**	**-**	**8.3**
3	*Aliki*	**180,235**	**2005**	**16.2**	**17.1**
4	*Amphitrite*	**98,697**	**2012**	**18.8**	**19.6**
5	*Arethusa*	**73,593**	**2007**	**11.0 ***	**11.4**
6	*Artemis*	**76,942**	**2006**	**15.2 ***	**16.2 ***
7	*Astarte*	**81,513**	**2013**	**21.6 ***	**22.7 ***
8	*Atalandi*	**77,529**	**2014**	**20.0**	**20.8**
9	*Baltimore*	**177,243**	**2005**	**20.5 ***	**21.8 ***
10	*Boston*	**177,828**	**2007**	**19.4**	**20.4**
11	*Calipso*	**73,691**	**2005**	**11.0 ***	**11.6 ***
12	*Clio*	**73,691**	**2005**	**11.2 ***	**11.9 ***
13	*Coronis*	**74,381**	**2006**	**10.1**	**10.6**
14	*Crystalia*	**77,525**	**2014**	**19.7**	**20.5**
15	*Danae*	**75,106**	**2001**	**9.7 ***	**9.6 ***

Vessel		Dwt	Year Built	Carrying Value (in millions of US dollars) 2018	2017
16	*Dione*	75,172	2001	9.4 *	9.5 *
17	*Electra*	87,150	2013	17.8	18.6
18	*Erato*	74,444	2004	9.0	9.6
19	*G.P. Zafirakis*	179,492	2014	49.3 *	51.4 *
20	*Houston*	177,729	2009	23.1	24.1
21	*Ismene*	77,901	2013	13.2	13.2
22	*Leto*	81,297	2010	16.6	17.4
23	*Los Angeles*	206,104	2012	45.5 *	47.7 *
24	*Maera*	75,403	2013	12.6	13.3
25	*Maia*	82,193	2009	15.7	16.6
26	*Medusa*	82,194	2010	15.5	16.3
27	*Melia*	76,225	2005	14.0 *	15.0 *
28	*Myrsini*	82,117	2010	18.1 *	19.0 *
29	*Myrto*	82,131	2013	21.5 *	22.2 *
30	*Naias*	73,546	2006	10.3	10.9
31	*New Orleans*	180,960	2015	38.8 *	40.2 *
32	*New York*	177,773	2010	42.7 *	45.0 *
33	*Newport News*	208,021	2017	48.8	50.6 *
34	*Nirefs*	75,311	2001	7.7 *	8.3
35	*Norfolk*	164,218	2002	11.4	12.0
36	*Oceanis*	75,211	2001	7.9 *	8.7 *
37	*P.S. Palios*	179,134	2013	42.7 *	44.7 *
38	*Phaidra*	87,146	2013	19.2 *	18.3
39	*Philadelphia*	206,040	2012	46.2 *	48.5 *
40	*Polymnia*	98,704	2012	19.1	19.9
41	*Protefs*	73,630	2004	10.7 *	11.5 *
42	*Salt Lake City*	171,810	2005	16.5	17.3
43	*San Francisco*	208,006	2017	48.9	50.7 *
44	*Santa Barbara*	179,426	2015	43.3 *	45.0 *
45	*Seattle*	179,362	2011	25.2	26.4
46	*Selina*	75,700	2010	10.6	11.1
47	*Semirio*	174,261	2007	18.4	19.3
48	*Sideris GS*	174,186	2006	17.4	18.3
49	*Thetis*	73,583	2004	9.4 *	9.5
50	*Triton***	75,336	2001	-	8.5 *
Total		5,837,330		996	1,056

(**) Triton and Alcyon were sold to unrelated third parties in December 2018

(*) Indicates dry bulk vessels for which we believe, as of December 31, 2018 and 2017, the charter-free market value was lower than the vessel's carrying value. We believe that the aggregate carrying value of these vessels exceeded their aggregate charter-free market value by approximately $92 million and $114 million, respectively.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of those financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, revenues and expenses and related disclosure of contingent assets and liabilities at the date of our financial statements. Actual results may differ from these estimates under different assumptions and conditions.

Critical accounting policies are those that reflect significant judgments of uncertainties and potentially result in materially different results under different assumptions and conditions. We have described below what we believe are our most critical accounting policies, because they generally involve a comparatively higher degree of judgment in their application. For a description of all our significant accounting policies, see Note 2 to our consolidated financial statements included in this annual report.

Accounting for Revenues and Expenses

Revenues are generated from time charter agreements which contain a lease as they meet the criteria of a lease under ASC 842. Agreements with the same charterer are accounted for as separate agreements according to their specific terms and conditions. All agreements contain a minimum non-cancellable period and an extension period at the option of the charterer. Each lease term is assessed at the inception of that lease. Under a time charter agreement, the charterer pays a daily hire for the use of the vessel and reimburses the owner for hold cleanings, extra insurance premiums for navigating in restricted areas and damages caused by the charterers. Additionally, the charterer pays to third parties port, canal and bunkers consumed during the term of the time charter agreement. Such costs are considered direct costs and are not recorded as they are directly paid by charterers, unless they are for the account of the owner, in which case they are included in voyage expenses. Additionally, the owner pays commissions on the hire revenue, to both the charterer and to brokers, which are direct costs and are recorded in voyage expenses. Under a time charter agreement, the owner pays for the operation and the maintenance of the vessel, including crew, insurance, spares and repairs, which are recognized in operating expenses. The Company, as lessor, has elected not to allocate the consideration in the agreement to the separate lease and non-lease components (operation and maintenance of the vessel) as their timing and pattern of transfer to the charterer, as the lessee, are the same and the lease component, if accounted for separately, would be classified as an operating lease. Additionally, the lease component is considered the predominant component as the Company has assessed that more value is ascribed to the vessel rather than to the services provided under the time charter contracts.

Voyage expenses, primarily consisting of commissions, are expensed over the related voyage charter period to the extent revenue has been recognized since commissions are due as the Company's revenues are earned. All vessel operating expenses are expensed as incurred.

Impairment of Long-lived Assets

Long-lived assets (vessels, land, and building) held and used by an entity are reviewed for impairment whenever events or changes in circumstances (such as market conditions, obsolesce or damage to the asset, potential sales and other business plans) indicate that the carrying amount of the assets plus unamortized dry-docking costs may not be recoverable or that their useful lives require modification. When the estimate of undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of the asset over its remaining useful life and its eventual disposition is less than its carrying amount, we should evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset. We determine the fair value of our assets based on management estimates and assumptions and by making use of available market data and taking into consideration third party valuations.

With respect to our vessels, the current conditions in the dry bulk market with low charter rates and vessel market values are conditions that the Company considers indicators of a potential impairment. We determine undiscounted projected net operating cash flows for each vessel and compare it to the vessel's carrying amount. The projected net operating cash flows are determined by considering the historical and estimated vessels' performance and utilization, by considering future revenues, expected outflows for scheduled vessels' maintenance, vessel operating expenses and fleet utilization. The average annual inflation rate applied on vessels' maintenance and operating costs approximates current projections for global inflation rate for the remaining useful life of our vessels. Effective fleet utilization assumed is in line with the Company's historical performance and our expectations for future fleet utilization under our current fleet deployment strategy. We calculate future revenues for the fixed days, using the fixed charter rate of each vessel from existing time charters. With respect to the unfixed days, we calculate the estimated revenues by reference to the most recent ten-year blended average one-year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of commissions. Historical ten-year blended average one-year time charter rates used in our impairment test exercise are in line with our overall chartering strategy, especially in periods/years of depressed charter rates; they reflect the full operating history of vessels of the same type and particulars with our operating fleet (Panamax/Post-Panamax/Kamsarmax and Capesize/Newcastlemax vessels) and they cover at least a full business cycle, where applicable. During the fourth quarter of 2017, we reassessed our method to estimate future revenues for the unfixed days and decided to exclude from the ten-year blended average one-year time charter rates three years for which the rates were well above the average. We determined that the expectations, following positive signs and gradual increase in charter rates since the second quarter of 2017, for recovery of the market in the last quarter of 2017 at levels close to the ten-year blended average one-year time charter rates, were not eventually verified and that the market had stabilized to lower levels. We estimated that factors such as worldwide demand for drybulk products, supply of tonnage and order book indicated that the charter rates for the years 2008-2010, which were removed from the calculation following our reassessment, were considered exceptional. Following this reassessment, our test of cash flows resulted in an impairment of $422.5 million recorded in the fourth quarter of 2017. Our 2018 test (by excluding similarly to 2017 the charter rates for the years 2009-2010) did not result to impairment.

A comparison of the average estimated daily time charter equivalent rate used in our impairment analysis with the average “break even rate” for each major class of vessels is presented below:

	Average estimated daily time charter equivalent rate used	Average break even rate
Panamax/Kamsarmax/Post-Panamax	$ 10,504	$ 9,491
Capesize/Newcastlemax	$ 14,715	$ 12,236

Our impairment test exercise is sensitive to variances in the time charter rates and fleet effective utilization. Our current analysis, which also involved a sensitivity analysis by assigning possible alternative values to these two significant inputs, indicated that with only a 1% reduction in time charter rates or a 2% increase of off hire days (other than for dry docking and special surveys) would result to an impairment of individual long lived assets. However, there can be no assurance as to how long charter rates and vessel values will remain at their current low levels or whether they will improve by any significant degree. Charter rates may remain at depressed levels for some time which could adversely affect our revenue and profitability, and future assessments of vessel impairment.

For the purpose of presenting our investors with additional information to determine how the Company's future results of operations may be impacted in the event that daily time charter rates do not improve from their current levels in future periods, we set forth below an analysis that shows the 1-year, 3-year and 5-year average blended rates and the effect of the use of each of these rates would have on the Company's impairment analysis.

	1-year (period)	**Impairment charge (in USD million)**	**3-year (period)**	**Impairment charge (in USD million)**	**5-year (period)**	**Impairment charge (in USD million)**
Panamax / Kamsarmax / Post-Panamax	$ 13,029	-	$ 9,986	$ 6	$ 9,897	$ 6
Capesize/ Newcastlemax	$ 18,139	-	$ 13,159	$ 70	$ 14,255	$ 32

Results of Operations

Year ended December 31, 2018 compared to the year ended December 31, 2017

Time Charter Revenues. Time charter revenues increased by $64.3 million, or 40%, to $226.2 million in 2018, compared to $161.9 million in 2017. The increase was mainly due to increased time charter rates which resulted in a 42% increase in our average charter rates from $8,568 in 2017 to $12,179 in 2018. This increase was also due to increased operating days resulting from the delivery of the *Electra, Phaidra* and *Astarte* in May 2017 and was also due to decreased drydock and off hire days in 2018 compared to 2017, for which our vessels did not earn revenue. In 2018 we had total operating days of 17,799 and fleet utilization of 99.1%, compared to 17,566 total operating days and a fleet utilization of 98.2% in 2017. This increase was partly offset by decreased revenues due to the sale of the *Melite* in October 2017 and the *Triton* and *Alcyon* in December 2018.

Voyage Expenses. Voyage expenses decreased by $1.2 million, or 14%, to $7.4 million in 2018 compared to $8.6 million in 2017. This decrease in voyage expenses is primarily attributable to bunkers which resulted in gain of $4.8 million compared to gain of $0.2 million in 2017. This decrease was partly offset by increased commissions in 2018 compared to 2017 due to the increase in revenues.

Vessel Operating Expenses. Vessel operating expenses increased by $5.1 million, or 6%, to $95.5 million in 2018 compared to $90.4 million in 2017. The increase in operating expenses is attributable to increased expenses in all expense categories but primarily due to increased vessels' maintenance. Daily operating expenses were $5,247 in 2018 compared to $4,987 in 2017, representing a 5% increase.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges decreased by $34.8 million, or 40%, to $52.2 million in 2018, compared to $87.0 million in 2017. This decrease was due to the impairment loss recorded last year, decreasing the vessel's cost. Similarly, a significant part of the deferred cost relating to dry-dockings was written off in 2017 resulting to decreased amortization in 2018. Finally, depreciation was also reduced due to the sale of the *Triton* and the *Alcyon* in December 2018 and of the *Melite* in October 2017.

General and Administrative Expenses. General and Administrative Expenses increased by $3.2 million, or 12%, to $29.5 million in 2018 compared to $26.3 million in 2017. The increase is mainly attributable to increased payroll and training cost, legal fees, board of directors' fees and expenses and the exchange rate of Euro to U.S. Dollars.

Management fees to related party. Management fees to a related party amounted to $2.4 million in 2018 compared to $1.9 million in 2017. The increase is attributable to the increased average number of vessels managed by DWM in 2018 compared to 2017.

Loss from sale of vessels. Loss from sale of vessels is the result from the sale of the vessels *Triton* and *Alcyon*, delivered to their new owners in December 2018.

Interest and finance costs. Interest and finance costs increased by $3.9 million, or 15%, to $30.5 million in 2018 compared to $26.6 million in 2017. The increase is primarily attributable to higher average interest rates to, however, decreased average long term debt outstanding during 2018 compared to 2017. Interest expense in 2018 amounted to $28.3 million compared to $25.0 million 2017.

Interest and other income. Interest and other income increased by $4.3 million, or 96%, to $8.8 million in 2018 compared to $4.5 million in 2017. The increase is attributable to increased interest income from our loan agreement with Performance Shipping, which was fully collected in July 2018, and resulted from the increase in interest rates, average debt and the $5 million discount premium which had not been recorded until its payment.

Gain/(loss) from equity method investments. Gain from equity method investments relates to the gain from our 50% interest in DWM compared to $49,382 last year. Last year this amount also included a loss from our investment in Performance Shipping including an impairment charge of $3.1 million and $0.8 million loss from the sale of the investment.

Year ended December 31, 2017 compared to the year ended December 31, 2016

Time Charter Revenues. Time charter revenues increased by $47.6 million, or 42%, to $161.9 million in 2017, compared to $114.3 million in 2016. The increase was due to increased time charter rates which resulted in a 40% increase in our average charter rates from $6,106 in 2016 to $8,568 in 2017. This increase was also due to increased revenues due to a 10% increase of our ownership days resulting from the delivery of the *Ismene* and the *Selina* in March 2016; the *Maera* in May 2016; the *San Francisco* and *Newport News* in January 2017; and the *Electra, Phaidra* and *Astarte* in May 2017. This increase was partly offset by decreased revenues due to increased drydock and off hire days in 2017 compared to 2016, for which our vessels did not earn revenue. In 2017 we had total operating days of 17,566 and fleet utilization of 98.2%, compared to 16,354 total operating days and a fleet utilization of 99.4% in 2016.

Voyage Expenses. Voyage expenses decreased by $5.2 million, or 38%, to $8.6 million in 2017 compared to $13.8 million in 2016. This decrease in voyage expenses is primarily attributable to bunkers which resulted in gain of $0.2 million compared to loss of $7.5 million in 2016. This decrease was partly offset by increased commissions in 2017 compared to 2016 due to the increase in revenues.

Vessel Operating Expenses. Vessel operating expenses increased by $4.4 million, or 5%, to $90.4 million in 2017 compared to $86.0 million in 2016. The increase in operating expenses is primarily attributable to the 10% increase in ownership days resulting from the delivery of the new vessels to our fleet in 2017 and to increased expenses for repairs and maintenance. This increase was partly offset by decreased costs in all other operating expense categories. Daily operating expenses were $4,987 in 2017 compared to $5,196 in 2016, representing a 4% decrease.

Depreciation and Amortization of Deferred Charges. Depreciation and amortization of deferred charges increased by $5.4 million, or 7%, to $87.0 million in 2017, compared to $81.6 million in 2016. This increase was due to the enlargement of our fleet. Additionally, the increase in depreciation and amortization was due to increased amortization of deferred drydocking costs in 2017 compared to 2016.

General and Administrative Expenses. General and Administrative Expenses increased by $0.8 million, or 3%, to $26.3 million in 2017 compared to $25.5 million in 2016. The increase is mainly attributable to increased payroll cost and was partly offset by decreased legal fees and board of directors' expenses.

Management fees to related party. Management fees to a related party amounted to $1.9 million in 2017 compared to $1.5 million in 2016. The increase is attributable to the increased average number of vessels managed by DWM in 2017 compared to 2016.

Impairment loss. Impairment loss includes $422.5 million non-cash impairment recorded for 20 vessels in our fleet whose carrying value was written down to their market value. Impairment loss also includes $19.8 million non-cash impairment in the cost of the *Melite*, which was grounded in July 2017, resulting in the total loss of the vessel.

Insurance recoveries, net of other loss. Insurance recoveries, net of other loss includes the proceeds received by the Hull and Machinery insurers of the Melite, after her grounding in July 2017, decreased by other costs incurred due to the grounding of the vessel and sale expenses.

Interest and finance costs. Interest and finance costs increased by $4.7 million, or 21%, to $26.6 million in 2017 compared to $21.9 million in 2016. The increase is primarily attributable to higher average interest rates, and to increased average long-term debt outstanding during 2017 compared to 2016. Interest expense in 2017 amounted to $25.0 million compared to $19.5 million 2016.

Interest and other income. Interest and other income increased by $2.1 million, or 88%, to $4.5 million in 2017 compared to $2.4 million in 2016. The increase is attributable to increased interest income from our loan agreement with Performance Shipping, resulting from the increase in interest rates and average debt.

Loss from equity method investments. Loss from equity method investments is mainly attributable to loss from our investment in Performance Shipping, amounting to $5.7 million in 2017. This amount included an impairment charge of $3.1 million and $0.8 million loss from the sale of the investment. This compared to a loss of $56.5 million in 2016, which included a $17.6 million impairment. This loss also includes a minor gain in 2017 from DWM, our 50% owned joint venture established in 2015, and a $0.1 million gain in 2016.

Inflation

Inflation does not have a material effect on our expenses given current economic conditions. In the event that significant global inflationary pressures appear, these pressures would increase our operating, voyage, administrative and financing costs.

B. Liquidity and Capital Resources

We have historically financed our capital requirements with cash flow from operations, equity contributions from shareholders, long-term bank debt, Senior Notes and, since September 2018, our Bond. Our main uses of funds have been capital expenditures for the acquisition and construction of new vessels, expenditures incurred in

connection with ensuring that our vessels comply with international and regulatory standards and repayments of bank loans. We will require capital to fund ongoing operations, vessel improvements to meet requirements under new regulations, debt service and the payment of our preferred dividends. As at December 31, 2018 and 2017, working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to $16.8 million and $58.3 million, respectively. The decrease in working capital is mainly due to increased liabilities relating to long term debt. For 2019, we believe that anticipated revenues will result in internally generated cash flows along with cash on hand which will be sufficient to fund our capital requirements. We also plan to incur additional debt and we may issue additional equity, if deemed necessary to fund our capital requirements in the next twelve months.

Cash Flow

Cash and cash equivalents, including restricted cash, was $151.4 million as at December 31, 2018 and $65.8 million as at December 31, 2017. Restricted cash mainly consists of the amount kept against the Company's loan facilities. As at December 31, 2018 and 2017, restricted cash amounted to $24.6 million and $25.6 million, respectively and also includes $0.6 million of pledged cash provided as guarantee to third parties. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided By/(Used In) Operating Activities

Net cash provided by operating activities increased by $56.5 million to $79.9 million in 2018 compared to $23.4 million net cash used in operating activities in 2017. This increase in cash from operating activities was mainly attributable to the increase in charter rates during the year and less drydocking costs.

Net cash used in operating activities was $23.4 million in 2017 compared to net cash provided by operating activities of $21.0 million in 2016. This increase in cash from operating activities was mainly attributable to the increase in charter rates during the year, partly offset by increased drydocking costs.

Net Cash Used In Investing Activities

Net cash provided by investing activities was $99.4 million for 2018, which consists of $2.6 million paid for vessel improvements due to new regulations; $14.6 million of proceeds from the sale of the *Triton* and the *Alcyon*; $87.6 million of proceeds received from Performance Shipping, and $0.2 million relating to the acquisition of office equipment.

Net cash used in investing activities was $152.3 million for 2017, which consists of $125.8 million paid for delivery of our vessels under construction and the acquisition of three vessels during the year; $2.0 million of proceeds from the sale of the *Melite* and $11.4 million of additional proceeds received by the H&M insurers of the vessel, net of other expenses; $0.2 million of proceeds received from the sale of Performance Shipping's shares; $40.0 million loan provided to Performance Shipping, and $0.1 million relating to the acquisition of property and equipment.

Net cash used in investing activities was $41.6 million for 2016, which consists of $50.9 million paid for predelivery installments for our vessels under construction and the acquisition of three vessels during the year; $9.4 million of proceeds received due to the cancellation of a shipbuilding contract consisting of predelivery installments paid until then and interest; $0.1 million of dividends received from Performance Shipping, during the year; and $0.2 million relating to the acquisition of property and equipment.

Net Cash Provided By / (Used In) Financing Activities

Net cash used in financing activities was $93.7 million for 2018, which consists of $100.0 million of proceeds from our Bond; $169.9 million of indebtedness that we repaid; $5.8 million of dividends paid on our Series B Preferred Shares; $15.2 million for repurchase of common stock and $2.8 million of loan fees relating to the Bond and our refinancing agreement with BNP.

Net cash provided by financing activities was $73.6 million for 2017, which consists of $57.2 million of proceeds drawn under our new loan facility with CEXIM Bank; $55.2 million of indebtedness that we repaid; $5.8 million of dividends paid on our Series B Preferred Shares; and $77.3 million of proceeds from the issuance of 20,125,000 of additional common stock in 2017.

Net cash used in financing activities was $9.5 million for 2016, which consists of $39.3 million of proceeds drawn under new loan facilities; $42.5 million of indebtedness that we repaid; $0.5 million of financing costs we paid relating to our new loan agreements; $5.8 million of dividends paid on our Series B Preferred Shares.

Net cash provided by/used in financing activities for the year ended December 31, 2016 has been adjusted to reflect the change in presentation of cash, cash equivalents and restricted cash, following our adoption of ASU 2016-18 Statements of cash flows – Restricted cash.

Loan Facilities, Senior Unsecured Notes and Senior Bond

As at December 31, 2018, we had $534.9 million of long term debt outstanding under our facilities and Bond, which as of the date of this annual report was $495.6 million, and consists of the agreements described below.

Secured Term Loans:

On October 22, 2009, our wholly-owned subsidiary Gala Properties Inc. entered into a $40.0 million loan agreement with Bremer Landesbank (“Bremer”) to partly finance the acquisition cost of the *Houston*. The loan is repayable in 40 quarterly installments of $0.9 million plus one balloon installment of $4.0 million to be paid together with the last installment on November 12, 2019. The loan bears interest at LIBOR plus a margin of 2.15% per annum.

On October 2, 2010, our wholly-owned subsidiaries Lae Shipping Company Inc. (“Lae”) and Namu Shipping Company Inc., (“Namu”) entered into a loan agreement with Export-Import Bank of China (“CEXIM Bank”) and DnB NOR Bank ASA (“DnB”) to finance part of the construction cost of the *Los Angeles*, and the *Philadelphia*, for an amount of up to $82.6 million, of which $72.1 million was drawn. The Lae advance is repayable in 40 quarterly installments of approximately $0.6 million and a balloon of $12.3 million payable together with the last installment on February 15, 2022. The Namu advance is repayable in 40 quarterly installments of approximately $0.6 million and a balloon of $11.4 million payable together with the last installment on May 18, 2022. Pursuant to an amendment of the loan agreement dated May 18, 2017, each of the individual banks are allowed to demand repayment in full of such bank’s contribution in any or all advances on August 16, 2019. On March 1, 2019, the banks waived their right to exercise the prepayment option. The loan bears interest at LIBOR plus a margin of 2.50% per annum.

On September 13, 2011, our wholly-owned subsidiary Bikar Shipping Company Inc. (“Bikar”) entered into a loan agreement with Emporiki Bank of Greece S.A. (“Emporiki”) for a loan of up to $15.0 million to refinance part of the acquisition cost of the *Arethusa*. On December 13, 2012, Bikar, the Company, DSS and Credit Agricole Corporate

and Investment Bank ("Credit Agricole") entered into a supplemental loan agreement to transfer the outstanding loan balance, the ISDA master swap agreement and the existing security documents from Emporiki to Credit Agricole. The loan is repayable in 20 equal semiannual installments of $0.5 million each and a balloon payment of $5.0 million to be paid together with the last installment on September 15, 2021. The loan bears interest at LIBOR plus a margin of 2.5% per annum, or 1% for such loan amount that is equivalently secured by cash pledge in favor of the bank.

On May 24, 2013, our wholly-owned subsidiaries Erikub Shipping Company Inc. ("Erikub") and Wotho Shipping Company Inc. ("Wotho") entered into a loan agreement with CEXIM Bank and DnB to finance part of the construction cost of *Crystalia* and *Atalandi* for an amount of up to $15.0 million for each vessel, drawn on May 22, 2014. Each advance was repayable in 19 quarterly installments of $250,000 and a balloon of $10.3 million payable together with the last installment on February 22, 2019, which has been paid. The loan bore interest at LIBOR plus a margin of 3.0% per annum.

On January 9, 2014, our wholly-owned subsidiaries Taka Shipping Company Inc. and Fayo Shipping Company Inc. entered into a loan agreement with Commonwealth Bank of Australia, London Branch, for a loan facility of up to $18.0 million to finance part of the acquisition cost of the *Melite* and *Artemis*. The loan bears interest at LIBOR plus a margin of 2.25%. The loan was drawn in two tranches, one of $8.5 million assigned to *Melite* and one of $9.5 million assigned to *Artemis*. Tranche A is repayable in 24 equal consecutive quarterly installments of $195,833 each; and a balloon of $3.8 million payable on January 13, 2020. Tranche B is repayable in 32 equal consecutive quarterly installments of $156,250 each and a balloon of $4.5 million payable on January 13, 2022. As a result of the grounding incident of the *Melite* and the subsequent sale of the vessel, Tranche A was repaid in full in October 2017.

On December 18, 2014, our wholly-owned subsidiaries Weno Shipping Company Inc. ("Weno") and Pulap Shipping Company Inc. ("Pulap") entered into a loan agreement with BNP Paribas ("BNP"), for a loan facility of up to $55.0 million to finance part of the acquisition cost of the *G. P. Zafirakis* and the *P. S. Palios*, of which $53.5 million was drawn. The loan bears interest at LIBOR plus a margin of 2%, and is repayable in 14 equal semi-annual installments of approximately $1.6 million and a balloon of $31.5 million, payable on November 30, 2021.

On March 17, 2015, eight of our wholly-owned subsidiaries entered into a loan facility with Nordea to refinance the existing agreements with the bank and to add additional vessels. On March 19, 2015, after repaying in full all outstanding indebtedness with the bank, we drew down the amount of $93.1 million. The loan is repayable in 24 equal consecutive quarterly installments of approximately $1.9 million and a balloon of $48.4 million payable together with the last installment on March 19, 2021. The loan bears interest plus a margin of 2.1% of LIBOR.

On March 26, 2015, three of our wholly-owned subsidiaries entered into a loan agreement with ABN AMRO Bank N.V. for a secured term loan facility of up to $53.0 million, to refinance part of the acquisition cost of the vessels *New York, Myrto* and *Maia* of which $50.2 million was drawn on March 30, 2015. The loan is repayable in 24 equal consecutive quarterly installments of about $1.0 million and a balloon of $26.3 million payable together with the last installment on March 30, 2021. The loan bears interest at LIBOR plus a margin of 2.0%.

On April 29, 2015, our wholly-owned subsidiary Lelu Shipping Company Inc. ("Lelu") entered into a term loan agreement with Danish Ship Finance A/S for a loan facility of $30.0 million, drawn on April 30, 2015 to partly finance the acquisition cost of the *Santa Barbara*, which was delivered in January 2015. The loan is repayable in 28 equal consecutive quarterly installments of $0.5 million each and a balloon of $16.0 million payable together with the last installment on April 30, 2022. The loan bears interest at LIBOR plus a margin of 2.15%.

On July 22, 2015, we entered into a term loan agreement with BNP Paribas for a loan of $165.0 million drawn on July 24, 2015. The loan was repayable in 20 consecutive quarterly installments, the first eight installments in an

amount of $2.5 million, followed by four installments in an amount of $5.0 million; eight installments in an amount of $7.0 million; and a balloon installment of $69.0 million payable together with the last installment on July 24, 2020. The loan bore interest at LIBOR plus a margin of 2.35% per annum for the first two years; 2.3% per annum for the third year and 2.25% per annum until the final maturity of the loan. The loan, having a balance of $130 million on July 16, 2018, was repaid in full with $75 million of proceeds under a new loan agreement entered into with BNP Paribas on July 13, 2018 and with cash on hand. The new loan has a term of five years and is repayable in 20 consecutive quarterly installments of $1.56 million and a balloon installment of $43.75 million payable together with the last installment on July 16, 2023. The loan bears interest at LIBOR plus a margin of 2.3%.

On September 30, 2015, our wholly-owned subsidiaries, Ujae Shipping Company Inc. ("Ujae") and Rairok Shipping Company Inc. ("Rairok") entered into a term loan agreement with ING Bank N.V. for a loan of up to $39.7 million, available in two advances to finance part of the acquisition cost of the *New Orleans* and the *Medusa*. Advance A of about $28.0 million was drawn on November 19, 2015 and is repayable in 28 consecutive quarterly installments of about $0.5 million and a balloon installment of about $15.0 million payable together with the last installment on November 19, 2022. Advance B of about $11.7 million was drawn on October 6, 2015 and is repayable in 28 consecutive quarterly installments of about $0.3 million and a balloon installment of about $3.5 million payable together with the last installment on October 6, 2022. The loan bears interest at LIBOR plus a margin of 1.65%.

On January 7, 2016, three of our wholly-owned subsidiaries entered into a secured loan agreement with the CEXIM Bank for a loan of up to $75.7 million in order to finance part of the construction cost of three vessels. On January 4, 2017, we drew down $57.24 million to finance part of the construction cost of *San Francisco* and *Newport News*, both delivered on January 4, 2017. The balance of the committed loan amount, including the tranche for Hull *DY6006* whose shipbuilding contract was cancelled on October 31, 2016, was cancelled. On February 6, 2017, we also entered into a Deed of Release with the CEXIM Bank in order to release the owner of Hull *DY6006* of all of its obligations under the loan agreement as borrower. The loan is payable in 60 equal quarterly installments of $954,000 each, the last of which is payable by January 4, 2032, and bears interest at LIBOR plus a margin of 2.3%.

On March 29, 2016, two of our wholly-owned subsidiaries entered into a term loan agreement with ABN AMRO Bank N.V. for a loan of $25.755 million, drawn on March 30, 2016, to finance the acquisition cost of the *Selina* and the *Ismene*. The loan is payable in eight consecutive quarterly installments of $855,000 each and a balloon installment of $18.9 million payable together with the last installment by June 30, 2019. The first repayment installment was repaid on September 30, 2017. The loan bears interest at LIBOR plus a margin of 3%.

On May 10, 2016, one of our wholly-owned subsidiaries entered into a term loan agreement with DNB Bank ASA and the CEXIM Bank for a loan of $13.51 million, drawn on the same date, being the purchase price of the *Maera*. The loan was payable in seven equal consecutive quarterly installments of $19,775 each, four equal consecutive quarterly installments of $282,500 each and a balloon of about $12.2 million payable together with the last installment on January 4, 2019. The loan bore interest at LIBOR plus a margin of 3% per annum. In 2018 and according to the terms of the loan agreement, we prepaid an additional amount of $360,417 which was deducted from the balloon which was fully paid in January 2019.

Under the secured term loans outstanding as of December 31, 2018, 33 vessels of the Company's fleet were mortgaged with first preferred or priority ship mortgages. Additional securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts with duration that exceeds a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by Diana Shipping Inc. (the "Guarantor") or a guarantee by the ship

owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the guarantor, maintained in the bank accounts of the borrowers, or the guarantor. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends following the occurrence of an event of default.

As of December 31, 2017, 2018 and the date of this report, we were in compliance with all of our loan covenants.

Currently, 32 vessels have been provided as collateral to secure our loan facilities.

Senior Notes due 2020

On May 28, 2015, we issued $55.0 million aggregate principal amount of our 8.5% senior unsecured notes due 2020, or our Notes, in a registered public offering and on June 5, 2015, we issued an additional $8.25 million aggregate principal amount of the Notes, pursuant to the underwriters' option to purchase additional Notes. The Notes were redeemed on October 29, 2018 at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Notes bore interest at a rate of 8.500% per annum, payable quarterly on each February 15, May 15, August 15 and November 15, commencing on August 15, 2015. The Notes traded on the NYSE from May 29, 2015 until redemption under the symbol "DSXN."

Senior Unsecured Bond due 2023

On September 27, 2018, the Company issued a $100 million senior unsecured bond (the "Bond") maturing in September 2023 and may issue up to an additional $25 million of the Bond on one or more occasions. Entities affiliated with the Company's chief executive officer, Mr. Simeon Palios, and other executive officers and directors of the Company purchased $16.2 million aggregate principal amount of the Bond. The Bond bears interest from September 27, 2018 at a US Dollar fixed-rate coupon of 9.50% and is payable semi-annually in arrears in March and September of each year. The Bond is callable in three years and includes financial and other covenants. The Bond is trading on the Oslo Stock Exchange.

As of December 31, 2018, 2017 and 2016 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.

Capital Expenditures

We make capital expenditures from time to time in connection with vessel acquisitions and constructions, which we finance with cash from operations, debt under loan facilities at terms acceptable to us, with funds from equity issuances and we have also issued senior notes and a bond. Currently, we do not have capital expenditures for vessel acquisitions or constructions, but we incur capital expenditures when our vessels undergo surveys. This process of recertification may require us to reposition these vessels from a discharging port to shipyard facilities, which will reduce our operating days during the period. We also incur capital expenditures for vessel improvements to meet new regulations. The loss of earnings associated with the decrease in operating days together with the capital needs for repairs and upgrades result in increased cash flow needs. We expect to cover such capital expenditures and cash flow needs with cash from operations and cash on hand.

C. Research and development, patents and licenses

We incur from time to time expenditures relating to inspections for acquiring new vessels that meet our standards. Such expenditures are insignificant and they are expensed as they incur.

D. Trend information

Our results of operations depend primarily on the charter hire rates that we are able to realize, and the demand for dry bulk vessel services. The Baltic Dry Index, or the BDI, has long been viewed as the main benchmark to monitor the movements of the dry bulk vessel charter market and the performance of the entire dry bulk shipping market. The BDI declined 94% in 2008 from a peak of 11,793 in May 2008 to a low of 663 in December 2008 and has remained volatile since then. In 2016, the BDI ranged from a record low of 290 in February to a high of 1,257 in November. In 2017, the BDI ranged from a low of 685 in February to a high of 1,743 in December. In 2018, the BDI ranged from a low of 948 in April to a high of 1,774 in July.

The decline and volatility in charter rates in the dry bulk market reflects in part the fact that the supply of dry bulk vessels in the market has been increasing, and the number of newbuilding dry bulk vessels on order is high. Demand for dry bulk vessel services is influenced by global financial conditions. The recovery in China and India positively influenced the charter rates; however, global financial conditions remain volatile and demand for dry bulk services may decrease in the future. The combination of increasing dry bulk capacity (both current and expected) and decreasing demand or demand which is not offset by the increase in dry bulk capacity may result in reductions in charter hire rates and, as a consequence, adversely affect our operating results.

Additionally, we believe we have structured our capital expenditure requirements, debt commitments and liquidity resources in a way that will provide us with financial flexibility (see “Operating and Financial Review and Prospects—B. Liquidity and Capital Resources” for more information).

E. Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations, in thousands of U.S. dollars, and their maturity dates as of December 31, 2018:

	Payments due by period				
Contractual Obligations	**Total Amount**	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**
Loan Agreements and Bond (1)	$ 534,850	$ 97,521	$ 174,876	$ 230,971	$ 31,482
Estimated Interest Payments on Loan Agreements and Bond (1)	103,890	28,300	45,800	23,027	6,763
Broker services agreement (2)	500	500	-	-	-
Preferred dividends (3)	1,923	1,923	-	-	-
Total	$ 641,163	$ 128,244	$ 220,676	$ 253,998	$ 38,245

(1) As of December 31, 2018, we had an aggregate principal amount of $534.9 million of indebtedness outstanding under our loan facilities and our Bond. Estimated interest payments represent projected interest payments on our long-term debt, which are based on the weighted average LIBOR rate in 2018 plus the margin of our loan agreements in 2018 and the fixed interest rate of our Bond.

(2) Our agreement with Steamship (formerly Diana Enterprises Inc.) dated April 1, 2018, as amended on November 21, 2018 expires on March 31, 2019.

(3) On February 24, 2014 we completed an offering of 2,600,000 shares of Series B Perpetual Preferred Stock, at the price of $25.0 per share, and dividends are payable at a rate equal to 8.875% per annum. At any time on or after February 14, 2019, the Series B Preferred Shares may be redeemed, in whole or in part, at a redemption price of $25.00 per share, plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared. The table above presents our obligations for dividend payments until February 14, 2019, which was the optional redemption date of the preferred stock.

G. Safe Harbour

See the section entitled "Forward-Looking Statements" at the beginning of this annual report.

Directors, Senior Management and Employees

A. Directors and Senior Management

Set forth below are the names, ages and positions of our directors and executive officers. Effective August 2018, our Board of Directors increased its size from nine to eleven members and Mr. Andreas Michalopoulos and Mr. Christos Glavanis were appointed to fill the resulting vacancies. Our board of directors is elected annually on a staggered basis, and each director elected holds office for a three-year term and until his or her successor is elected and has qualified, except in the event of such director's death, resignation, removal or the earlier termination of his or her term of office. Officers are appointed from time to time by our board of directors and hold office until a successor is appointed or their employment is terminated.

Name	Age	Position
Simeon Palios	77	Class I Director, Chief Executive Officer and Chairman
Anastasios Margaronis	63	Class I Director and President
Ioannis Zafirakis	47	Class I Director, Chief Strategy Officer and Secretary
Andreas Michalopoulos	47	Class III Director, Chief Financial Officer and Treasurer
Semiramis Paliou	44	Class III Director, Chief Operating Officer
Maria Dede	46	Chief Accounting Officer
William (Bill) Lawes	75	Class II Director
Konstantinos Psaltis	80	Class II Director
Kyriacos Riris	69	Class II Director
Apostolos Kontoyannis	70	Class III Director
Konstantinos Fotiadis	68	Class III Director
Christos Glavanis	65	Class I Director

The term of our Class I directors expires in 2021, the term of our Class II directors expires in 2022, and the term of our Class III directors expires in 2020.

The business address of each officer and director is the address of our principal executive offices, which are located at Pendelis 16, 175 64 Palaio Faliro, Athens, Greece.

Biographical information with respect to each of our directors and executive officers is set forth below.

Simeon P. Palios has served as the Chief Executive Officer and Chairman of Diana Shipping Inc. since February 21, 2005 and as a Director since March 9, 1999 and has served as the Chief Executive Officer and Chairman of Performance Shipping Inc. since January 13, 2010. Mr. Palios also serves currently as the President of Diana Shipping Services S.A., our management company. Prior to November 12, 2004, Mr. Palios was the Managing Director of Diana Shipping Agencies S.A. Since 1972, when he formed Diana Shipping Agencies S.A., Mr. Palios has had overall responsibility for its activities. Mr. Palios has experience in the shipping industry since 1969 and expertise in technical and operational issues. He has served as an ensign in the Greek Navy for the inspection of passenger boats on behalf of Ministry of Merchant Marine and is qualified as a naval architect and marine engineer. Mr. Palios is a member of various leading classification societies worldwide and he is a member of the board of directors of the United Kingdom Freight Demurrage and Defense Association Limited. Since October 7, 2015, Mr. Palios has served as President of the Association “Friends of Biomedical Research Foundation, Academy of Athens”. He holds a bachelor’s degree in Marine Engineering from Durham University.

Anastasios C. Margaronis has served as our President and as a Director since February 21, 2005 and has served as the Director and President of Performance Shipping Inc. since January 13, 2010. Mr. Margaronis is a Deputy President of Diana Shipping Services S.A., where he also serves as a Director and Secretary. Prior to February 21, 2005, Mr. Margaronis was employed by Diana Shipping Agencies S.A. and performed on our behalf the services he now performs as President. He joined Diana Shipping Agencies S.A. in 1979 and has been responsible for overseeing our vessels’ insurance matters, including hull and machinery, protection and indemnity and war risks insurances. Mr. Margaronis has experience in the shipping industry, including in ship finance and insurance, since 1980. He is a member of the Greek National Committee of the American Bureau of Shipping and a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited. He holds a bachelor’s degree in Economics from the University of Warwick and a master’s of science degree in Maritime Law from the Wales Institute of Science and Technology.

Ioannis G. Zafirakis has served as our Director, Chief Strategy Officer and Secretary since August 2018. Under his capacity as Chief Strategy Officer, Mr. Zafirakis is responsible for establishing and reviewing key strategic priorities and translating them into a comprehensive strategic plan, monitoring the execution of the plan, facilitating and driving key strategic initiatives through inception phase. He is also responsible for communicating the Company’s strategy and overall goals internally and externally. In addition, Mr. Zafirakis is the Chief Strategy Officer of Diana Shipping Services S.A., where he also serves as Director and Treasurer. Since February 2005, Mr. Zafirakis served for the same companies in various positions such as Chief Operating Officer, Executive Vice-President and Vice-President. From June 1997 to February 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A. where he held a number of positions in its finance and accounting department. He currently also serves as Director, Chief Strategy Officer and Secretary of Performance Shipping Inc. Mr. Zafirakis is a member of the Business Advisory Committee of the Shipping Programs of ALBA Graduate Business School at The American College of Greece. He holds a bachelor’s degree in Business Studies from City University Business School in London and a master’s degree in International Transport from the University of Wales in Cardiff.

Andreas Michalopoulos has served as the Company’s Chief Financial Officer and Treasurer since March 8, 2006 and also has served in these positions with Performance Shipping Inc. since January 13, 2010. Mr. Michalopoulos started his career in 1993 when he joined Merrill Lynch Private Banking in Paris. In 1995, he became an International Corporate Auditor with Nestle SA based in Vevey, Switzerland and moved in 1998 to the position of Trade Marketing and Merchandising Manager. From 2000 to 2002, he worked for McKinsey and Company in Paris, France, as an Associate Generalist Consultant before joining a major Greek Pharmaceutical Group with U.S. R&D activity as a Vice President of International Business Development and Member of the Executive Committee in 2002 where he remained until 2005. From 2005 to 2006, he joined Diana Shipping Agencies S.A. as a Project Manager.

Mr. Michalopoulos graduated from Paris IX Dauphine University with Honors in 1993 obtaining an MSc in Economics and a master's degree in Management Sciences specialized in Finance. In 1995, he also obtained a master's degree in Business Administration from Imperial College, University of London. Mr. Andreas Michalopoulos is married to the youngest daughter of Mr. Simeon Palios, the Company's Chief Executive Officer and Chairman.

Semiramis Paliou has served as a Director of Diana Shipping Inc. since March 2015. Mrs. Paliou has 20 years of experience in shipping operations, technical management and crewing. Mrs. Paliou began her career at Lloyd's Register of Shipping from 1996 to 1998 as a trainee ship surveyor. She was then employed by Diana Shipping Agencies S.A. From 2007 to 2010 she was employed as a Director and President of Alpha Sigma Shipping Corp. From February 2010 to November 2015 she was the Head of the Operations, Technical and Crew department of Diana Shipping Services S.A. From November 2015 to October 2016 she served as Vice President of the same company. From November 2016 to the end of July 2018, she served as Managing Director and Head of the Technical, Operations, Crew and Supply department of Unitized Ocean Transport Limited. As of August 2018, she is the Chief Operating Officer of Diana Shipping Inc. and Diana Shipping Services S.A. As of November 2018, Mrs. Paliou serves as Chief Operating Officer of Performance Shipping Inc. Mrs. Paliou obtained her BSc in Mechanical Engineering from Imperial College, London and her MSc in Naval Architecture from University College, London. In 2016 she completed a course in Finance for Senior Executives at Harvard Business School. She is the daughter of Simeon Palios, our Chief Executive Officer and Chairman, and is a member of the Greek committee of Det Norske Veritas - Germanischer Lloyd, a member of the Greek committee of Nippon Kaiji Kyokai and a member of the Greek committee of Bureau Veritas. Since March 2018, Mrs. Paliou is on the board of directors of the Hellenic Marine Environment Protection Association.

Maria Dede has served as our Chief Accounting Officer since September 1, 2005 during which time she has been responsible for all financial reporting requirements. Mrs. Dede has also served as an employee of Diana Shipping Services S.A. since March 2005. In 2000 Mrs. Dede joined the Athens branch of Arthur Andersen, which merged with Ernst and Young (Hellas) in 2002, where she served as an external auditor of shipping companies until 2005. From 1996 to 2000 Mrs. Dede was employed by Venus Enterprises S.A., a ship-management company, where she held a number of positions primarily in accounting and supplies. Mrs. Dede holds a Bachelor's degree in Maritime Studies from the University of Piraeus, a Master's degree in Business Administration from the ALBA Graduate Business School and a Master's degree in Auditing and Accounting from the Greek Institute of Chartered Accountants.

William (Bill) Lawes has served as a Director and the Chairman of our Audit Committee since March 2005. Mr. Lawes served as a Managing Director and a member of the Regional Senior Management Board of JPMorgan Chase and its predecessor banks from 1987 until 2002. Prior to joining JPMorgan Chase, he was Global Head of Shipping Finance at Grindlays Bank. Since December 2007, he has served as an independent member of the Board of Directors and Chairman of the Audit Committee of Teekay Tankers Ltd. Mr. Lawes joined Seafarers UK, a maritime charity, as Trustee and Finance Committee member in 2016. Mr. Lawes is qualified as a member of the Institute of Chartered Accountants of Scotland.

Konstantinos Psaltis has served as a Director since March 2005 and as the Chairman of our Nominating Committee since May 2015 and a member of our Compensation Committee since May 2017. From 1981 to 2006, Mr. Psaltis served as Managing Director of Ormos Compania Naviera S.A., a company that specializes in operating and managing multipurpose container vessels and from 2006 until today as a President of the same company. Prior to joining Ormos Compania Naviera S.A., Mr. Psaltis simultaneously served as a technical manager in the textile manufacturing industry and as a shareholder of shipping companies managed by M.J. Lemos. From 1961 to 1964, he served as ensign in the Royal Hellenic Navy. He holds a degree in Mechanical Engineering from Technische Hochschule Reutlingen & Wuppertal and a bachelor's degree in Business Administration from Tubingen University in Germany.

Kyriacos Riris has served as a Director since March 2015 and as a member of our Nominating Committee since May 2015. Commencing in 1998, Mr. Riris served in a series of positions in PricewaterhouseCoopers (PwC), Greece, including Senior Partner, Managing Partner of the Audit and the Advisory/Consulting Lines of Service. From 2009 to 2014, Mr. Riris served as Chairman of the Board of Directors of PricewaterhouseCoopers (PwC), Greece. Prior to its merger with PwC, Mr. Riris was employed at Grant Thornton, Greece, where in 1984 he became a Partner. From 1976 to 1982, Mr. Riris was employed at Arthur Young, Greece. Since November 2018, Mr Riris has served as Chairman of Titan Cement International S.A., a Belgian corporation. Mr. Riris holds a degree from Birmingham Polytechnic (presently Birmingham City University) and completed his professional qualifications with the Association of Certified Chartered Accountants (ACCA) in the UK in 1975, becoming a Fellow of the Association of Certified Accountants in 1985.

Apostolos Kontoyannis has served as a Director and as the Chairman of our Compensation Committee and a member of our Audit Committee since March 2005. Mr. Kontoyannis has over 40 years of experience in shipping finance and currently serves as financial consultant to various shipping companies. He was employed by Chase Manhattan Bank N.A. in Frankfurt (Corporate Bank), London (Head of Shipping Finance South Western European Region) and Piraeus (Manager, Ship Finance Group) from 1975 to 1987. Mr. Kontoyannis holds a bachelor's degree in Finance and Marketing and a master's degree in business administration in Finance from Boston University.

Konstantinos Fotiadis has served as a Director since 2017. Mr. Fotiadis served as an independent Director and as the Chairman of the Audit Committee of Performance Shipping Inc. since the completion of the private offering and until February 8, 2011. From 1990 until 1994 Mr. Fotiadis served as the President and Managing Director of Reckitt & Colman (Greece), part of the British multinational Reckitt & Colman plc, manufacturers of household, cosmetics and health care products. From 1981 until its acquisition in 1989 by Reckitt & Colman plc, Mr. Fotiadis was a General Manager at Dr. Michalis S.A., a Greek company manufacturing and marketing cosmetics and health care products. From 1978 until 1981 Mr. Fotiadis held positions with Esso Chemicals Ltd. and Avrassoglou S.A. Mr. Fotiadis has also been active as a business consultant and real estate developer. Mr. Fotiadis holds a degree in Economics from Technische Universitaet Berlin and in Business Administration from Freie Universitaet Berlin.

Christos Glavanis has served as a Director since August 2018. Mr. Glavanis has over 30 years of experience in the audit profession, serving in several senior roles at Ernst & Young, including as Chairman and Managing Partner of EY Greece from 1987 to 2010 and Managing Partner of EY South East Europe from 1996 to 2010. Mr. Glavanis was also a main Board Member of EY EMEIA Regional and a member of EY Global Council. Currently, Mr. Glavanis is a non-executive board member of W S Karoulias S.A., a beverage distribution company based in Athens, Greece and BuyaPowa Ltd., a London, England based online platform allowing users to design, launch, and analyze social sales campaigns. He is also the trustee of Phase Worldwide, a United Kingdom charity. He previously served as a non-executive board member and chairman of the Audit Committee of Korres S.A, a Greece based cosmetics company, chairman of the Audit Committee of the Hellenic Financial Stability Fund, board member and audit committee member of Eurobank SA and a non-executive board member of Pharmaten S.A. Greece based pharmaceutical company.

B. Compensation

Aggregate executive compensation (including amounts paid to Steamship (formerly Diana Enterprises Inc.) pursuant to the Brokerage Services Agreements) for 2018 was $5.3 million. Since June 1, 2010, Steamship (formerly Diana Enterprises Inc.), a related party, as described in our Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") on March 12, 2019, in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" has provided to us brokerage services. Under the Brokerage Services Agreements in effect during 2018, fees for 2018 amounted to $1.85 million. We consider fees under these agreements to be part of our executive compensation due to the affiliation with Steamship. We expect such fees to remain the same in 2019.

Non-employee directors receive annual compensation in the amount of $52,000 plus reimbursement of out-of-pocket expenses. In addition, until July 2018, each non-executive director serving as chairman of a committee received additional annual compensation of $26,000, plus reimbursement for out-of-pocket expenses; and each non-executive serving as member of a committee received additional annual compensation of $13,000, plus reimbursement for out-of-pocket expenses. Since July 2018, each non-executive director serving as chairman of the audit and compensation committee receives additional annual compensation of $40,000; and each non-executive director serving as chairman of the nominating committee receives additional annual compensation of $26,000. Each non-executive director serving as member of the audit committee receives additional annual compensation of $26,000 and all other members receive $13,000, plus reimbursement for out-of-pocket expenses. For 2018, 2017 and 2016 fees and expenses of our non-executive directors amounted to $0.5 million, $0.4 million and $0.4 million, respectively.

Since 2008 and until the date of this annual report, our board of directors has awarded an aggregate amount of 13,675,241 shares of restricted common stock, of which 11,354,657 shares were awarded to senior management and 2,320,584 shares were awarded to non-employee directors. All restricted shares vest ratably over three years, except for 600,000 shares awarded in 2008 which vested ratably over a period of six years until 2014 and 1,314,000 shares awarded in 2014 which will vest ratably over a period of six years until 2022. The restricted shares are subject to forfeiture until they become vested. Unless they forfeit their shares, grantees have the right to vote, to receive and retain all dividends paid and to exercise all other rights, powers and privileges of a holder of shares.

In 2018, compensation costs relating to the aggregate amount of restricted stock awards amounted to $7.3 million.

We do not have a retirement plan for our officers or directors.

Equity Incentive Plan

In November 2014, our board of directors approved, and the Company adopted the 2014 Equity Incentive Plan, or the 2014 Plan, for 5,000,000 common shares, which on May 31, 2018 was amended to increase the common shares to 13,000,000. Currently, 7,124,759 shares remain reserved for issuance.

Under the 2014 Plan and as amended, the Company's employees, officers and directors are entitled to receive options to acquire the Company's common stock. The 2014 Plan is administered by the Compensation Committee of the Company's Board of Directors or such other committee of the Board as may be designated by the Board. Under the terms of the 2014 Plan, the Company's Board of Directors is able to grant a) incentive stock options, b) non-qualified stock options, c) stock appreciation rights, d) dividend equivalent rights, e) restricted stock, f) unrestricted stock, g) restricted stock units, and h) performance shares. No options, stock appreciation rights or restricted stock units can be exercisable prior to the first anniversary or subsequent to the tenth anniversary of the date on which such award was granted. Under the 2014 Plan, the Administrator may waive or modify the application of forfeiture of awards of restricted stock and performance shares in connection with cessation of service with the Company.

C. Board Practices

We have established an Audit Committee, comprised of two board members, which is responsible for reviewing our accounting controls, recommending to the board of directors the engagement of our independent auditors, and pre-approving audit and audit-related services and fees. Each member has been determined by our board of

directors to be “independent” under the rules of the NYSE and the rules and regulations of the SEC. As directed by its written charter, the Audit Committee is responsible for appointing, and overseeing the work of the independent auditors, including reviewing and approving their engagement letter and all fees paid to our auditors, reviewing the adequacy and effectiveness of the Company’s accounting and internal control procedures and reading and discussing with management and the independent auditors the annual audited financial statements. The members of the Audit Committee are Mr. William Lawes (chairman and financial expert) and Mr. Apostolos Kontoyannis (member and financial expert).

We have established a Compensation Committee comprised of two members, which, as directed by its written charter, is responsible for setting the compensation of executive officers of the Company, reviewing the Company’s incentive and equity-based compensation plans, and reviewing and approving employment and severance agreements. The members of the Compensation Committee are Mr. Apostolos Kontoyannis (chairman) and Mr. Konstantinos Psaltis (member).

We have established a Nominating Committee comprised of two members, which, as directed by its written charter, is responsible for identifying, evaluating and making recommendations to the board of directors concerning individuals for selections as director nominees for the next annual meeting of stockholders or to otherwise fill board of director vacancies. The members of the Nominating Committee are Mr. Konstantinos Psaltis (chairman) and Mr. Kyriacos Riris (member).

We have established an Executive Committee comprised of the five executive directors, Mr. Simeon Palios (chairman), Mr. Anastasios Margaronis (member), Mr. Ioannis Zafirakis (member), Mr. Andreas Michalopoulos (member) and Mrs. Semiramis Paliou (member). The Executive Committee has, to the extent permitted by law, the powers of the Board of Directors in the management of the business and affairs of the Company.

We also maintain directors’ and officers’ insurance, pursuant to which we provide insurance coverage against certain liabilities to which our directors and officers may be subject, including liability incurred under U.S. securities law. Our executive directors have employment agreements, which, if terminated without cause, entitle them to continue receiving their basic salary through the date of the agreement’s expiration.

D. Employees

We crew our vessels primarily with Greek officers and Filipino officers and seamen and may also employ seamen from Poland, Romania and Ukraine. DSS and DWM are responsible for identifying the appropriate officers and seamen mainly through crewing agencies. The crewing agencies handle each seaman’s training, travel and payroll. The management companies ensure that all our seamen have the qualifications and licenses required to comply with international regulations and shipping conventions. Additionally, our seafaring employees perform most commissioning work and supervise work at shipyards and drydock facilities. We typically man our vessels with more crew members than are required by the country of the vessel’s flag in order to allow for the performance of routine maintenance duties.

The following table presents the number of shoreside personnel employed by DSS and the number of seafaring personnel employed by our vessel-owning subsidiaries as at December 31, 2018, 2017 and 2016.

	Year Ended December 31,		
	2018	**2017**	**2016**
Shoreside	115	93	95
Seafaring	926	1,006	923
Total	1,041	1,099	1,018

E. Share Ownership

With respect to the total amount of common shares and Series B Preferred Shares owned by our officers and directors, individually and as a group, see "Item 7. Major Shareholders and Related Party Transactions—A. Major Shareholders" in our Form 20-F filed with the U.S. Securities and Exchange Commission (the "SEC") on March 12, 2019.

DIANA SHIPPING INC.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Diana Shipping Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Diana Shipping Inc. (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income/loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 12, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young (Hellas) Certified Auditors-Accountants S.A.

We have served as the Company's auditor since 2004.

Athens, Greece

March 12, 2019

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Diana Shipping Inc.

Opinion on Internal Control Over Financial Reporting

We have audited Diana Shipping Inc.'s internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Diana Shipping Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Diana Shipping Inc. as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income/loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes and our report dated March 12, 2019, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young (Hellas) Certified Auditors-Accountants S.A.

Athens, Greece

March 12, 2019

DIANA SHIPPING INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2018 and 2017

(Expressed in thousands of U.S. Dollars – except for share and per share data)

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2(e))	$ 126,825	$ 40,227
Accounts receivable, trade (Note 2(f))	2,948	4,937
Due from related parties (Notes 2(g) and 4(b))	-	82,660
Inventories (Note 2(h))	5,835	5,770
Prepaid expenses and other assets	6,364	5,167
Total current assets	141,972	138,761
FIXED ASSETS:		
Vessels' net book value (Note 5)	991,403	1,053,578
Property and equipment, net (Note 6)	22,425	22,650
Total fixed assets	1,013,828	1,076,228
OTHER NON-CURRENT ASSETS:		
Restricted cash (Notes 2(e) and 7)	24,582	25,582
Investments in related parties (Notes 2(v) and 3)	3,263	3,249
Deferred charges, net (Notes 2(m), 2(n) and 5)	4,151	2,902
Total assets	$ 1,187,796	$ 1,246,722
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt, net of deferred financing costs, current (Note 7)	$ 96,434	$ 60,763
Accounts payable, trade and other	11,073	7,954
Due to related parties (Note 4(a) and 4(d))	182	271
Accrued liabilities	13,377	8,246
Deferred revenue	4,090	3,207
Total current liabilities	125,156	80,441
Long-term debt, net of current portion and deferred financing costs, non-current (Note 7)	434,113	540,621
Other non-current liabilities	843	902
Commitments and contingencies (Note 8)	-	-
STOCKHOLDERS' EQUITY:		
Preferred stock (Note 9(a))	26	26
Common stock, $0.01 par value; 200,000,000 shares authorized and 103,764,351 and 106,131,017 issued and outstanding at December 31, 2018 and 2017, respectively (Note 9(b))	1,038	1,061
Additional paid-in capital	1,062,645	1,070,500
Accumulated other comprehensive income	287	294
Accumulated deficit	(436,312)	(447,123)
Total stockholders' equity	627,684	624,758
Total liabilities and stockholders' equity	$ 1,187,796	$ 1,246,722

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

DIANA SHIPPING INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31, 2018, 2017 and 2016

(Expressed in thousands of U.S. Dollars – except for share and per share data)

		2018		2017		2016
REVENUES:						
Time charter revenues	$	226,189	$	161,897	$	114,259
EXPENSES:						
Voyage expenses		7,405		8,617		13,826
Vessel operating expenses		95,510		90,358		85,955
Depreciation and amortization of deferred charges		52,206		87,003		81,578
General and administrative expenses		29,518		26,332		25,510
Management fees to related party (Notes 3(b) and 4(d))		2,394		1,883		1,464
Impairment loss (Note 5)		-		442,274		-
Loss from sale of vessels (Note 5)		1,448		-		-
Insurance recoveries, net of other loss (Note 5)		-		(10,879)		-
Gain on contract termination		-		-		(5,500)
Other loss/(gain)		(542)		296		(253)
Operating income/(loss)	$	38,250	$	(483,987)	$	(88,321)
OTHER INCOME / (EXPENSES):						
Interest and finance costs (Note 10)		(30,506)		(26,628)		(21,949)
Interest and other income (Note 4(b))		8,822		4,508		2,410
Gain/(loss) from equity method investments (Note 3)		14		(5,607)		(56,377)
Total other expenses, net	$	(21,670)	$	(27,727)	$	(75,916)
Net income/(loss)	$	16,580	$	(511,714)	$	(164,237)
Dividends on series B preferred shares (Notes 9(a) and 11)		(5,769)		(5,769)		(5,769)
Net income/(loss) attributed to common stockholders	$	10,811	$	(517,483)	$	(170,006)
Earnings/(loss) per common share, basic and diluted (Note 11)	$	0.10	$	(5.41)	$	(2.11)
Weighted average number of common shares, basic (Note 11)		103,736,742		95,731,093		80,441,517
Weighted average number of common shares, diluted (Note 11)		104,715,883		95,731,093		80,441,517

DIANA SHIPPING INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

For the years ended December 31, 2018, 2017 and 2016

(Expressed in thousands of U.S. Dollars)

		2018		2017		2016
Net income/(loss)	$	16,580	$	(511,714)	$	(164,237)
Other comprehensive income/(loss) (Actuarial gain/(loss))		(7)		109		(84)
Comprehensive income/(loss)	$	16,573	$	(511,605)	$	(164,321)

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

DIANA SHIPPING INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended December 31, 2018, 2017 and 2016

(Expressed in thousands of U.S. Dollars – except for share data)

	Preferred Stock		Common Stock			Other Comprehensive Income / (Loss)	Retained Earnings/ (Accumulated Deficit)	Total Equity
	# of Shares	Par Value	# of Shares	Par Value	Additional Paid-in Capital			
BALANCE, December 31, 2015	2,600,000	$ 26	82,546,017	$ 825	$ 976,880	$ 269	$ 240,366	$ 1,218,366
Net loss	-	$ -	-	$ -	-	$ -	$ (164,237)	$ (164,237)
Issuance of restricted stock and compensation cost (Note 9(e))	-	-	2,150,000	22	8,291	-	-	8,313
Dividends on series B preferred stock (Note 9(a))	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	(84)	-	(84)
BALANCE, December 31, 2016	2,600,000	$ 26	84,696,017	$ 847	$ 985,171	$ 185	$ 70,360	$ 1,056,589
Net loss	-	$ -	-	$ -	-	$ -	$ (511,714)	$ (511,714)
Issuance of common stock (Note 9(c))	-	-	20,125,000	201	77,110	-	-	77,311
Issuance of restricted stock and compensation cost (Note 9(e))	-	-	1,310,000	13	8,219	-	-	8,232
Dividends on series B preferred stock (Note 9(a))	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive income	-	-	-	-	-	109	-	109
BALANCE, December 31, 2017	2,600,000	$ 26	106,131,017	$ 1,061	$ 1,070,500	$ 294	$ (447,123)	$ 624,758
Net income/(loss)	-	$ -	-	$ -	$ -	$ -	$ 16,580	$ 16,580
Stock repurchased and retired (Note 9(d))	-	-	(4,166,666)	(41)	(15,116)	-	-	(15,157)
Issuance of restricted stock and compensation cost (Note 9(e))	-	-	1,800,000	18	7,261	-	-	7,279
Dividends on series B preferred stock (Note 9(a))	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	(7)	-	(7)
BALANCE, December 31, 2018	2,600,000	$ 26	103,764,351	$ 1,038	$ 1,062,645	$ 287	$ (436,312)	$ 627,684

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

DIANA SHIPPING INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018, 2017 and 2016

(Expressed in thousands of U.S. Dollars)

	2018	2017	2016
Cash Flows from Operating Activities:			
Net income/(loss)	$ 16,580	$ (511,714)	$ (164,237)
Adjustments to reconcile net income/(loss) to net cash from operating activities:			
Depreciation and amortization of deferred charges	52,206	87,003	81,578
Impairment loss (Note 5)	-	442,274	-
Amortization of financing costs (Note 10)	1,939	1,455	1,503
Amortization of free lubricants benefit	-	-	(15)
Compensation cost on restricted stock (Note 9(c))	7,279	8,232	8,313
Actuarial loss/(gain)	(7)	109	(84)
Loss from sale of vessels (Note 5)	1,448	-	-
Gain from loan to a related party (Note 4 (b))	(5,000)	-	-
Gain from insurance recoveries, net of other loss (Note 5)	-	(10,879)	-
Gain on shipbuilding contract termination	-	-	(278)
Loss/(gain) from equity method investments (Note 3)	(14)	5,607	56,377
(Increase) / Decrease in:			
Accounts receivable, trade	1,989	966	(1,391)
Due from related parties	43	(141)	3,334
Inventories	(65)	90	391
Prepaid expenses and other assets	(1,197)	142	620
Increase / (Decrease) in:			
Accounts payable, trade and other	3,119	1,382	(2,391)
Due to related parties	(89)	246	(39)
Accrued liabilities, net of accrued preferred dividends	5,131	2,512	(715)
Deferred revenue	883	2,385	(1,592)
Other non-current liabilities	(59)	162	117
Drydock costs	(4,256)	(6,418)	(2,489)
Net cash provided by/(used in) Operating Activities	$ 79,930	$ 23,413	$ (20,998)
Cash Flows from Investing Activities:			
Payments for vessel acquisitions, improvements and construction (Note 5)	(2,573)	(125,781)	(50,911)
Proceeds from vessel sales, net of expenses (Note 5)	14,578	2,032	-
Proceeds from insurance contract, net of expenses (Note 5)	-	11,362	-
Proceeds from sale of investment (Note 3(a))	-	158	-
Proceeds from shipbuilding contract termination (Notes 5)	-	-	9,413
Cash dividends from investment in a related party (Note 3(a))	-	-	96
Loan to a related party (Note 4(b))	-	(40,000)	-
Proceeds from loan to a related party (Note 4(b))	87,617	-	-
Payments for plant, property and equipment (Note 6)	(252)	(104)	(217)
Net cash provided by/(used in) Investing Activities	$ 99,370	$ (152,333)	$ (41,619)

DIANA SHIPPING INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018, 2017 and 2016

(Expressed in thousands of U.S. Dollars)

	2018	2017	2016
Cash Flows from Financing Activities:			
Proceeds from long-term debt (Note 7)	100,000	57,240	39,265
Proceeds from issuance of common stock, net of expenses (Note 9(c))	-	77,311	-
Cash dividends on preferred stock	(5,769)	(5,769)	(5,769)
Payments for repurchase of common stock (Note 9(d))	(15,157)	-	-
Financing costs	(2,833)	(31)	(466)
Loan payments (Note 7)	(169,943)	(55,164)	(42,489)
Net cash provided by/(used in) Financing Activities	$ (93,702)	$ 73,587	$ (9,459)
Net increase / (decrease) in cash, cash equivalents and restricted cash	85,598	(55,333)	(72,076)
Cash, cash equivalents and restricted cash at beginning of the year	65,809	121,142	193,218
Cash, cash equivalents and restricted cash at end of the year	$ 151,407	$ 65,809	$ 121,142

RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH

	2018	2017	2016
Cash and cash equivalents	$ 126,825	$ 40,227	$ 98,142
Restricted cash	24,582	25,582	23,000
Cash, cash equivalents and restricted cash	$ 151,407	$ 65,809	$ 121,142
SUPPLEMENTAL CASH FLOW INFORMATION			
Related party loan reduction in exchange for preferred shares (Note 3(a))	$ -	$ 3,000	$ -
Interest, net of amounts capitalized	$ 25,683	$ 24,503	$ 19,265

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

1.Basis of Presentation and General Information

The accompanying consolidated financial statements include the accounts of Diana Shipping Inc., or DSI, and its wholly-owned and beneficially-owned subsidiaries (collectively, the "Company"). DSI was formed on March 8, 1999 as Diana Shipping Investment Corp. under the laws of the Republic of Liberia. In February 2005, the Company's articles of incorporation were amended. Under the amended articles of incorporation, the Company was renamed Diana Shipping Inc. and was re-domiciled from the Republic of Liberia to the Republic of the Marshall Islands.

The Company is engaged in the ocean transportation of dry bulk cargoes worldwide mainly through the ownership of dry bulk carrier vessels. The Company also operates the majority of its own fleet through Diana Shipping Services S.A., or DSS, a wholly-owned subsidiary and a limited number of vessels through a 50% owned joint venture (Notes 3 and 4).

Diana Shipping Services S.A., or DSS, provides the Company and its vessels with management services since November 12, 2004, pursuant to management agreements and since October 1, 2013 administrative services with regards to services related to DSI's operations and its subsidiaries. Such costs are eliminated in consolidation. As at December 31, 2018, DSS does not provide management services to eight vessels in the Company's fleet whose management has been transferred progressively since August 2015 to Diana Wilhelmsen Management Limited, or DWM, (Notes 3(b) and 4(d)).

During 2018, 2017 and 2016 charterers that individually accounted for 10% or more of the Company's time charter revenues were as follows:

Charterer	2018	2017	2016
A	16%	14%	15%
B	15%	17%	
C	14%	12%	10%
D			19%
E	10%		10%

2. Significant Accounting Policies

a) Principles of Consolidation: The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, and include the accounts of Diana Shipping Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. Under Accounting Standards Codification ("ASC") 810 "Consolidation", the Company consolidates entities in which it has a controlling financial interest, by first considering if an entity meets the definition of a variable interest entity ("VIE") for which the Company is deemed to be the primary beneficiary under the VIE model, or if the Company controls an entity through a majority of voting interest based on the voting interest model. The Company evaluates financial instruments, service contracts, and other arrangements to determine if any variable interests relating to an entity exist. For entities in which the Company has a variable interest, the Company determines if the entity is a VIE by considering whether the entity's equity investment at risk is sufficient to finance its activities without

additional subordinated financial support and whether the entity's at-risk equity holders have the characteristics of a controlling financial interest. In performing the analysis of whether the Company is the primary beneficiary of a VIE, the Company considers whether it individually has the power to direct the activities of the VIE that most significantly affect the entity's performance and also has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The Company reconsiders the initial determination of whether an entity is a VIE if certain types of events ("reconsideration events") occur. If the Company holds a variable interest in an entity that previously was not a VIE, it reconsiders whether the entity has become a VIE. The Company has identified that it has variable interests in Diana Containerships Inc. (renamed to Performance Shipping Inc. in February 2019), or Diana Containerships, and Diana Wilhelmsen Management Limited. The Company has assessed that Diana Containerships is a VIE since 2017 but the Company is not the primary beneficiary (Notes 3(a) and 4(b)).

b) Use of Estimates: The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

c) Other Comprehensive Income / (Loss): The Company separately presents certain transactions, which are recorded directly as components of stockholders' equity. Other Comprehensive Income / (Loss) is presented in a separate statement.

d) Foreign Currency Translation: The functional currency of the Company is the U.S. dollar because the Company's vessels operate in international shipping markets, and therefore primarily transact business in U.S. dollars. The Company's accounting records are maintained in U.S. dollars. Transactions involving other currencies during the year are converted into U.S. dollars using the exchange rates in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are translated into U.S. dollars at the year-end exchange rates. Resulting gains or losses are reflected separately in the accompanying consolidated statements of operations.

e) Cash and Cash Equivalents and Restricted Cash: The Company considers highly liquid investments such as time deposits, certificates of deposit and their equivalents with an original maturity of three months or less to be cash equivalents. Restricted cash consists mainly of cash deposits required to be maintained at all times under the Company's loan facilities (Note 7). As of December 31, 2018 and 2017, restricted cash also included $582 of cash guarantee which was restricted to withdrawal or usage.

f) Accounts Receivable, Trade: The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire, net of any provision for doubtful accounts. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. No provision for doubtful accounts was established as of December 31, 2018 and 2017.

g) Loan Receivable from Related Party: The amount shown as Due from related parties in the consolidated balance sheet as at December 31, 2017, represents a receivable from Diana Containerships with respect to a loan agreement, net of any provision for credit losses and does not include the $5,000 discount premium which was

received in 2018 when the loan was fully collected (Note 4(b)). Interest income and fees, deriving from the agreement were recorded in the accounts as incurred. At each balance sheet date, amounts due under the aforementioned loan agreement were assessed for purposes of determining the appropriate provision for credit losses. As at December 31, 2017, the Company assessed the ability of Diana Containerships to meet its obligations under the loan agreement by taking into consideration existing economic conditions, the current financial condition of Diana Containerships, equity offerings, sale plans, historical losses, and other risks/factors that could affect Diana Containerships' future financial condition and its ability to meet its obligations. As a result of this assessment, the Company did not record any provision for credit losses, as it determined that Diana Containerships would be able to meet its obligations under the loan in the near future.

h) Inventories: Inventories consist of lubricants and victualling which are stated at the lower of cost or net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. When evidence exists that the net realizable value of inventory is lower than its cost, the difference is recognized as a loss in earnings in the period in which it occurs. Cost is determined by the first in, first out method. Inventories may also consist of bunkers when on the balance sheet date a vessel remains idle. Bunkers, if any, are also stated at the lower of cost or net realizable value and cost is determined by the first in, first out method.

i) Vessel Cost: Vessels are stated at cost which consists of the contract price and any material expenses incurred upon acquisition or during construction. Expenditures for conversions and major improvements are also capitalized when they appreciably extend the life, increase the earning capacity or improve the efficiency or safety of the vessels; otherwise these amounts are charged to expense as incurred. Interest cost incurred during the assets' construction periods that theoretically could have been avoided if expenditure for the assets had not been made is also capitalized. The capitalization rate, applied on accumulated expenditures for the vessel, is based on interest rates applicable to outstanding borrowings of the period.

j) Property and equipment: The Company owns the land and building where its offices are located. Land is presented in its fair value on the date of acquisition and it is not subject to depreciation. The building has an estimated useful life of 55 years with no residual value. Depreciation is calculated on a straight-line basis. Equipment consists of office furniture and equipment, computer software and hardware and vehicles which consist of motor scooters and a car. The useful life of the car is 10 years, of the office furniture, equipment and the scooters is 5 years; and of the computer software and hardware is 3 years. Depreciation is calculated on a straight-line basis.

k) Impairment of Long-Lived Assets: Long-lived assets (vessels, land, and building) and certain identifiable intangibles held and used by an entity are reviewed for impairment whenever events or changes in circumstances (such as market conditions, obsolesce or damage to the asset, potential sales and other business plans) indicate that the carrying amount of the assets, plus unamortized dry-docking costs, may not be recoverable. When the estimate of undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of the asset over its remaining useful life and its eventual disposition is less than its carrying amount, the Company should evaluate the asset for an impairment loss. Measurement of the impairment loss is based on the fair value of the asset. The Company determines the fair value of its assets based on management estimates and assumptions, by making use of available market data and taking into consideration third party valuations.

With respect to the vessels, the Company determines undiscounted projected net operating cash flows for each vessel by considering the historical and estimated vessels' performance and utilization, assuming (i) future revenues calculated for the fixed days, using the fixed charter rate of each vessel from existing time charters and for the unfixed days, the most recent 10 year average of historical 1 year time charter rates available for each type of vessel over the remaining estimated life of each vessel, net of commissions. Historical ten-year blended average one-year time charter rates are in line with the Company's overall chartering strategy, they reflect the full operating history of vessels of the same type and particulars with the Company's operating fleet and they cover at least a full business cycle, where applicable; (ii) expected outflows for scheduled vessels' maintenance; (iii) vessel operating expenses; and (iv) fleet utilization; assumptions in line with the Company's historical performance and its expectations for future fleet utilization under its current fleet deployment strategy.

During the last quarter of 2017, the Company's management considered various factors, including the recovery of the market, the worldwide demand for dry-bulk products, supply of tonnage and order book and concluded that the charter rates for the years 2008-2010 were exceptional. In this respect the Company's management decided to exclude from the 10-year average of 1 year time charters these three years for which the rates were well above the average and which were not considered sustainable for the foreseeable future. The Company performed the exercise discussed above which resulted to recording an impairment on certain vessels' carrying value (Note 5). No impairment loss was identified or recorded for 2018 (by excluding similarly to 2017 the charter rates for the years 2009-2010) and 2016.

With respect to the land and building, the Company determines undiscounted projected net operating cash flows by considering an estimated monthly rent the Company would have to pay in order to lease a similar property, during the useful life of the building. No impairment loss was identified or recorded for 2018, 2017 and 2016 and the Company has not identified any other facts or circumstances that would require the write down of the value of its land or building in the near future.

l) Vessel Depreciation: Depreciation is computed using the straight-line method over the estimated useful life of the vessels, after considering the estimated salvage (scrap) value. Each vessel's salvage value is equal to the product of its lightweight tonnage and estimated scrap rate. Management estimates the useful life of the Company's vessels to be 25 years from the date of initial delivery from the shipyard. Second hand vessels are depreciated from the date of their acquisition through their remaining estimated useful life. When regulations place limitations over the ability of a vessel to trade on a worldwide basis, its remaining useful life is adjusted at the date such regulations are adopted.

m) Accounting for Dry-Docking Costs: The Company follows the deferral method of accounting for dry-docking costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next dry-docking is scheduled to become due. Unamortized dry-docking costs of vessels that are sold or impaired are written off and included in the calculation of the resulting gain or loss in the year of the vessel's sale or impairment.

n) Financing Costs: Fees paid to lenders for obtaining new loans or refinancing existing ones are deferred and recorded as a contra to debt. Other fees paid for obtaining loan facilities not used at the balance sheet date are capitalized as deferred financing costs. Fees relating to drawn loan facilities are amortized to interest and finance costs over the life of the related debt using the effective interest method and fees incurred for loan facilities not used at the balance sheet date are amortized using the straight line method according to their availability terms. Unamortized fees relating to loans repaid or refinanced as debt extinguishment are expensed as interest and finance costs in the period the repayment or extinguishment is made. Loan commitment fees are charged to expense in the period incurred, unless they relate to loans obtained to finance vessels under construction, in which case they are capitalized to the vessels' cost.

o) Concentration of Credit Risk: Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and trade accounts receivable. The Company places its temporary cash investments, consisting mostly of deposits, with various qualified financial institutions and performs periodic evaluations of the relative credit standing of those financial institutions that are considered in the Company's investment strategy. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and generally does not require collateral for its accounts receivable and does not have any agreements to mitigate credit risk.

p) Accounting for Revenues and Expenses: Revenues are generated from time charter agreements which contain a lease as they meet the criteria of a lease under ASC 842. Agreements with the same charterer are accounted for as separate agreements according to their specific terms and conditions. All agreements contain a minimum non-cancellable period and an extension period at the option of the charterer. Each lease term is assessed at the inception of that lease. Under a time charter agreement, the charterer pays a daily hire for the use of the vessel and reimburses the owner for hold cleanings, extra insurance premiums for navigating in restricted areas and damages caused by the charterers. Additionally, the charterer pays to third parties port, canal and bunkers consumed during the term of the time charter agreement. Such costs are considered direct costs and are not recorded as they are directly paid by charterers, unless they are for the account of the owner, in which case they are included in voyage expenses. Additionally, the owner pays commissions on the hire revenue, to both the charterer and to brokers, which are direct costs and are recorded in voyage expenses. Under a time charter agreement, the owner pays for the operation and the maintenance of the vessel, including crew, insurance, spares and repairs, which are recognized in operating expenses. The Company, as lessor, has elected not to allocate the consideration in the agreement to the separate lease and non-lease components (operation and maintenance of the vessel) as their timing and pattern of transfer to the charterer, as the lessee, are the same and the lease component, if accounted for separately, would be classified as an operating lease. Additionally, the lease component is considered the predominant component as the Company has assessed that more value is ascribed to the vessel rather than to the services provided under the time charter contracts.

q) Repairs and Maintenance: All repair and maintenance expenses including underwater inspection expenses are expensed in the year incurred. Such costs are included in vessel operating expenses in the accompanying consolidated statements of operations.

r) Earnings / (loss) per Common Share: Basic earnings / (loss) per common share are computed by dividing net income / (loss) available to common stockholders by the weighted average number of common shares

outstanding during the year. Diluted earnings per common share, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised.

s) Segmental Reporting: The Company has determined that it operates under one reportable segment, relating to its operations of the dry-bulk vessels. The Company reports financial information and evaluates the operations of the segment by charter revenues and not by the length of ship employment for its customers, i.e. spot or time charters. The Company does not use discrete financial information to evaluate the operating results for each such type of charter. Although revenue can be identified for these types of charters, management cannot and does not identify expenses, profitability or other financial information for these charters. As a result, management, including the chief operating decision maker, reviews operating results solely by revenue per day and operating results of the fleet. Furthermore, when the Company charters a vessel to a charterer, the charterer is free to trade the vessel worldwide and, as a result, the disclosure of geographic information is impracticable.

t) Fair Value Measurements: The Company classifies and discloses its assets and liabilities carried at the fair value in one of the following categories: Level 1: Quoted market prices in active markets for identical assets or liabilities; Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data; Level 3: Unobservable inputs that are not corroborated by market data.

u) Share Based Payments: The Company issues restricted share awards which are measured at their grant date fair value and are not subsequently re-measured. That cost is recognized over the period during which an employee is required to provide service in exchange for the award—the requisite service period (usually the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. Forfeitures of awards are accounted for when and if they occur. If an equity award is modified after the grant date, incremental compensation cost will be recognized in an amount equal to the excess of the fair value of the modified award over the fair value of the original award immediately before the modification.

v) Equity method investments: Investments in common stock in entities over which the Company exercises significant influence, but does not exercise control are accounted for by the equity method of accounting. Under this method, the Company records such an investment at cost and adjusts the carrying amount for its share of the earnings or losses of the entity subsequent to the date of investment and reports the recognized earnings or losses in income. Dividends received, if any, reduce the carrying amount of the investment. When the Company's share of losses in an entity accounted for by the equity method equals or exceeds its interest in the entity, the Company does not recognize further losses, unless the Company has made advances, incurred obligations and made payments on behalf of the entity. The Company also evaluates whether a loss in value of an investment that is other than a temporary decline should be recognized. Evidence of a loss in value might include absence of an ability to recover the carrying amount of the investment or inability of the investee to sustain an earnings capacity that would justify the carrying amount of the investment. The Company assessed the financial condition of Diana Containerships (Note 3(a)), the market conditions that could affect its operations in the near future and historical losses of its investment and as a result the Company recorded impairment in 2017 and 2016, which is included in Gain/(loss) from equity method investments in the accompanying statements of operations.

w) Going concern: Management evaluates, at each reporting period, whether there are conditions or events that raise substantial doubt about the Company's ability to continue as a going concern within one year from the date the financial statements are issued.

x) Financial Instruments, Recognition and Measurement: Equity securities with no determinable value, such as the Company's investment in Diana Containerships (Note 3) are recorded at their cost and they are assessed for impairment, in accordance with ASU 2016-01 Financial Instruments-Overall, Recognition and Measurement of Financial Assets and Financial Liabilities. The Company will continue to account its investment at cost minus impairment, if any, unless it determines that an observable transaction for a similar security took place, as determined in ASU 2018-03 Technical Corrections and Improvements to Financial Instruments – Overall. As at December 31, 2018 and 2017, based on the Company's qualitative assessment as of these dates, no impairment has been recognized.

y) Shares repurchased and retired: Company's shares repurchased for retirement, are immediately cancelled and the Company's share capital is accordingly reduced. Any excess of the cost of the shares over their par value is allocated in additional paid-in capital, in accordance with ASC 505-30-30, Treasury Stock.

Recent Accounting Pronouncements adopted

On January 1, 2018, the Company adopted ASU No. 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. On the same date, the Company adopted ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses". The amendments in this update clarify that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. The adoption of ASU No. 2016-13 and ASU No. 2018-19 did not have any effect in the Company's financial statements and disclosures.

On January 1, 2018, the Company adopted the ASU No. 2017-09, "Compensation — Stock Compensation (Topic 718), Scope of Modification Accounting", which clarifies and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation—Stock Compensation, to a change to the terms or conditions of a share-based payment award. The adoption of ASU 2017-09 did not have a material effect in the Company's financial statements.

On January 1, 2018, the Company adopted the provisions of ASU 2014-09 (Topic 606 – Revenue from Contracts with Customers), as amended from time to time, using the modified retrospective method to contracts that were in effect at January 1, 2018. The standard, outlines a single comprehensive model for entities to use in accounting for revenue from contracts with customers, supersedes most legacy revenue recognition guidance, and expands disclosure requirements. The core principle of the guidance in Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by applying the following five step method: (1) identify the contract(s) with a customer; (2) identify the performance obligations in each contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in each contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. The Company's time charter agreements were determined to contain a lease and were accounted for under ASC 842 as discussed below.

The prior period comparative information has not been restated for Topic 606 and continues to be reported under the accounting guidance in effect for those periods. Implementation of the new revenue standard did not have any impact on revenue recognition. There was no cumulative effect from the adoption of the new revenue standard to opening accumulated deficit as at January 1, 2018, and no impact on any of the line items reported in the Company's consolidated financial statements.

In the fourth quarter of 2018, the Company early adopted the ASU No. 2016-02, Leases (ASC 842), as amended from time to time, with adoption reflected as of January 1, 2018, the beginning of the Company's annual period in accordance with ASC 250, using the modified retrospective transition method. The Company elected to apply the additional and optional transition method to existing leases at the beginning of the period of adoption through a cumulative effect adjustment to the opening accumulated deficit as of January 1, 2018. The prior period comparative information has not been restated and continues to be reported under the accounting guidance in effect for those periods (ASC 840), including the disclosure requirements. Also, the Company elected to apply a package of practical expedients under ASC 842 which allowed the Company, as lessor, not to reassess (i) whether any existing contracts, on the date of adoption, contained a lease, (ii) lease classification of existing leases classified as operating leases in accordance with ASC 840 and (iii) initial direct costs for any existing leases. As all existing contracts with charterers, at January 1, 2018, are operating leases and as the Company did not account for initial direct costs related to existing leases at January 1, 2018, there were no amounts to be recorded as a cumulative effect adjustment to opening accumulated deficit on January 1, 2018. The Company did not have any material lease arrangements in which it was a lessee at the adoption date.

Additionally, the Company, as lessor, elected to apply the practical expedient, to not separate lease and associated non-lease components, and instead to account for each separate lease component and the associated non-lease components as a single component, as the criteria of the paragraphs ASC 842-10-15-42A through 42B are met (Note 2(p)). There was no cumulative effect from the adoption of the standard to opening accumulated deficit as at January 1, 2018, and no impact on any of the line items reported in the Company's consolidated financial statements.

Recent Accounting Pronouncements not yet adopted

On August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820)—Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement", which improves the effectiveness of fair value measurement disclosures. In particular, the amendments in this Update modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in FASB Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements, including the consideration of costs and benefits. The amendments in the Update apply to all entities that are required under existing GAAP, to make disclosures about recurring and non-recurring fair value measurements. ASU No. 2018-13 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied

retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of this Update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this Update and delay adoption of the additional disclosures until their effective date. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and related disclosures.

On October 2018, the FASB issued ASU No. 2018-17, "Consolidation (Topic 810)—Targeted Improvements to Related Party Guidance for Variable Interest Entities". The Board is issuing this Update in response to stakeholders' observations that Topic 810, Consolidation, could be improved in the following areas: i) applying the variable interest entity (VIE) guidance to private companies under common control, ii) considering indirect interests held through related parties under common control for determining whether fees paid to decision makers and service providers are variable interests. The amendments in this Update improve the accounting for those areas, thereby improving general purpose financial reporting. ASU No. 2018-17 is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019. All entities are required to apply the amendments in this Update retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. Early adoption is permitted. The Company is currently assessing the impact that adopting this new accounting guidance will have on its consolidated financial statements and related disclosures.

3. Investments in related parties

a) Diana Containerships Inc. (renamed to Performance Shipping Inc. in February 2019), or Diana Containerships: In 2017, the Company gradually sold all shares owned in the common stock of Diana Containerships, realizing an aggregate loss of $757 from the sale of such shares. For 2017 and 2016, the investment in Diana Containerships resulted in loss of $5,656 (including the loss from the sale of shares) and $56,465, respectively, of which $3,124 and $17,568, respectively was impairment, which was recorded based on Diana Containerships' market value on Nasdaq at the date of each impairment charge recognition. The loss and impairment are included in "Gain/(loss) from equity method investments" in the accompanying consolidated statements of operations. In 2016, DSI received dividends from Diana Containerships amounting to $96.

On May 30, 2017, the company acquired 100 shares of newly-designated Series C Preferred Stock, par value $0.01 per share, of Diana Containerships for $3,000 in exchange for a reduction of an equal amount in the principal amount of the Company's outstanding loan to Diana Containerships at that date (Note 4(b)). The Series C Preferred Stock has no dividend or liquidation rights and votes with the common shares of Diana Containerships, if any. Each share of the Series C Preferred Stock entitles the holder thereof to up to 250,000 votes, subject to a cap such that the aggregate voting power of any holder of Series C Preferred Stock together with its affiliates does not exceed 49.0%, on all matters submitted to a vote of the stockholders of Diana Containerships. The acquisition of shares of Series C Preferred Stock was approved by an independent committee of the Board of Directors of the Company. As at December 31, 2018 and 2017, the investment amounted to $3,000 for both periods and is included in "Investments in related parties".

b) Diana Wilhelmsen Management Limited, or DWM: DWM is a joint venture which was established on May 7, 2015 by Diana Ship Management Inc., a wholly owned subsidiary of DSI, and Wilhelmsen Ship Management

Holding Limited, an unaffiliated third party, each holding 50% of DWM. As at December 31, 2018, DWM provided management services to eight vessels of the Company's fleet (Note 4(d)) following the sale of the m/v *Triton* and m/v *Alcyon* in December 2018 (Note 5). The DWM office is located in Limassol, Cyprus. As at December 31, 2018 and 2017, the equity method investment in DWM amounted to $263 and $249, respectively, and is included in "Investments in related parties" in the accompanying consolidated balance sheets. For 2018, 2017 and 2016, the investment in DWM resulted in gain of $14, $49, and $88, respectively, and is included in "Gain/(loss) from equity method investments" in the accompanying consolidated statements of operations.

4. Transactions with related parties

a) Altair Travel Agency S.A. ("Altair"): The Company uses the services of an affiliated travel agent, Altair, which is controlled by the Company's CEO and Chairman of the Board. Travel expenses for 2018, 2017 and 2016 amounted to $2,253, $2,096 and $2,320, respectively, and are mainly included in "Vessels, net book value", "Vessel operating expenses" and "General and administrative expenses" in the accompanying consolidated financial statements. At December 31, 2018 and 2017, an amount of $63 and $162, respectively, was payable to Altair and is included in "Due to related parties" in the accompanying consolidated balance sheets.

b) Diana Containerships Inc. (renamed to Performance Shipping Inc. in February 2019), or Diana Containerships: On May 20, 2013, the Company entered into a five year unsecured loan of $50,000 with a subsidiary of Diana Containerships, drawn on August 20, 2013, for general corporate purposes and working capital. Following an amendment on September 9, 2015, the interest was set to LIBOR plus a margin of 3% per annum and a fixed fee of $200 would be payable on the maturity date. In addition, the borrower agreed to repay the principal amount of the loan on the last day of each interest period in amounts totalling $5,000 per annum, but not to exceed $32,500 in the aggregate. Following another amendment on August 24, 2016, the repayment of all outstanding principal amounts was deferred until a later date, the borrower was changed to another wholly-owned subsidiary of Diana Containerships and the interest rate of the deferral period increased to 3.35% per annum over LIBOR. On May 30, 2017, as discussed in Note 3(a), the loan was decreased by $3,000, in order to acquire the Series C Preferred Stock issued by Diana Containerships.

On June 30, 2017, DSI entered into a loan facility of $82,617 with Diana Containerships to refinance the existing loan amounting to $42,617 at that date (including the above mentioned fixed fee). The loan also provided for an additional $5,000 interest-bearing discount premium payable on the termination date, unless waived according to certain terms of the loan agreement. The loan was collected in full in July 2018, including the additional $5,000 interest-bearing discount premium. The loan bore interest at the rate of 6% per annum for the first twelve months, scaled to 9% until full repayment. The loan facility was secured by first preferred mortgages on Diana Containerships' vessels and included financial and other covenants. As at December 31, 2017 the loan had an outstanding balance of $82,660, including accrued interest and is separately presented in "Due from related parties" in the accompanying consolidated balance sheet.

For the years ended December 31, 2018, 2017 and 2016, interest and other income amounted to $7,055 (including the $5,000 additional discount premium), $3,855 and $1,692, respectively, and is included in "Interest and other income" in the accompanying consolidated statements of operations.

c) Steamship Shipbroking Enterprises Inc. or Steamship: Steamship is a company controlled by the Company's CEO and Chairman of the Board which provides brokerage services to DSI pursuant to a Brokerage Services Agreement for a fixed fee amended annually on each anniversary of the agreement. The agreement was amended in November 21, 2018, to increase the fee from October 1, 2018 until expiration of the agreement in March 2019. For 2018, 2017 and 2016, brokerage fees amounted to $1,850, $1,800 and $1,680, respectively, and are included in "General and administrative expenses" in the accompanying consolidated statements of operations. As of December 31, 2018 and 2017, there was no amount due to Steamship, included in "Due to related parties" in the accompanying consolidated balance sheets.

d) Diana Wilhelmsen Management Limited: As of December 31, 2018, DWM provided management services to eight vessels of the Company's fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues. Management fees for 2018, 2017 and 2016 amounted to $2,394, $1,883 and $1,464, respectively, and are separately presented as "Management fees to related party" in the accompanying consolidated statements of operations, whereas commercial fees amounted to $453, $260 and $124, respectively, and are included in "Voyage expenses" in the accompanying consolidated statements of operations. As at December 31, 2018 and 2017, there was an amount of $119 and $109, respectively, due to DWM, included in "Due to related parties" in the accompanying consolidated balance sheets.

5. Vessels, net book value

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

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2016	$ 1,987,419	$ (583,507)	$ 1,403,912
- Transfer from advances for vessels under construction and acquisition and other vessel costs	104,858	-	104,858
- Acquisitions, improvements and other vessel costs	67,787	-	67,787
- Vessel disposal	(15,349)	12,834	(2,515)
- Impairment charges	(877,484)	438,573	(438,911)
- Depreciation for the year	-	(81,553)	(81,553)
Balance, December 31, 2017	$ 1,267,231	$ (213,653)	$ 1,053,578
- Improvements and other vessel costs	2,573	-	2,573
- Vessel disposal	(41,213)	25,630	(15,583)
- Depreciation for the year	-	(49,165)	(49,165)
Balance, December 31, 2018	$ 1,228,591	$ (237,188)	$ 991,403

On January 4, 2017, the Company took delivery of Hull *H2548* named *San Francisco*, and Hull *H2549* named *Newport News*, which were under construction until then for an aggregate contract price of $95,400.

In April 2017, the Company acquired the vessels *Astarte, Electra* and *Phaidra* from unaffiliated third party sellers for an aggregate purchase price of $67,250. All three vessels were delivered in May 2017.

On July 25, 2017, the *Melite* run aground at Pulau Laut, Indonesia. Following this incident, on September 21, 2017, the owners served a notice of frustration of the voyage to the time-charterers and a notice of abandonment to the H&M and IV insurers as it was considered that the extent of damages and the estimated cost of repairs were such that the vessel constituted a constructive total loss. As of September 30, 2017, the vessel's net book value was reduced to its scrap value of $2,515 resulting in an impairment of $19,807 which is included in "Impairment loss", in the 2017 accompanying consolidated statement of operations. The vessel, which was insured for a value of $14,000 to H&M insurers, was sold to an unrelated third party at the recorded price in October 2017, and in November 2017, the Company received the balance of the insured value of the vessel amounting to $11,528, which is included in "Insurance recoveries, net of other loss" in the accompanying statement of operations.

As at December 31, 2017, the Company's estimated undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of certain vessels over their remaining useful lives and their eventual disposition was less than their carrying amount plus any unamortized dry-docking costs. The Company performed the exercise discussed above which resulted to recording an impairment on certain vessels' carrying value (Note 2). Accordingly, the Company recognized an aggregate impairment loss of $422,466, which is included in "Impairment loss" in the 2017 accompanying consolidated statement of operations of which $3,362 was written down from unamortized deferred drydocking costs. The fair value of the vessels was determined through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations which were based on last done deals of sale of vessels with similar characteristics, such as type, size and age.

In November 2018, the Company entered into two Memoranda of Agreement with two unrelated third party companies to sell the vessel *Triton*, for a total consideration of $7,350 and the vessel *Alcyon*, for a total consideration of $7,450. Both vessels were delivered to their new owners in December 2018. The vessels' total net book value at the date of sale amounted to $15,583. The aggregate loss from the vessels' sale, including unamortized deferred drydocking costs, amounted to $1,448 and is reflected in "Loss from sale of vessels" in the accompanying 2018 consolidated statement of operations.

6. Property and equipment, net

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

	Property and Equipment	Accumulated Depreciation	Net Book Value
Balance, December 31, 2016	$ 26,582	$ (3,468)	$ 23,114
- Additions in property and equipment	104	-	104
- Depreciation for the year	-	(568)	(568)
- Disposal of assets	(3)	3	-
Balance, December 31, 2017	$ 26,683	$ (4,033)	$ 22,650
- Additions in property and equipment	252	-	252
- Depreciation for the year	-	(477)	(477)
Balance, December 31, 2018	$ 26,935	$ (4,510)	$ 22,425

7. Long-term debt, current and non-current

The amount of long-term debt shown in the accompanying consolidated balance sheets is analyzed as follows:

	2018	2017
8.5% Senior Unsecured Notes	-	63,250
9.5% Senior Unsecured Bond	100,000	-
Secured Term Loans	434,850	541,543
Total debt outstanding	$ 534,850	$ 604,793
Less related deferred financing costs	(4,303)	(3,409)
Total debt, net of deferred financing costs	$ 530,547	$ 601,384
Less: Current portion of long term debt, net of deferred financing costs current	(96,434)	(60,763)
Long-term debt, net of current portion and deferred financing costs, non-current	$ 434,113	$ 540,621

8.5% Unsecured Senior Notes: On May 20, 2015, the Company offered $63,250 aggregate principal amount of 8.5% Senior Notes due 2020 (the "Notes"), including an overallotment, at the price of $25.0 per Note, pursuant to an approval obtained by a special committee of the Board of Directors. As part of the offering, the underwriters sold $12,750 aggregate principal amount of the Notes to, or to entities affiliated with, the Company's chief executive officer, Mr. Simeon Palios, and other executive officers and certain directors of the Company at the public offering price. On October 29, 2018, the Company completed the redemption of all of its outstanding 8.50% Senior Notes due 2020 which until then had traded on the NYSE under the ticker symbol "DSXN". The redemption price was equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest to, but excluding, the date of redemption. The Notes bore interest at a rate of 8.5% per year, payable quarterly in arrears on the 15th day of February, May, August and November of each year. The Notes included financial and other covenants, including maximum net borrowings and minimum tangible net worth.

9.5% Senior Unsecured Bond: On September 27, 2018, the Company issued a $100,000 senior unsecured bond (the "Bond") maturing in September 2023 and may issue up to an additional $25,000 of the Bond on one or more occasions. Entities affiliated with the Company's chief executive officer, Mr. Simeon Palios, and other executive officers and directors of the Company purchased $16,200 aggregate principal amount of the Bond. The Bond bears interest from September 27, 2018 at a US Dollar fixed-rate coupon of 9.50% and is payable semi-annually in arrears in March and September of each year. The Bond is callable in three years and includes financial and other covenants. The Bond is trading on the Oslo Stock Exchange under the ticker symbol "DIASH01".

Secured Term Loans: The Company, through its subsidiaries, has entered into various long term loan agreements with bank institutions to partly finance or, as the case may be, refinance part of the acquisition cost of certain of its fleet vessels. The loan agreements are repayable in quarterly or semi-annual installments plus one balloon installment per loan agreement to be paid together with the last installment and bear interest at LIBOR plus margin ranging from 1% to 3%. Their maturities range from January 2019 to January 2032. For 2018 and 2017, the weighted average interest rates of the secured term loans were 4.31% and 3.38%, respectively.

As at December 31, 2018, the Company had the following agreements with banks:

On October 22, 2009, the Company, through a wholly-owned subsidiary, entered into a $40,000 loan agreement with Bremer Landesbank ("Bremer") to partly finance the acquisition cost of the *Houston*. The loan is repayable in 40 quarterly installments of $900 each plus one balloon installment of $4,000 to be paid together with the last installment on November 12, 2019. The loan bears interest at LIBOR plus a margin of 2.15% per annum.

On October 2, 2010, the Company, through two wholly-owned subsidiaries, entered into a loan agreement with Export-Import Bank of China ("CEXIM Bank") and DnB NOR Bank ASA ("DnB") to finance part of the construction cost of the *Los Angeles* and the *Philadelphia*, for an amount of up to $82,600, of which $72,100 was drawn on delivery. The *Los Angeles* advance is repayable in 40 quarterly installments of approximately $628 each and a balloon of $12,332 payable together with the last installment on February 15, 2022. The *Philadelphia* advance is repayable in 40 quarterly installments of approximately $581 each and a balloon of $11,410 payable together with the last installment on May 18, 2022. The loan bears interest at LIBOR plus a margin of 2.50% per annum. Pursuant to an amendment of the loan agreement dated May 18, 2017, each of the individual banks were allowed to demand repayment in full of such bank's contribution in any or all advances on August 16, 2019. On March 1, 2019, the banks waived their right to exercise such a prepayment option.

On September 13, 2011, the Company through one wholly-owned subsidiary entered into a loan agreement with Emporiki Bank of Greece S.A. ("Emporiki") for a loan of up to $15,000 to refinance part of the acquisition cost of the *Arethusa*. On December 13, 2012, Bikar, the Company, DSS and Credit Agricole Corporate and Investment Bank ("Credit Agricole") entered into a supplemental loan agreement to transfer the outstanding loan balance, the ISDA master swap agreement and the existing security documents from Emporiki to Credit Agricole. The loan is repayable in 20 equal semiannual installments of $500 each and a balloon payment of $5,000 to be paid together with the last installment on September 15, 2021. The loan bears interest at LIBOR plus a margin of 2.5% per annum, or 1% for such loan amount that is equivalently secured by cash pledge in favor of the bank.

On May 24, 2013, the Company through two wholly-owned subsidiaries entered into a loan agreement with CEXIM Bank and DnB to finance part of the construction cost of *Crystalia* and *Atalandi* for an amount of up to $15,000 for each vessel, drawn on May 22, 2014. Each advance is repayable in 19 quarterly installments of $250 each and a balloon of $10,250 payable together with the last installment on February 22, 2019. The loan bears interest at LIBOR plus a margin of 3.0% per annum. In February 2019, the loan was repaid in full.

On January 9, 2014, the Company through two wholly-owned subsidiaries entered into a loan agreement with Commonwealth Bank of Australia, London Branch, for a loan facility of up to $18,000 to finance part of the acquisition cost of the *Melite* and *Artemis*. The loan bears interest at LIBOR plus a margin of 2.25%. The loan was drawn in two tranches, one of $8,500 assigned to *Melite* and one of $9,500 assigned *to Artemis*. Tranche A was repaid in full in October 2017, as a result of the sale of the vessel following its grounding incident (Note 5). Tranche B is repayable in 32 equal consecutive quarterly installments of $156 each and a balloon of $4,500 payable on January 13, 2022.

On December 18, 2014, the Company through two wholly-owned subsidiaries entered into a loan agreement with BNP Paribas (“BNP”), for a loan facility of up to $55,000 to finance part of the acquisition cost of the *G. P. Zafirakis* and the *P. S. Palios*, of which $53,500 was drawn. The loan bears interest at LIBOR plus a margin of 2%, and is repayable in 14 equal semi-annual installments of approximately $1,574 and a balloon of $31,466 payable on November 30, 2021.

On March 17, 2015, the Company, through eight separate wholly-owned subsidiaries, entered into a loan agreement with Nordea Bank AB, London Branch, for a secured term loan facility of up to $110,000 of which on March 19, 2015, the Company drew down $93,080 and repaid the then existing indebtedness with the bank. The loan is repayable in 24 equal consecutive quarterly installments of about $1,862 each and a balloon of about $48,402 payable together with the last installment on March 19, 2021. The loan bears interest at LIBOR plus a margin of 2.1%.

On March 26, 2015, the Company, through three wholly-owned subsidiaries, entered into a loan agreement with ABN AMRO Bank N.V. for a secured term loan facility of up to $53,000, to refinance part of the acquisition cost of the vessels *New York*, *Myrto* and *Maia*. On March 30, 2015, the Company drew down the amount of $50,160 under the loan facility, which is repayable in 24 equal consecutive quarterly installments of about $994 each and a balloon of $26,310 payable together with the last installment on March 30, 2021. The loan bears interest at LIBOR plus a margin of 2.0%.

On April 29, 2015, the Company, through one wholly-owned subsidiary, entered into a term loan agreement with Danish Ship Finance A/S for a loan facility of $30,000, drawn on April 30, 2015 to partly finance the acquisition cost of the *Santa Barbara*, which was delivered in January 2015. The loan is repayable in 28 equal consecutive quarterly installments of $500 each and a balloon of $16,000 payable together with the last installment on April 30, 2022. The loan bears interest at LIBOR plus a margin of 2.15%.

On July 22, 2015, the Company entered into a term loan agreement with BNP Paribas for a loan of $165,000 drawn on July 24, 2015. This loan, having a balance of $130,000 on July 16, 2018, was repaid in full with $75,000

of proceeds under a new loan agreement entered into with BNP Paribas on July 13, 2018 and with cash on hand. The original loan of $165,000 was repayable in 20 consecutive quarterly installments, the first eight installments in an amount of $2,500 each, followed by four installments in an amount of $5,000 each; eight installments in an amount of $7,000 each; and a balloon installment of $69,000 payable together with the last installment on July 24, 2020.The loan bore interest at LIBOR plus a margin of 2.35% per annum for the first two years; 2.3% per annum for the third year and 2.25% per annum until the final maturity of the loan. The new loan of $75,000, dated July 13, 2018, has a term of five years and is repayable in 20 consecutive quarterly installments of $1,562.5 and a balloon installment of $43,750 payable together with the last installment on July 16, 2023. The loan bears interest at LIBOR plus a margin of 2.3%.

On September 30, 2015, the Company, through two wholly-owned subsidiaries, entered into a term loan agreement with ING Bank N.V. for a loan of up to $39,683, available in two advances to finance part of the acquisition cost of the *New Orleans* and the *Medusa*. Advance A of $27,950 was drawn on November 19, 2015 and is repayable in 28 consecutive quarterly installments of about $466 each and a balloon installment of about $14,907 payable together with the last installment on November 19, 2022. Advance B of $11,733 was drawn on October 6, 2015 and is repayable in 28 consecutive quarterly installments of about $293 each and a balloon installment of about $3,520 payable together with the last installment on October 6, 2022. The loan bears interest at LIBOR plus a margin of 1.65%.

On January 7, 2016, the Company, through three wholly-owned subsidiaries, entered into a secured loan agreement with the Export-Import Bank of China for a loan of up to $75,735 in order to finance part of the construction cost of *Newport News*, *San Francisco* (Note 5) and Hull *DY6006*. The tranche for Hull *DY6006* was cancelled pursuant to a Deed of Release dated February 6, 2017, as a result of the cancelation of its shipbuilding contract on October 31, 2016. On January 4, 2017, the Company drew down $57,240. The loan is repayable in 60 equal quarterly instalments of $954 each by January 4, 2032 and bears interest at LIBOR plus a margin of 2.3%.

On March 29, 2016, the Company, through two wholly-owned subsidiaries, entered into a term loan agreement with ABN AMRO Bank N.V. for a loan of $25,755, drawn on March 30, 2016, to finance the acquisition cost of the *Selina* and the *Ismene*. The loan is payable in eight consecutive quarterly installments of $855 each and a balloon installment of $18,915 payable together with the last installment by June 30, 2019. The first repayment installment was repaid on September 30, 2017. The loan bears interest at LIBOR plus a margin of 3%.

On May 10, 2016, the Company, through one wholly-owned subsidiary, entered into a term loan agreement with DNB Bank ASA and the Export-Import Bank of China for a loan of $13,510, drawn on the same date, being the purchase price of the *Maera*. The loan is payable in seven equal consecutive quarterly installments of about $20 each, four equal consecutive quarterly installments of about $283 and a balloon of about $12,242 payable together with the last installment on January 4, 2019. The loan bears interest at LIBOR plus a margin of 3% per annum. According to the terms of the loan agreement, the Company prepaid an amount of $360 during 2018 which was deducted from the final balloon payment. In January 2019, the loan was repaid in full.

Under the secured term loans outstanding as of December 31, 2018, 33 vessels of the Company's fleet are mortgaged with first preferred or priority ship mortgages, having an aggregate carrying value of $813,387. Additional

securities required by the banks include first priority assignment of all earnings, insurances, first assignment of time charter contracts that exceed a certain period, pledge over the shares of the borrowers, manager's undertaking and subordination and requisition compensation and either a corporate guarantee by DSI (the "Guarantor") or a guarantee by the ship owning companies (where applicable), financial covenants, as well as operating account assignments. The lenders may also require additional security in the future in the event the borrowers breach certain covenants under the loan agreements. The secured term loans generally include restrictions as to changes in management and ownership of the vessels, additional indebtedness, as well as minimum requirements regarding hull cover ratio and minimum liquidity per vessel owned by the borrowers, or the guarantor, maintained in the bank accounts of the borrowers, or the guarantor. As at December 31, 2018 and 2017, the minimum cash deposits required to be maintained at all times under the Company's loan facilities, amounted to $24,000 and $25,000, respectively and is included in "Restricted cash" in the accompanying consolidated balance sheets. Furthermore, the secured term loans contain cross default provisions and additionally the Company is not permitted to pay any dividends following the occurrence of an event of default.

As at December 31, 2018 and 2017, the Company was in compliance with all of its loan covenants.

The maturities of the Company's debt facilities described above, as at December 31, 2018, and throughout their term, are shown in the table below:

Period		Principal Repayment
Year 1	$	97,521
Year 2		36,132
Year 3		138,744
Year 4		78,717
Year 5		152,254
Year 6 and thereafter		31,482
Total	$	534,850

8. Commitments and Contingencies

a) Various claims, suits, and complaints, including those involving government regulations and product liability, arise in the ordinary course of the shipping business. In addition, losses may arise from disputes with charterers, agents, insurance and other claims with suppliers relating to the operations of the Company's vessels. The Company accrues for the cost of environmental and other liabilities when management becomes aware that a liability is probable and is able to reasonably estimate the probable exposure.

The Company's vessels are covered for pollution in the amount of $1 billion per vessel per incident, by the P&I Association in which the Company's vessels are entered. The Company's vessels are subject to calls payable to their P&I Association and may be subject to supplemental calls which are based on estimates of premium income and anticipated and paid claims. Such estimates are adjusted each year by the Board of Directors of the P&I

Association until the closing of the relevant policy year, which generally occurs within three years from the end of the policy year. Supplemental calls, if any, are expensed when they are announced and according to the period they relate to.

b) As at December 31, 2018, all of the Company's vessels were fixed under time charter agreements. The minimum contractual gross charter revenue expected to be generated from fixed and non-cancelable time charter contracts existing as at December 31, 2018 and until their expiration was as follows:

Period		Amount
Year 1	$	131,917
Year 2		5,211
Total	**$**	**137,128**

9. Capital Stock and Changes in Capital Accounts

a) Preferred stock: As at December 31, 2018 and 2017, the Company's authorized preferred stock consists of 25,000,000 shares (all in registered form) of preferred stock, par value $0.01 per share, of which 1,000,000 are designated as Series A Participating Preferred Shares and 5,000,000 are designated as Series B Preferred Shares.

As at December 31, 2018 and 2017, the Company had 2,600,000 Series B Preferred Shares issued and outstanding with par value $0.01 per share, at $25.00 per share and with liquidation preference at $25.00 per share and zero Series A Participating Preferred Shares issued and outstanding. Holders of series B preferred shares have no voting rights other than the ability, subject to certain exceptions, to elect one director if dividends for six quarterly dividend periods (whether or not consecutive) are in arrears and certain other limited protective voting rights. Also, holders of series B preferred shares, rank prior to the holders of common shares with respect to dividends, distributions and payments upon liquidation.

Dividends on the Series B preferred shares are cumulative from the date of original issue and are payable on the 15th day of January, April, July and October of each year at the dividend rate of 8.875% per annum, or $2.21875 per share per annum. For 2018, 2017, and 2016, dividends on Series B preferred shares amounted to $5,769. At any time on or after February 14, 2019, the Company may redeem, in whole or in part, the series B preferred shares at a redemption price of $25.00 per share plus an amount equal to all accumulated and unpaid dividends thereon to the date of redemption, whether or not declared.

b) Common Stock: The Company's authorized capital stock consists of 200,000,000 shares (all in registered form) of common stock, par value $0.01 per share. The holders of the common shares are entitled to one vote on all matters submitted to a vote of stockholders and to receive all dividends, if any.

c) Offering of common shares: On April 26, 2017, the Company issued a total 20,125,000 common shares, at a price of $4.00 per share, in a public offering. As part of the offering, entities affiliated with Simeon Palios, the Company's Chief Executive Officer and Chairman, executive officers and certain directors, purchased an aggregate

of 5,500,000 common shares at the public offering price. The net proceeds from the offering after underwriting discounts and other offering expenses were $77,311.

d) Repurchase of common shares: In December 2018, the Company repurchased a total of 4,166,666 common shares, at a price of $3.60 per share, in a tender offer which commenced in November 2018. The total cost from the tender offer amounted to $15,157.

e) Incentive plan: In November 2014, the Company adopted the 2014 Equity Incentive Plan to issue awards to Key Persons in the form of (a) non-qualified stock, (b) stock appreciation rights, (c) restricted stock, (d) restricted stock units, (e) dividend equivalents, (f) unrestricted stock and (g) other equity-based or equity-related Awards for a maximum number of 5,000,000 shares of common stock. This number was increased to 13,000,000 on May 31, 2018, after an amendment of the plan. As at December 31, 2018, 9,124,759 remained reserved for issuance.

Restricted stock during 2018, 2017 and 2016 is analysed as follows:

	Number of Shares		Weighted Average Grant Date Price
Outstanding at December 31, 2015	2,764,312	$	8.27
Granted	2,150,000		2.26
Vested	(971,646)		8.67
Outstanding at December 31, 2016	3,942,666	$	4.89
Granted	1,310,000		3.95
Vested	(1,611,549)		5.46
Outstanding at December 31, 2017	3,641,117	$	4.30
Granted	1,800,000		3.82
Vested	(1,679,484)		4.38
Outstanding at December 31, 2018	3,761,633	$	4.04

The fair value of the restricted shares has been determined with reference to the closing price of the Company's stock on the date the agreements were signed. The aggregate compensation cost is being recognized ratably in the consolidated statement of operations over the respective vesting periods. For 2018, 2017 and 2016, an amount of $7,279, $8,232, and $8,313, respectively, was recognized in "General and administrative expenses" presented in the accompanying consolidated statements of operations.

At December 31, 2018 and 2017, the total unrecognized cost relating to restricted share awards was $10,106 and $10,509, respectively. At December 31, 2018, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 0.86 years.

f) Share Repurchase Agreement: On May 22, 2014, the Company's Board of Directors authorized a share repurchase plan for up to $100,000 worth of shares of the Company's common stock. During the years ended December 31, 2018 and 2017, the Company did not repurchase any shares.

10. Interest and Finance Costs

The amounts in the accompanying consolidated statements of operations are analyzed as follows:

		2018		2017		2016
Interest expense	$	28,299	$	24,978	$	19,523
Amortization of financing costs		1,939		1,455		1,503
Loan expenses		268		195		923
Total	$	30,506	$	26,628	$	21,949

Total interest on long-term debt for 2018, 2017 and 2016 amounted to $28,299, $24,991 and $21,009, respectively, of which $0, $13 and $1,486, respectively, were capitalized and included "Vessels, net book value", in the accompanying consolidated balance sheets.

11. Earnings/(loss) per Share

All common shares issued (including the restricted shares issued under the Company's incentive plans) are the Company's common stock and have equal rights to vote and participate in dividends. The calculation of basic earnings/(loss) per share does not treat the non-vested shares (not considered participating securities) as outstanding until the time/service-based vesting restriction has lapsed. For 2018, the denominator of the diluted earnings per share calculation includes 979,141 shares, being the number of incremental shares assumed issued under the treasury stock method weighted for the periods the non-vested shares were outstanding. For 2017 and 2016 and on the basis that the Company incurred losses, the effect of incremental shares would be anti-dilutive and therefore basic and diluted loss per share was the same.

Profit or loss attributable to common equity holders is adjusted by the amount of dividends on Series B Preferred Stock as follows:

		2018		2017		2016
Net income/(loss)	$	16,580	$	(511,714)	$	(164,237)
Less dividends on series B preferred shares	$	(5,769)	$	(5,769)	$	(5,769)
Net income/(loss) attributed to common stockholders		10,811		(517,483)		(170,006)
Weighted average number of common shares, basic		103,736,742		95,731,093		80,441,517
Incremental shares		979,141		-		-
Weighted average number of common shares, diluted		104,715,883		95,731,093		80,441,517
Earnings/(loss) per share, basic and diluted	$	0.10	$	(5.41)	$	(2.11)

12. Income Taxes

Under the laws of the countries of the companies' incorporation and / or vessels' registration, the companies are not subject to tax on international shipping income; however, they are subject to registration and tonnage taxes, which are included in vessel operating expenses in the accompanying consolidated statements of operations.

Pursuant to the Internal Revenue Code of the United States (the "Code"), U.S. source income from the international operations of ships is generally exempt from U.S. tax if the company operating the ships meets both of the following requirements, (a) the Company is organized in a foreign country that grants an equivalent exception to corporations organized in the United States and (b) either (i) more than 50% of the value of the Company's stock is owned, directly or indirectly, by individuals who are "residents" of the Company's country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States (50% Ownership Test) or (ii) the Company's stock is "primarily and regularly traded on an established securities market" in its country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States (Publicly-Traded Test).

Notwithstanding the foregoing, the regulations provide, in pertinent part, that each class of the Company's stock will not be considered to be "regularly traded" on an established securities market for any taxable year in which 50% or more of the vote and value of the outstanding shares of such class are owned, actually or constructively under specified stock attribution rules, on more than half the days during the taxable year by persons who each own 5% or more of the value of such class of the Company's outstanding stock, ("5 Percent Override Rule").

The Company and each of its subsidiaries expects to qualify for this statutory tax exemption for the 2018, 2017 and 2016 taxable years, and the Company takes this position for United States federal income tax return reporting purposes. However, there are factual circumstances beyond the Company's control that could cause it to lose the benefit of this tax exemption in future years and thereby become subject to United States federal income tax on its United States source income such as if, for a particular taxable year, other shareholders with a five percent or greater interest in the Company's stock were, in combination with the Company's existing 5% shareholders, to own 50% or more of the Company's outstanding shares of its stock on more than half the days during the taxable year.

The Company estimates that since no more than the 50% of its shipping income would be treated as being United States source income, the effective tax rate is expected to be 2% and accordingly it anticipates that the impact on its results of operations will not be material. The Company believes that it satisfies the Publicly-Traded Test and all of its United States source shipping income is exempt from U.S. federal income tax. Based on its U.S. source Shipping Income for 2018, 2017 and 2016, the Company would be subject to U.S. federal income tax of approximately $172, $136 and $80, respectively, in the absence of an exemption under Section 883.

13. Financial Instruments and Fair Value Disclosures

The carrying values of temporary cash investments, accounts receivable and accounts payable approximate their fair value due to the short-term nature of these financial instruments. The fair values of long-term bank loans approximate the recorded values, due to their variable interest rates. The fair value of the Bond (Note 7) having a

fixed interest rate amounted to $97,500 as of December 31, 2018, and was determined through the Level 1 input of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements based on the quoted price of the instrument on that date as provided by the selling bank.

The Company is exposed to interest rate fluctuations associated with its variable rate borrowings. Currently, the company does not have any derivative instruments to manage such fluctuations.

14. Subsequent Events

a) Series B Preferred Stock Dividends: On January 15, 2019, the Company paid a dividend on its series B preferred stock, amounting to $0.5546875 per share, or $1,442, to its stockholders of record as of January 14, 2019.

b) Series C Preferred Stock: On January 31, 2019, DSI issued 10,675 shares of its newly-designated Series C Preferred Stock, par value $0.01 per share, to an affiliate of its Chairman and Chief Executive Officer, Mr. Simeon Palios, for an aggregate purchase price of $1,066. The Series C Preferred Stock will vote with the common shares of the Company, and each share entitles the holder thereof to 1,000 votes on all matters submitted to a vote of the stockholders of the Company. The transaction was approved unanimously by a committee of the Board of Directors established for the purpose of considering the transaction and consisting of the Company's independent directors. The Series C Preferred Stock has no dividend or liquidation rights and cannot be transferred without the consent of the Company except to the holder's affiliates and immediate family members.

c) Sale of Vessels: On February 14 and February 15, 2019 the Company through two separate wholly-owned subsidiaries entered into two Memoranda of Agreement to sell the vessels Danae and Dione to two affiliated parties controlled by one Director each, for the purchase price of $7,200 each. The transaction was approved by disinterested directors of the Company and the agreed upon sale price was based, among other factors, on independent third-party broker valuations obtained by the Company. Danae is expected to be delivered to her new owners latest by June 28, 2019 and Dione by April 15, 2019.

d) Annual Incentive Bonus: On February 20, 2019 the Company's Board of Directors approved the grant of 2,000,000 shares of restricted common stock awards to executive management and non-executive directors, pursuant to the Company's 2014 equity incentive plan, as amended. The fair value of the restricted shares based on the closing price on the date of the Board of Directors' approval was $5,980 and will be recognized in income ratably over the restricted shares vesting period which will be 3 years.

e) Tender Offer: On February 27, 2019 the Company commenced a tender offer to purchase up to 5,178,571 shares of its outstanding common stock using funds available from cash and cash equivalents at a price of $2.80 per share, net to the seller, in cash, less any applicable withholding taxes and without interest. The tender offer is scheduled to expire on March 27, 2019.

f) New Loan Agreement: On March 5, 2019, the Company, through two wholly owned subsidiaries, entered into a $19,000 loan agreement with DNB Bank ASA, for the purpose of providing the borrowers with working capital. The loan will be available until March 20, 2019 and will be repayable in 20 consecutive quarterly instalments of $477.3 and a balloon of $9,454, latest by March 20, 2024.

Corporate Directory

Directors and Executive Officers

Symeon Palios
Chairman of the Board of Directors and Chief Executive Officer

Anastasios Margaronis
Director and President

Andreas Michalopoulos
Director, Chief Financial Officer and Treasurer

Ioannis Zafirakis
Director, Chief Strategy Officer and Secretary

Semiramis Paliou
Director and Chief Operating Officer

Maria Dede
Chief Accounting Officer

William Lawes
Non-Executive Director

Apostolos Kontoyannis
Non-Executive Director

Konstantinos Fotiadis
Non-Executive Director

Konstantinos Psaltis
Non-Executive Director

Kyriacos Riris
Non-Executive Director

Christos Sergios Glavanis
Non-Executive Director

Shareholder/Corporate Information
Any shareholder, investor, or analyst seeking further information may contact:

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Stock Listing
Diana Shipping Inc.'s stock is traded on the New York Stock Exchange under the symbol "DSX".

Diana Shipping Inc.'s Series B Cumulative Redeemable Perpetual Preferred Shares are traded on the New York Stock Exchange under the symbol "DSXPRB".

Diana Shipping Inc.'s Senior Unsecured Bonds due 2023 are traded on the Oslo Børs Stock Exchange under the symbol "DIASH01".

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Website

Press releases, fleet information, stock quotes, corporate investor information, and SEC filings can all be accessed on the company's website, www.dianashippinginc.com.

Diana Shipping Inc. Fleet List

Panamax Gearless Bulk Carriers		
Name of Vessel	Size (deadweight tons)	Year Built
Nirefs	75.311	2001
Oceanis	75.211	2001
Thetis	73.583	2004
Protefs	73.630	2004
Calipso	73.691	2005
Clio	73.691	2005
Naias	73.546	2006
Arethusa	73.593	2007
Erato*	74.444	2004
Coronis	74.381	2006
Melia	76.225	2005
Artemis	76.942	2006
Leto	81.297	2010
Selina	75.700	2010
Maera	75.403	2013
Ismene	77.901	2013
Crystalia	77.525	2014
Atalandi	77.529	2014
Kamsarmax Bulk Carriers		
Name of Vessel	Size (deadweight tons)	Year Built
Maia	82.193	2009
Myrsini	82.117	2010
Medusa	82.194	2010
Myrto	82.131	2013
Astarte	81.513	2013
Post-Panamax Bulk Carriers		
Name of Vessel	Size (deadweight tons)	Year Built
Alcmene	93.193	2010
Amphitrite	98.697	2012
Polymnia	98.704	2012
Electra	87.150	2013
Phaidra	87.146	2013
Capesize Bulk Carriers		
Name of Vessel	Size (deadweight tons)	Year Built
Norfolk	164.218	2002
Aliki	180.235	2005
Baltimore	177.243	2005
Salt Lake City	171.810	2005
Sideris GS	174.186	2006
Semirio	174.261	2007
Boston	177.828	2007
Houston	177.729	2009
New York	177.773	2010
Seattle	179.362	2011
P. S. Palios	179.134	2013
G. P. Zafirakis	179.492	2014
Santa Barbara	179.426	2015
New Orleans	180.960	2015
Newcastlemax Bulk Carriers		
Name of Vessel	Size (deadweight tons)	Year Built
Los Angeles	206.104	2012
Philadelphia	206.040	2012
San Francisco	208.006	2017
Newport News	208.021	2017

Builder	Classification Society
Samho Heavy Industries Co., Ltd.	Lloyd's Register
Samho Heavy Industries Co., Ltd.	Det Norske Veritas - Germanischer Lloyd
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas
Jiangnan Shipyard (Group) Co., Ltd.	Det Norske Veritas - Germanischer Lloyd
Jiangnan Shipyard (Group) Co., Ltd.	Det Norske Veritas - Germanischer Lloyd
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas
Hudong-Zhongua Shipbuilding (Group) Co., Ltd.	Bureau Veritas
Hudong-Zhongua Shipbuilding (Group) Co., Ltd.	Bureau Veritas
Tsuneishi Corp., Tadotsu	Nippon Kaiji Kyokai
Namura Shipbuilding Co., Ltd.	Nippon Kaiji Kyokai
Universal Shipbuilding Corp.	American Bureau of Shipping
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas
Jiangnan Shipyard (Group) Co., Ltd.	Det Norske Veritas - Germanischer Lloyd
Jiangnan Shipyard (Group) Co., Ltd.	Det Norske Veritas - Germanischer Lloyd /China Classification Society
Jiangnan Shipyard (Group) Co., Ltd.	Det Norske Veritas - Germanischer Lloyd/China Classification Society

Builder	Classification Society
Tsuneishi Shipbuilding Co., Ltd.	Nippon Kaiji Kyokai
Tsuneishi Shipbuilding Co., Ltd.	Bureau Veritas
Tsuneishi Shipbuilding Co., Ltd.	Nippon Kaiji Kyokai
Tsuneishi Shipbuilding Co., Ltd.	Nippon Kaiji Kyokai
Daewoo Shipbuilding & Marine Engineering Co. Ltd.	American Bureau of Shipping

Builder	Classification Society
Jiangsu New Yangzi Shipbuilding Co. Ltd.	Bureau Veritas
Tsuneishi Group (Zhoushan) Shipbuilding Inc.	Nippon Kaiji Kyokai
Tsuneishi Group (Zhoushan) Shipbuilding Inc.	Nippon Kaiji Kyokai
Hudong-Zhongua Shipbuilding (Group) Co., Ltd.	China Classification Society
Hudong-Zhongua Shipbuilding (Group) Co., Ltd.	American Bureau of Shipping

Builder	Classification Society
China Shipbuilding Corp., Kaohsiung Yard	Bureau Veritas
Imabari Shipbuilding, Saijo Shipyard	Nippon Kaiji Kyokai
Namura Shipbuilding Co., Ltd.	Nippon Kaiji Kyokai
Daewoo Shipbuilding & Marine Engineering Co. Ltd.	Bureau Veritas
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Bureau Veritas
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Bureau Veritas
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Bureau Veritas
Shanghai Waigaoqiao Shipbuilding Co., Ltd.**	Bureau Veritas
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	Bureau Veritas
Hyundai Heavy Industries Co., Ltd.	Nippon Kaiji Kyokai
Hyundai Heavy Industries Co., Ltd.	Bureau Veritas
Qingdao Beihai Shipbuilding Heavy Industry Co., Ltd.	Lloyd's Register
Qingdao Beihai Shipbuilding Heavy Industry Co., Ltd.	Lloyd's Register
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	American Bureau of Shipping

Builder	Classification Society
Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd.	Bureau Veritas/China Classification Society
Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd.	Bureau Veritas/China Classification Society
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas/China Classification Society
Jiangnan Shipyard (Group) Co., Ltd.	Bureau Veritas/China Classification Society

As of May 6, 2019
*Vessel sold and expected to be delivered to her new owners at the latest by June 10, 2019.
**Built jointly with Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd

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