

ANNUAL REPORT 2021



DIANA SHIPPING INC.®



Corporate Profile

Diana Shipping Inc. (NYSE: DSX) is a global provider of shipping transportation services. We specialize in the ownership and bareboat charter-in of dry bulk vessels. As of May 23, 2022 our fleet consists of 35 dry bulk vessels (4 Newcastlemax, 12 Capesize, 5 Post-Panamax, 6 Kamsarmax and 8 Panamax). As of the same date, the combined carrying capacity of our fleet is approximately 4.5 million dwt with a weighted average age of 10.32 years.

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

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

- We own and bareboat charter-in 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.



Diana Shipping Inc. Fleet List

Panamax Gearless Bulk Carriers

Name of Vessel	Size (deadweight tons)	Year Built
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
Leonidas P. C.	82.165	2011

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
Florida*	182.063	2022
Aliko	180.235	2005
Baltimore	177.243	2005
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

*Bareboat chartered-in.

**Built jointly with Shanghai Jiangnan-Changxing Shipbuilding Co., Ltd

Builder	Classification Society
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
Tsuneishi Shipbuilding Co. Ltd.	Nippon Kaiji Kyokai
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-Zhonghua Shipbuilding (Group) Co., Ltd.	China Classification Society
Hudong-Zhonghua Shipbuilding (Group) Co., Ltd.	American Bureau of Shipping
Builder	Classification Society
Namura Shipbuilding Co., Ltd	Nippon Kaiji Kyokai
Imabari Shipbuilding, Saijo Shipyard	Nippon Kaiji Kyokai
Namura Shipbuilding Co., Ltd.	Nippon Kaiji Kyokai
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.	China Classification Society
Qingdao Beihai Shipbuilding Heavy Industry Co., Ltd.	China Classification Society
Shanghai Waigaoqiao Shipbuilding Co., Ltd.	American Bureau of Shipping/China Classification Society
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

March 29, 2022

2021 ANUAL REPORT
OF DIANA SHIPPING INC.











DIANA SHIPPING INC.

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LETTER TO SHAREHOLDERS

I am pleased to report that 2021 was a year of strong performance and significant accomplishments for Diana Shipping Inc. The consistent and successful application of our strategy, along with improved market conditions, enabled the Company to increase profitability, further strengthen the balance sheet, lock-in positive cash flows from contracted charter activity, and take a number of actions to enhance shareholder value.

With respect to the financial results, net income for 2021 amounted to \$57.4 million and net income attributed to common stockholders amounted to \$51.6 million, which included a \$1.4 million gain on the sale of vessels and a \$15.3 million gain on the spin-off of OceanPal Inc. as described in more detail below. The 2021 results represented a significant turnaround from a net loss of \$134.2 million and net loss attributed to common stockholders of \$140.0 million in 2020, which included a \$104.4 million impairment loss and \$1.1 million loss on sale of vessels.

Time charter revenues rose to \$214.2 million for 2021, compared to \$169.7 million for 2020. The growth in time charter revenues was largely due to improved market conditions, as reflected in an increase in our daily average time charter equivalent (TCE) rate to \$15,759 in 2021 from \$10,910 in 2020. For the fourth quarter of 2021, the TCE rate rose even further, to \$21,364. Our chartering strategy has allowed us to secure more than \$225 million of contracted revenues for full year 2022 with 79% contracted coverage and more than \$60 million of contracted revenues for 2023 with 20% contracted coverage.

Enhancing Shareholder Value

The Company's progress during the year enabled us to take several actions to create and enhance shareholder value. On November 29, 2021, we completed the spin-off of 100% of the outstanding common stock of OceanPal Inc. to Diana Shipping Inc. common shareholders. The spin-off consisted of a distribution of one share of OceanPal Inc. common stock for every ten shares of Diana Shipping Inc. common stock. We believe the spin-off of OceanPal Inc. – which acquired three of our oldest vessels and is traded on the NASDAQ Capital Market as an independent company – rewarded and created value for our shareholders.

In late December, we successfully concluded a self-tender offer to repurchase approximately 3.5 million common shares of the Company at a price of \$4.25 per share. Two prior tender offers, to purchase approximately 6.0 million shares at \$2.50 per share, and approximately 3.3 million shares at \$4.50 per share, were completed in February and August of 2021, respectively. We believe these actions represent a strong vote of confidence in the long-term prospects of our Company.

Our strong profitability enabled Diana Shipping Inc. to declare an increased cash dividend of \$0.20 per share for the fourth quarter of 2021. This is double the \$0.10 cash dividend that was paid for the previous quarter and demonstrates our ability to pay attractive dividends on what we believe is a sustainable basis. The Board of Directors will continue to evaluate market and industry conditions, as well as the Company's performance, with respect to the declaration of potential future dividends.

Strengthening the Balance Sheet

As of December 31, 2021, the Company's cash, cash equivalents and restricted cash increased to \$126.8 million, a sharp

improvement from \$82.9 million a year earlier, primarily due to increased cash from operations, the sale of vessels, and several refinancing agreements.

Among our financing initiatives, in May 2021 we entered into a sustainability-linked loan facility with ABN AMRO Bank N.V. in the amount of \$91 million, with the proceeds used to refinance existing debt on several vessels and for general corporate purposes. We are especially proud that this facility is aligned with the Company's long-term sustainability goals. In June 2021, we announced the pricing of a \$125 million private placement of senior unsecured bonds maturing in June 2026, which were subsequently listed on the Oslo Stock Exchange. The bond offering proceeds were used to buy back or refinance higher-coupon senior unsecured bonds due 2023, as well as for general corporate purposes. Finally, in July 2021, we signed a supplemental loan agreement with Nordea Bank Abp, filial i Norge, to extend the repayment of an existing secured loan facility from March 2022 to March 2024, and to increase the loan facility by \$460,000.

Renewing Our Fleet

We continued our efforts to actively manage the Company's fleet in 2021, with a focus on maintaining a modern and diversified range of vessels, while monetizing and redeploying the value of older ships. Including the three older vessels acquired by OceanPal Inc., and the sale of the 2006-built Panamax dry bulk vessel m/v Naias in early 2021, we divested of four vessels during the year. On the other hand, we acquired two vessels, the 2011-built m/v Leonidas P. C., a Kamsarmax dry bulk vessel, which was delivered in February 2022, and the newbuilding m/v Florida, a Capesize dry bulk vessel, which was delivered in March 2022. Simultaneously with the delivery of m/v Florida, we entered into a sale and leaseback agreement with an unaffiliated Japanese third party, under which, the Company chartered-in the vessel under a bareboat agreement for a period of ten years at \$13,500 per day. At this writing, the Company's fleet consists of 35 vessels owned and chartered-in.

Maintaining Sound ESG Practices

As we noted in last year's Annual Report, as well as in our separate ESG Reports, Diana Shipping Inc. is committed to maintaining sound policies and practices with respect to environmental, social and governance (ESG) issues. Among the advances we have made in recent years, we have begun to apply a digital data-gathering system to provide information on the ESG performance and associated KPIs for our vessels. We also have continued our fleet renewal strategy to enhance energy efficiency and reduce emissions. Moreover, we have implemented cyber security measures and provided training to enhance the ESG fluency of our organization.

The sustainability-linked loan noted above is a clear demonstration of the great strides that the Company has made with respect to ESG matters. Reading our previously issued ESG reports along with the 2021 ESG report to be published later this year will enhance your understanding on the extent we strive to support our industry, our society and the environment. Our sponsorship to the Sailors' Society Wellness at Sea Awareness Campaign, which is helping to provide seafarers with the tools to cope with health and well-being issues, particularly in response to the impact of the pandemic and our sponsorship to the Hellenic Marine Environment Protection Association ("HELMPEPA"), which promotes safety at sea and the principles of sustainable development in the maritime community and wider society, are only a small example of what we do and will continue to do in the future.

Looking Ahead with Confidence

As we enter a new year, we must acknowledge that the devastating conflict in Ukraine, and its tragic impact on human lives, has created a climate of political and economic uncertainty. However, we believe that our markets remain resilient. Furthermore, we are confident that the strategy Diana Shipping Inc. has followed consistently since inception, has placed the Company in an excellent position to maximize our opportunities and enhance shareholder value.

On behalf of the board of Directors and the entire Diana Shipping Inc. team, let me say that we deeply appreciate the continued support of our shareholders and look forward to reporting on the Company's future progress.

Sincerely,



Semiramis Paliou
Director and Chief Executive Officer



MAERA
MAJURO
IMO 903277

FORWARD - LOOKING STATEMENTS

Matters discussed in this annual report and the documents incorporated by reference may constitute forward-looking statements. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. Forward-looking statements include, but are not limited to, statements concerning plans, objectives, goals, strategies, future events or performance, underlying assumptions and other statements, which are other than statements of historical facts.

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 the Company or on its behalf may include forward-looking statements, which reflect its current views with respect to future events and financial performance, and are not intended to give any assurance as to future results. When used in this document, the words "believe", "anticipate," "intends," "estimate," "forecast," "project," "plan," "potential," "will," "may," "should," "expect," "targets," "likely," "would," "could," "seeks," "continue," "possible," "might," "pending," and similar expressions, terms or phrases may 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 its records and other data available from third parties. Although the Company believes 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 its control, the Company cannot assure you that it will achieve or accomplish these expectations, beliefs or projections.

Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company is making investors aware that such forward-looking statements, because they relate to future events, are by their very nature subject to many important factors that could cause actual results to differ materially from those contemplated.

In addition to these important factors and matters discussed elsewhere herein, including under the heading "Item 3. Key Information—D. Risk Factors," and in the documents incorporated by reference herein, important factors that, in its view, could cause actual results to differ materially from those discussed in the forward-looking statements include, but are not limited to:

- > 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, including when caused by new newbuilding vessel orders or changes to or terminations of existing orders, and vessel scrapping levels;
- > changes in the Company's operating expenses, including bunker prices, crew costs, drydocking and insurance costs;
- > the Company's future operating or financial results;
- > availability of financing and refinancing and changes to the Company's financial condition and liquidity, including the Company's ability to pay amounts that it owes and obtain additional financing to fund capital expenditures, acquisitions and other general corporate activities and the Company's ability to obtain financing and comply with the restrictions and other covenants in the Company's financing arrangements;
- > changes in governmental rules and regulations or actions taken by regulatory authorities;
- > potential liability from pending or future litigation;
- > compliance with governmental, tax, environmental and safety regulation, any non-compliance with the U.S. Foreign Corrupt Practices Act of 1977 (FCPA) or other applicable regulations relating to bribery;

- > the impact on the Company's cash flows or results of operation resulting from the discontinuance of LIBOR after 2021 on interest rates of any of the Company's debt that reference London Interbank Offered Rate ("LIBOR"), including potential changes to the Company's loan agreements;
- > the failure of counter parties to fully perform their contracts with the Company;
- > the Company's dependence on key personnel;
- > adequacy of insurance coverage;
- > the volatility of the price of the Company's common shares;
- > the Company's incorporation under the laws of the Marshall Islands and the different rights to relief that may be available compared to other countries, including the United States;
- > general domestic and international political conditions or labor disruptions, including the impact of the conflict in Ukraine and any resulting international sanctions;
- > acts by terrorists or acts of piracy on ocean-going vessels;
- > the length and severity of the continuing novel coronavirus (COVID-19) outbreak and its impact in the dry-bulk shipping industry;
- > 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, including those factors discussed in "Item 3. Key Information- D. Risk Factors" in this Annual Report on Form 20-F and the New York Stock Exchange, or the NYSE.

This report may contain assumptions, expectations, projections, intentions and beliefs about future events. These statements are intended as forward-looking statements. The Company may also from time to time make forward-looking statements in other documents and reports that are filed with or submitted to the Commission, in other information sent to the Company's security holders, and in other written materials. The Company also cautions that assumptions, expectations, projections, intentions and beliefs about future events may and often do vary from actual results and the differences can be material. The Company undertakes no obligation to publicly update or revise any forward-looking statement contained in this report, whether as a result of new information, future events or otherwise, except as required by law.

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" and elsewhere in this annual report.

A. Operating results

Factors Affecting Our Results of Operations

We believe that our results of operations are affected by the following factors:

- (1) Average number of vessels is the number of vessels that constituted our fleet for the relevant period, as measured by the sum of the number of days each vessel was a part of our fleet during the period divided by the number of calendar days in the period.
- (2) Ownership days are 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.
- (3) Available days are 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.
- (4) Operating days are the number of 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.
- (5) 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.
- (6) Time charter equivalent rates, or TCE rates, are defined 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. Voyage expenses include port charges, bunker (fuel) expenses, canal charges and commissions. TCE rate is a non-GAAP measure, and management believes it is useful to investors because it 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 are generally expressed in such amounts.
- (7) Daily vessel operating expenses, which include crew wages and related costs, the cost of insurance, expenses relating to repairs and maintenance, the costs of spares and consumable stores, tonnage taxes and other miscellaneous expenses, are calculated by dividing vessel operating expenses by ownership days for the relevant period.

The following table reflects such factors for the periods indicated:

	As of and for the Year Ended December 31,		
	2021	2020	2020
Fleet Data:			
Average number of vessels (1)	36.6	40.8	45.0
Number of vessels at year-end	33.0	40.0	42.0
Weighted average age of vessels at year-end (in years)	10.4	10.2	9.5
Ownership days (2)	13,359	14,931	16,442
Available days (3)	13,239	14,318	16,192
Operating days (4)	13,116	14,020	15,971
Fleet utilization (5)	99.1 %	97.9 %	98.6 %
Average Daily Results:			
Time charter equivalent (TCE) rate (6)	\$ 15,759	\$ 10,910	\$ 12,796
Daily vessel operating expenses (7)	5,596	5,750	5,510

The following table reflects the calculation of our TCE rates for the periods presented:

	Year Ended December 31,		
	2021	2020	2020
(in thousands of U.S. dollars, except for TCE rates, which are expressed in U.S. dollars, and available days)			
Time charter revenues	\$ 214,203	\$ 169,733	\$ 220,728
Less: voyage expenses	(5,570)	(13,525)	(13,542)
Time charter equivalent revenues	<u>\$ 208,633</u>	<u>\$ 156,208</u>	<u>\$ 207,186</u>
Available days	13,239	14,318	16,192
Time charter equivalent (TCE) rate	\$ 15,759	\$ 10,910	\$ 12,796

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. Revenues derived from time charter agreements in 2021 were negatively affected by the sale of vessels during the year, but

the significant increase in charter rates resulted in increased revenues despite the decrease in ownership days. In the first quarter of 2022, we increased the size of our fleet as we took delivery of two vessels, one acquired and one chartered-in under a bareboat charter, however we expect the ownership days to be less compared to 2021. Despite the expected decrease in ownership days, as we have already fixed a significant part of our ownership days in 2022 under time charter agreements at increased rates compared to our average rate in 2021, we expect our revenues in 2022 to increase compared to 2021.

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, results 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 4.75% 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 2022, we expect our voyage expenses to increase compared to 2021, due to the expected increase in revenues. The effect of bunker prices cannot be determined, as a gain or loss from bunkers results mainly from the difference in the value of bunkers paid by the Company when the vessel is redelivered to the Company from the charterer under the vessel's previous time charter agreement and the value of bunkers sold by the Company when the vessel is delivered to a new charterer.

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 generally represent fixed costs. Vessel operating expenses have been reduced since 2019 due to the sale of vessels. For 2022, we expect our operating expenses to decrease further compared to 2021, as a result of the expected average decrease of the size of the fleet compared to 2021.

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. Since 2019, depreciation expense has been reduced due to the sale of vessels and impairment charges. During 2021, we sold four vessels in January, March and July of 2021 and in November 2021 we contributed to OceanPal the shares of three ship-owning companies, owning the vessels Calipso, Protefs and Salt Lake City. Three of the vessels sold in 2021 were held for sale since 2020, when we agreed to sell them. In 2020, we had agreed to sell two more vessels, for which their sales were concluded in 2020. In the first quarter of 2022, we took delivery of two vessels, a 2011 built Kamsarmax dry bulk vessel of 82,165 dwt, delivered on February 16, 2022 and a Capesize dry bulk vessel of 181,500 dwt, which was sold to an unrelated third party and leased back under a bare boat charter on March 29, 2022. For 2022, we expect depreciation expense to increase due to the addition of the two vessels in the fleet in the first quarter of 2022, having an increased value compared to the ones sold in 2021 and as such increased depreciation and we expect this increase to be partly offset by the decreased depreciation expense due to the sale of Naias, which was held for sale since March 2021 and the spin-off of OceanPal in November 2021.

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. During the last three years, our general and administrative expenses are at the same level with the exception of 2020 which increased due to an accelerated vesting of restricted stocks of board members who resigned and the shares which were awarded to them fully vested on the date of their resignation. For 2022, we expect our general and administrative expenses to remain at the same levels, as they are not affected by the size of the fleet. However, they are affected by the exchange rate of Euro to US Dollars, as about half of the administrative expenses are in Euro.

Interest and Finance Costs

We incur interest expense and financing costs in connection with vessel-specific debt and senior unsecured bonds. As at December 31, 2021 our aggregate debt amounted to \$431.8 million. While our bond has a fixed coupon, all of our loan agreements with our banks have a floating rate based on LIBOR plus a margin and we expect our interest cost to be affected by the expected discontinuance of LIBOR. As of the date of this report, we do not have any agreements to mitigate our exposure in interest rates and we have not made any agreements with our banks to replace LIBOR. As the rate to replace LIBOR is not known, we are not in a position to determine the effect of interest rates on our results of operations and cash flows and we expect to manage such exposure through our regular operating and financing activities. As interest rates have increased since the beginning of the year and up to the date of this annual report, we expect interest and finance costs in 2022 to increase, but this increase to be partly offset by decreased average debt.

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. 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;
- > the effects of COVID-19;
- > the war in the Ukraine; and
- > fluctuations in foreign exchange rates.

Results of Operations

Year ended December 31, 2021 compared to the year ended December 31, 2020

Time charter revenues. Time charter revenues increased by \$44.5 million, or 26%, to \$214.2 million in 2021, compared to \$169.7 million in 2020. The increase in time charter revenues was mainly due to increased average time charter rates that the Company achieved for its vessels, which increased to \$15,759 in 2021 from \$10,910 in 2020, representing a 44% increase. In addition to this, we achieved better utilization rate of 99.1%, compared to 97.9%. This increase was partly offset by decreased operating days in 2021 days compared to last year, resulting from the sale of four vessels, two in January, one in March and one in July of 2021, and the contribution to OceanPal of the shares of three ship-owning companies, owning the vessels Calipso, Protefs and Salt Lake City in November 2021, as well as the sale of two vessels in 2020. Operating days for the year ended December 31, 2021 were 13,116 compared to 14,020 for the same period of 2020.

Voyage expenses. Voyage expenses decreased by \$7.9 million, or 59%, to \$5.6 million in 2021 as compared to \$13.5 in 2020. This decrease was mainly due to gain on bunkers amounting to \$6.0 million in 2021 compared to \$3.7 million loss in 2020. The gain on bunkers was mainly due to the difference in the price of bunkers paid by the Company to the charterers on the redelivery of the vessels from the charterers under the previous charter party agreement and the price of bunkers paid by charterers to the Company on the delivery of the same vessels to their charterers under new charter party agreements. The decrease was partly offset by commissions, which is the main part of voyage expenses, and which in 2021 increased to \$10.8 million compared to \$8.3 million in 2020 due to the increase in revenues.

Vessel operating expenses. Vessel operating expenses decreased by \$11.0 million, or 13%, to \$74.8 million in 2021 compared to \$85.8 million in 2020. The decrease in operating expenses is attributable to the decrease in ownership days in 2021, which was due to the sale in 2021 of four vessels to unrelated third parties, the contribution of three vessels to OceanPal in November 2021 and the sale of two more vessels in 2020, as noted above. The decrease in operating expenses was partly offset by increased crew costs due to the COVID-19 restrictions encountered in various ports, which resulted in increased traveling and covid related costs. This caused daily average crew costs in 2021 to increase by 5% compared to 2020. Total daily operating expenses were \$5,596 in 2021 compared to \$5,750 in 2020, representing a 3% decrease.

Depreciation and amortization of deferred charges. Depreciation and amortization of deferred charges decreased by \$2.5 million, or 6%, to \$40.5 million in 2021, compared to \$43.0 million in 2020. This decrease was due to the fact that of the four vessels sold in 2021, three were held for sale since our agreements to sell those vessels in 2020 and the fourth vessel was held for sale since March 2021 although her sale

was completed in July 2021. Additionally, the vessels contributed to OceanPal in a spin-off were removed from the fleet in November 2021. Two more vessels were sold to unaffiliated third parties in March and August 2020, contributing also to decreased depreciation expense. This decrease due to depreciation was partly offset by an increase in the amortization of deferred cost as a result of the drydock cost incurred by 13 vessels having drydock surveys in 2020 and by four vessels in 2021.

General and administrative expenses. General and Administrative Expenses decreased by \$3.6 million, or 11%, to \$29.2 million in 2021 compared to \$32.8 million in 2020. The decrease is mainly due to the accelerated vesting of vested shares of board members who resigned in 2020 which increased the restricted stock expense by \$4.1 million in 2020. Additionally, payroll cost and directors and officers insurance decreased in 2021 compared to 2020.

Management fees to related party. Management fees to a related party amounted to \$1.4 million in 2021 compared to \$2.0 million in 2020. The decrease is attributable to decreased average number of vessels managed by DWM in 2021 compared to 2020, due to the sale of one vessel and the contribution of the three vessel-owning companies to OceanPal, which were all managed by DWM.

Vessel Impairment charges. While there was no Impairment in 2021, in 2020 vessel impairment charges amounted to \$104.4 million. This consisted of \$11.3 million resulting from the sale of vessels measured at the lower of their carrying value and fair value (sale price) less costs to sell which were classified as held for sale and \$93.3 million from the Company's estimated undiscounted projected net operating cash flows, expected to be generated by the use of nine vessels over their remaining useful lives and their eventual disposition being less than carrying amount of these vessels. Vessel impairment charges for 2020 were partly offset by a gain of \$0.2 million, following the withdrawal from the market, of the vessel Calipso, which as of December 31, 2019 was held for sale.

(Gain)/Loss on sale of vessels. Gain on sale of vessels amounted to \$1.4 million which resulted from the sale of Naias in 2021 compared to loss of \$1.1 million in 2020 which resulted from the sale of the vessels Norfolk and Arethusia in 2020.

Interest expense and finance costs. Interest and finance costs decreased by \$1.3 or 6% to \$20.2 million in 2021 compared to \$21.5 million in 2020. The decrease was primarily attributable to a decreased average interest rate resulting from our loan and bond agreements in 2021 which was 4.11% compared to 4.37% in 2020. This decrease was partly offset by the increase of the average outstanding balance of our debt between the two periods, mainly resulting from the refinancing of our 9.5% Bond. In 2021, we fully repurchased and redeemed our 9.5% Bond, which had an outstanding balance of \$92 million, and we issued \$125 million of nominal value of the 8.375% senior unsecured bond. Interest and other income. Interest and other income decreased by \$0.5 million, or 71%, to \$0.2 million in 2021 compared to \$0.7 million in 2020. The decrease is attributable to decreased deposit rates and was partly offset by accrued dividend income amounting to \$68,889, from the Company's investment in the Series C Preferred stock of OceanPal after its spin-off, recorded for the period from November 30 to December 31, 2021.

(Loss)/gain on extinguishment of debt. Loss on extinguishment of debt amounted to \$1.0 million in 2021 and was due to the repurchase and redemption of \$17.8 million of nominal value for \$18.5 million in September 2021 and \$0.3 million of written off financing costs relating to the redemption of the bond and other loan agreements which were prepaid in 2021 and refinanced under our \$91 million ABN sustainability linked loan. Gain on extinguishment of debt in 2020 amounted to \$0.4 million and was due to the repurchase of \$8 million of nominal value of our 9.5% Bond for \$7.5 million decreased by \$0.1 million of written off financing costs due to such repurchase.

Gain on spin-off of OceanPal Inc. In 2021, the gain of \$15.3 million was due to the spin-off of OceanPal in November 2021, pursuant to which, the Company contributed to OceanPal the shares of three ship-owning companies owning the vessels Protefs, Calipso and Salt Lake City. The gain represents the difference between the fair value of the assets contributed, amounting to \$48.1 million, and their carrying value consisting of \$30.3 million of vessel cost, \$2.0 million of assets contributed and \$0.5 million of unamortized deferred costs.

Loss on related party investments. In 2021, loss on related party investments, amounted to \$0.3 million, as compared to \$1.1 million in 2020 and relates to the loss in each year on our 50% interest in DWM.

Year ended December 31, 2020 compared to the year ended December 31, 2019

For a discussion of the year ended December 31, 2020 compared to the year ended December 31, 2019, please refer to "Item 5. Operating and Financial Review and Prospects" in our Annual Report on Form 20-F, for the year ended December 31, 2020 filed with the SEC on March 12, 2021.

B. Liquidity and Capital Resources

We finance our capital requirements with cash flow from operations, equity contributions from shareholders, long-term bank debt and

senior unsecured 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, repayments of bank loans and repurchase of our common stock.

As at December 31, 2021 and 2020, working capital, which is current assets minus current liabilities, including the current portion of long-term debt, amounted to \$60.5 million and \$43.1 million, respectively. The increase in working capital was mainly due to increased earnings in 2021 compared to 2020, resulted from the improvement in charter rates, as in 2021, we fixed our vessels at increased rates compared to the previous year. We also entered into several loan refinancing agreements with our banks to extend the loan maturities of loans which would become repayable in 2022 or 2023 to expire in 2024 and decrease our cash outflows. We refinanced our \$100 million 9.5% senior unsecured bond maturing in 2023 with our \$125 million 8.375% senior unsecured bond maturing in 2026, under which we were able to borrow more funds at reduced cost. In addition, we sold four of our older vessels in our fleet and incurred less expenditures in dry-dock surveys and vessel improvements compared to the prior year.

Cash and cash equivalents, including restricted cash, was \$126.8 million at December 31, 2021 and \$82.9 million as at December 31, 2020. Restricted cash mainly consists of the minimum liquidity requirements under our loan facilities. As at December 31, 2021 and 2020, restricted cash amounted to \$16.5 million and \$20.0 million, respectively. We consider highly liquid investments such as time deposits and certificates of deposit with an original maturity of around three months or less to be cash equivalents. Cash and cash equivalents are primarily held in U.S. dollars.

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased by \$72.5 million to \$89.7 million in 2021 compared to \$17.2 million in 2020. This increase in cash from operating activities was attributable to increased revenues as a result of better rates and better utilization rate for our vessels compared to 2020; lower voyage and operating expenses, due to the sale of vessels; and lower dry-docking costs, as four vessels had drydock surveys in 2021 compared to thirteen vessels in 2020.

Net Cash Provided by Investing Activities

Net cash provided by investing activities was \$13.4 million for 2021, which consists of \$17.4 million paid for vessel acquisitions and improvements due to new regulations; \$33.7 million of proceeds from the sale of four vessels in 2021; \$0.4 million investment in DWM; \$1.6 million relating to the acquisition of property and equipment and \$1 million contributed to OceanPal inc. in relation to the spin-off transaction.

Net Cash Used In Financing Activities

Net cash used in financing activities was \$59.2 million for 2021, which consists of \$101.3 million proceeds from issuance of long term debt and bond; \$93.2 million of indebtedness that we repaid; \$5.8 million and \$8.8 million of dividends paid on our Series B Preferred Stock and common stock, respectively; \$45.4 million paid for repurchase of common stock; and \$7.6 million of finance costs paid in relation to new loan agreements and bond.

Capital Expenditures

We make capital expenditures 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.

In February 2022, we took delivery of Leonidas P.C (ex Magnolia), which we had agreed to acquire for the purchase price of \$22.0 million. We funded the purchase price of the vessel with cash on hand. On March 29, 2022, we took delivery of Florida, which we had agreed to acquire for the purchase price of \$60.2 million. On the same date of delivery to us, we sold the vessel for \$50.0 million in a sale and leaseback transaction to an unrelated third party and since then the vessel is part of our operating fleet. From the sale and leaseback transaction of Florida, we received \$2.2 million, being the difference between the balance of the purchase price of \$47.4 million which was due on the vessels delivery, inventory onboard the vessel which we purchased and the \$50 million of the price we agreed to sell the vessel. In January and April 2022, we paid \$2.9 million as dividends on our preferred stock and in March 2022, we paid \$17.2 million as dividends on our common stock, all funded from cash on hand.

As of the date of this report, we do not have other capital expenditures for vessel acquisitions or constructions, but we expect to 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.

In the next twelve months, we will require capital to fund ongoing operations, vessel improvements to meet requirements under new regulations, debt service, the payment of our preferred dividends and the payment of our bareboat charter for Florida. As of the date of this annual report, we have contracted revenues covering around 79% of our ownership days in 2022, in time charter agreements having an average time charter rate above the one achieved in 2021, and we have also fixed around 20% of our ownerships days in 2023. We believe that contracted and anticipated revenues will result in internally generated cash flows and together with available cash, which at December 31, 2021 amounted to \$126.8 million, will be sufficient to fund such capital requirements. Should time charter rates remain at current levels as our time charter agreements are due for renewal during the year, we believe that we will be able to have sufficient funds to cover our capital expenditures in the long-term.

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

Demand for dry bulk vessel services is influenced by global financial conditions. Global financial markets and economic conditions have been, and continue to be, volatile. Our results of operations depend primarily on 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. In 2021, the BDI ranged from a low of 1,303 in February to a high of 5,650 in October to drop again at a low of 1,381 in January 2022. The BDI has since recovered from the January 2022 levels and closed at 2,115 on April 19, 2022. Although there can be no assurance that the dry bulk charter market will not decline further, as of the date of this annual report, we have fixed more than half of our fleet at rates above our 2021 TCE rate and consequently, we expect our revenues to increase.

Nevertheless, markets continue to be volatile due to COVID and the war in Ukraine and weak global economic conditions during periods of volatility have and may continue to have a number of adverse consequences for dry bulk shipping and other shipping sectors. The war in Ukraine has disrupted supply chains and caused instability in the energy markets and the global economy. The United States and the European Union, among other countries, have announced sanctions against Russia, including sanctions targeting the Russian oil sector. The price of oil and bunkers we use in our vessels, has increased significantly during the first quarter of 2022, due principally to the war in Ukraine and resulting disruption in the global energy markets. Higher prices for commodities like food and energy will push up inflation and will cause our expenses to increase. The effect of all these factors could have a negative impact on our operations and cash flows.

E. Critical Accounting Estimates

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.

Impairment of Vessels

Long-lived assets are reviewed for impairment whenever events or changes in circumstances (such as market conditions, obsolescence or damage to the asset, potential sales and other business plans) indicate that the carrying amount of an asset 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 an asset over its remaining useful life and its eventual disposition is less than its carrying amount, the Company evaluates the asset for impairment loss. Measurement of the impairment loss is based on the fair value of the asset, determined mainly by third party valuations.

For vessels, we calculate undiscounted projected net operating cash flows by considering the historical and estimated vessels' performance and utilization with the significant assumption being future charter rates for the unfixed days, using 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. The historical ten-year average rate used for the year ended December 31, 2021 to calculate undiscounted projected net operating cash flow was \$11,363 for Panamax, Kamsarmax and Post-Panamax vessels and \$15,543 for our Capesize and Newcastlemax vessels, compared to \$10,644 and \$14,789, respectively for the year ended December 31,

2020. Other assumptions used in developing estimates of future undiscounted cash flow are the charter rates calculated for the fixed days using the fixed charter rate of each vessel from existing time charters, the expected outflows for scheduled vessels' maintenance; vessel operating expenses; fleet utilization, and the vessels' residual value if sold for scrap. Assumptions are in line with our historical performance and our expectations for future fleet utilization under our current fleet deployment strategy. The difference between the carrying amount of the vessel plus unamortized deferred costs and their fair value is recognized in the Company's accounts as impairment loss. Although no impairment loss was identified or recorded in 2021, according to our assessment, the carrying value plus unamortized deferred cost of vessels for which impairment indicators existed as at December 31, 2021, was \$75.1 million.

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 plus unamortized deferred cost, even though we would not impair those vessels' carrying value under our accounting impairment policy. Based on: (i) the carrying value plus unamortized deferred cost of each of our vessels as of December 31, 2021 and 2020 and (ii) what we believe the charter-free market value of each of our vessels was as of December 31, 2021 and 2020, the aggregate carrying value of 2 and 29 of the vessels in our fleet as of December 31, 2021 and 2020, respectively, exceeded their aggregate charter-free market value by approximately \$6 million and \$149 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 reduce our net income or increase our loss if we sold all of such vessels at December 31, 2021 and 2020, 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 2 and 29 vessels would be sold at a price that reflects our estimate of their charter-free market values as of December 31, 2021 and 2020, respectively.

Vessel	Dwt	Year Built	Carrying Value plus unamortized deferred cost (in millions of US dollars)	
			2021	2020
1 Alcmene	93,193	2010	10.5	11.1
2 Aliko	180,235	2005	14.4	15.8 *
3 Amphitrite	98,697	2012	15.6	15.4
4 Artemis	76,942	2006	13.3	14.8 *
5 Astarte	81,513	2013	18.7	19.5 *
6 Atalandi	77,529	2014	17.2	18.0 *
7 Baltimore	177,243	2005	17.6	19.3 *
8 Boston	177,828	2007	16.6	17.5 *
9 Calipso	73,691	2005	-	7.9 *
10 Coronis	74,381	2006	-	6.9
11 Crystalia	77,525	2014	16.9	17.7 *
12 Electra	87,150	2013	13.8	14.5
13 G.P. Zafirakis	179,492	2014	23.9	24.8 *
14 Houston	177,729	2009	20.7	22.2 *
15 Ismene	77,901	2013	11.1	11.8
16 Leto	81,297	2010	14.7	15.8 *
17 Los Angeles	206,104	2012	24.2	24.8 *
18 Maera	75,403	2013	11.0	11.4
19 Maia	82,193	2009	14.0	15.1 *
20 Medusa	82,194	2010	14.2	15.4 *
21 Melia	76,225	2005	11.3	12.7 *
22 Myrsini	82,117	2010	16.4	17.8 *
23 Myrto	82,131	2013	18.2	19.2 *
24 Naias	73,546	2006	-	9.1 *
25 New Orleans	180,960	2015	35.0	36.7 *
26 New York	177,773	2010	15.5	16.5 *
27 Newport News	208,021	2017	43.6	45.2 *
28 Oceanis	75,211	2001	-	5.5
29 P.S. Palios	179,134	2013	36.9 *	38.8 *
30 Phaidra	87,146	2013	13.6	14.2
31 Philadelphia	206,040	2012	24.4	25.5 *
32 Polymnia	98,704	2012	15.9	15.7
33 Protefs	73,630	2004	-	9.2 *
34 Salt Lake City	171,810	2005	-	15.9 *
35 San Francisco	208,006	2017	44.5	45.3 *
36 Santa Barbara	179,426	2015	38.3 *	40.2 *
37 Seattle	179,362	2011	24.0	23.2 *
38 Selina	75,700	2010	10.1	10.9
39 Semirio	174,261	2007	15.7	16.5 *
40 Sideris GS	174,186	2006	-	11.3
Total	5,001,629		652	749

* Indicates dry bulk vessels for which we believe, as of December 31, 2021 and 2020, the charter-free market value was lower than the vessel's carrying value plus unamortized deferred cost. We believe that the aggregate carrying value plus unamortized deferred cost of these vessels exceeded their aggregate charter-free market value by approximately \$6 million and \$149 million, 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;
- > 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 in "Item 3. Key Information—D. Risk Factors", entitled "*The market values of our vessels could decline, which could limit the amount of funds that we can borrow and could trigger breaches of certain financial covenants contained in our 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." of our Form 20-F filed with the SEC on April 27, 2022.

Our impairment test exercise is sensitive to variances in the time charter rates. Our current analysis, which also involved a sensitivity analysis by assigning possible alternative values to this significant input, indicated that time charter rates would need to be reduced by 14% to result in impairment of individual long lived assets with indication of impairment. However, there can be no assurance as to how long charter rates and vessel values will remain at their current levels. If charter rates decrease and remain depressed for some time, it could adversely affect our revenue and profitability and future assessments of vessel 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	\$ 11,363	\$ 9,421
Capesize/Newcastlemax	\$ 15,543	\$11,609

It should be noted that as of December 31, 2021, only two of our Capsize vessels, having indication of impairment, would be affected by a reduction in time charter rates below the average break-even rate. Additionally, as time charter rates increased in 2021 compared to 2020, the use of the 1-year, 3-year and 5-year average blended rates would not have any effect on the Company's impairment analysis and as such on the Company's results of operations:

	1-year (period)	Impairment charge (in USD million)	3-years (period)	Impairment charge (in USD million)	5-years (period)	Impairment charge (in USD million)
Panamax/Kamsarmax/Post-Panamax	\$21,932	-	\$14,780	-	\$13,607	-
Capesize/Newcastlemax	\$24,537	-	\$18,236	-	\$17,369	-

Loan Facilities and Senior Unsecured Bond

As at December 31, 2021, we had \$431.8 million of long term debt outstanding under our facilities and Bond, under the agreements described below.

Secured Term Loans:

On December 18, 2014, two of our wholly-owned subsidiaries entered into a loan agreement with BNP for a loan facility of \$53.5 million to finance part of the acquisition cost of the *G. P. Zafirakis* and the *P. S. Palios* maturing on November 30, 2021. On June 29, 2020, the Company entered into a loan agreement to refinance the loan and extend its maturity to May 19, 2024. The loan is repayable in 14 equal semi-annual installments of approximately \$1.6 million and a balloon of \$23.6 million payable together with the last installment. The refinanced loan bears interest at LIBOR plus a margin of 2.5%, increased from a margin of 2% of the original loan.

On March 17, 2015, eight of our wholly-owned subsidiaries entered into a loan facility with Nordea for an amount of \$93.1 million,

maturing on March 19, 2021. On May 7, 2020, the Company entered into a new loan agreement to refinance the loan and extend its maturity to March 19, 2022. On July 29, 2021, the Company entered into a supplemental agreement with Nordea, pursuant to which the borrowers exercised their options to extend the loan maturity to March 2024 and to draw down an additional amount of \$460,000. The loan is repayable in equal consecutive quarterly installments of approximately \$1.9 million and a balloon of \$26.5 million, payable together with the last instalment. The loan bears interest at LIBOR plus a margin of 2.25%, increased from a margin of 2.1% of the original loan.

On March 26, 2015, three of our wholly-owned subsidiaries entered into a loan agreement with ABN AMRO Bank N.V., or ABN, for a secured term loan facility of up to \$53.0 million, maturing on March 30, 2021, 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. On June 27, 2019, two of our wholly-owned subsidiaries entered into a \$25.0 million term loan agreement with ABN, maturing June 28, 2024, to refinance the vessels *Selina*, *Ismene* and *Houston*. On May 22, 2020, we signed a term loan facility with ABN with the purpose to combine the two loans outstanding with ABN and extend the maturity of the first loan, maturing on March 30, 2021 to the maturity of the second loan, maturing on June 30, 2024. The first loan is repayable in equal consecutive quarterly installments of about \$1.0 million and a balloon of \$13.4 million payable together with the last instalment and bears interest at LIBOR plus a margin of 2.4% increased from a margin of 2.0% of the original loan. The second loan is payable in consecutive quarterly instalments of \$0.8 million each and a balloon installment of \$9 million payable together with the last installment June 28, 2024. The loan bears interest at LIBOR plus a margin of 2.25%.

On May 20, 2021, we, through six wholly owned subsidiaries, signed a \$91 million sustainability linked loan facility with ABN dated May 14, 2021, which was used to refinance existing loan agreements with other banks. The loan is repayable in 20 consecutive quarterly installments of \$3.4 million each and a balloon of \$23.2 million payable together with the last installment on May 20, 2026. The loan bears interest at LIBOR plus a margin of 2.15% per annum, which may be adjusted annually by maximum 10 basis points upwards or downwards, subject to the performance under certain sustainability KPIs.

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 loan is payable in 60 equal quarterly installments of about \$1.0 million each, the last of which is payable by January 4, 2032, and bears interest at LIBOR plus a margin of 2.3%.

On July 13, 2018, we entered into a loan agreement with BNP for a secured term loan facility of \$75 million. The 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 March 14, 2019, two of our wholly-owned subsidiaries entered into a term loan agreement with DNB Bank ASA for a loan of \$19.0 million, to refinance the loan of *Crystalia* and *Atalandi*, which was repaid in February 2019. The loan is repayable in 20 consecutive quarterly instalments of \$477,280 and a balloon of \$9.5 million payable together with the last installment on March 14, 2024. The loan bears interest at LIBOR plus a margin of 2.4%.

Under the secured term loans outstanding as of December 31, 2021, 30 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 at December 31, 2020 and 2021, and the date of this report, we were in compliance with all of our loan covenants.

As at the date of this report, 30 vessels were provided as collateral to secure our loan facilities.

Senior Unsecured Bond due 2026

On June 22, 2021, we issued a \$125 million senior unsecured bond maturing in June 2026. The bond ranks ahead of subordinated

capital and ranks the same with all other senior unsecured obligations of the Company other than obligations which are mandatorily preferred by law. The bond was offered to the investors of the 9.5% Bond, part of whom exchanged their bonds, including entities affiliated with executive officers and directors of the Company who exchanged their securities and participated with an aggregate principal amount of \$21 million. The bond pays interest from June 22, 2021 at a US Dollar fixed-rate coupon of 8.375% payable semi-annually in arrears in June and December of each year. The bond is callable in whole or in parts in June 2024 at a price equal to 103.35% of nominal value; between June 2025 to December 2025 at a price equal to 101.675% of the nominal value and after December 2025 at a price equal to 100% of nominal value. The bond includes financial and other covenants and is trading at Oslo Bors effective February 1, 2022.

As of December 31, 2021, 2020 and 2019 and as of the date of this annual report, we did not and have not designated any financial instruments as accounting hedging instruments.



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. Our Board of Directors consists of nine members and 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
Semiramis Paliou	47	Class III Director, Chief Executive Officer
Simeon Palios	80	Class I Director, and Chairman
Anastasios Margaronis	66	Class I Director and President Class
Ioannis Zafirakis	50	I Director, Chief Financial Officer, Chief Strategy Officer, Treasurer and Secretary
William (Bill) Lawes	78	Class II Director
Konstantinos Psaltis	83	Class II Director
Kyriacos Riris	72	Class II Director
Apostolos Kontoyannis	73	Class III Director
Konstantinos Fotiadis	71	Class III Director
Eleftherios Papatrifon	52	Chief Operating Officer
Maria Dede	49	Chief Accounting Officer

The term of our Class I directors expires in 2024, the term of our Class II directors expires in 2022, and the term of our Class III directors expires in 2023.

Mr. William Lawes has advised the Board that he will not seek re-election at the end of his three year term expiring at the Company's 2022 annual general meeting of shareholders. As previously announced in the Company's 2022 annual shareholder meeting proxy statement, attached as an exhibit to the Company's report on form 6K dated April 11, 2022 and available at the SEC's EDGAR website.

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.

Semiramis Paliou has served as a Director since March 2015. She has served as Chief Executive Officer, Chairperson of the Executive Committee and a member of the Sustainability Committee since March 1, 2021. She previously served as Deputy Chief Executive Officer of the Company from October 2019 until February 2021. Ms. Paliou also served as member of the Executive Committee and the Chief Operating Officer of the Company from August 2018 until February, 2021. Mrs. Paliou also serves as Chief Executive Officer of Diana Shipping Services S.A. She has served as a Director of OceanPal Inc. since April 2021. Mrs. Paliou is the Chairperson of the Board of Directors and of the Executive Committee of OceanPal Inc. since November 2021. From November 2018 to February 2020 Ms. Paliou also served as Chief Operating Officer of Performance Shipping Inc. Mrs. Paliou has over 20 years of experience in shipping operations, technical management and crewing. Ms. 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. Ms. Paliou obtained her BSc in Mechanical Engineering from Imperial College, London and her MSc in Naval Architecture from University College, London. Ms. Paliou completed courses in "Finance for Senior Executives", in "Authentic Leader Development" and a certificate program on "Sustainable Business Strategy" all at Harvard Business School. She is the daughter of Simeon Palios, the Company's Chairman, and is Vice-Chairperson of the Greek committee of Det Norske Veritas, a member of the Greek committee of Nippon Kaiji Kyokai and a member of the Greek committee of Bureau Veritas. Since March 2018, Ms. Paliou has served on the board of directors of the Hellenic Marine Environment Protection Association (HELMPEPA) and serves as the Chairperson since June 2020. As of June 2021, she serves as Vice-Chairperson of INTERMEPA. Also, she is a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited since November 2020 and as of February 2022 member of the Union of Greek Shipowners.

Simeon P. Palios has served as the Chairman of the Board of Directors of Diana Shipping Inc. since February 21, 2005 and as a Director since March 9, 1999, and served as the Company's Chief Executive Officer until February 2021. Mr. Palios also has served as the Chairman of the Board of Directors of Performance Shipping Inc. since January 13, 2010 until February 28, 2022 and served as Chief Executive Officer until October 2020. Mr. Palios also serves currently as the President of Diana Shipping Services S.A., our management company, which was formed in 1986. Mr. Palios was the founder of Diana Shipping Agencies S.A., where he served as Managing Director until November 2004, having the 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. Mr. Margaronis is a Deputy President of Diana Shipping Services S.A., where he also serves as a Director and Secretary. Mr. Margaronis is also member of the Executive Committee of the Company. 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. From January 2010 to February 2020 he served as Director and President of Performance Shipping Inc. 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 was a member of the board of directors of the United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited from October 2005 to October 2019. 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.

Mr. Ioannis Zafirakis has served as a Director and Secretary of the Company since February 2005 and Chief Financial Officer (Interim Chief Financial Officer until February, 2021) and Treasurer since February 2020 and he is also the Chief Strategy Officer of the Company. Mr. Zafirakis is also member of the Executive Committee of the Company. Mr. Zafirakis has held various executive positions such as Chief Operating Officer, Executive Vice-President and Vice-President. In addition, Mr. Zafirakis is the Chief Financial Officer of Diana Shipping Services S.A., where he also serves as Director and Treasurer. Also, he has served as a Director and Secretary of OceanPal Inc. since April 2021 and as the President and Interim Chief Financial Officer since November 2021. He is also member of the Executive Committee of OceanPal Inc. From June 1997 to February 2005, Mr. Zafirakis was employed by Diana Shipping Agencies S.A., where he held a number of positions in finance and accounting. From January 2010 to February 2020 he also served as Director and Secretary of Performance Shipping Inc., where he held various executive positions such as Chief Operating Officer and Chief Strategy Officer. 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.

Eleftherios (Lefteris) A. Papatrifon has served as the Chief Operating Officer of the Company and Diana Shipping Services S.A. since March 2021. Mr. Papatrifon participates on a non-voting basis in the Executive Committee of the Company. Also, he has served as a Director and Chief Executive Officer of OceanPal Inc. since November 2021. Mr. Papatrifon is a member of the Executive Committee of OceanPal Inc. He was Chief Executive Officer, Co-Founder and Director of Quintana Shipping Ltd, a provider of dry bulk shipping services, from 2010 until the company's successful sale of assets and consequent liquidation in 2017. Previously, for a period of approximately six years, he served as the Chief Financial Officer and a Director of Excel Maritime Carriers Ltd. Prior to that, Mr. Papatrifon served for approximately 15 years in a number of corporate finance and asset management positions, both in the USA and Greece. Mr. Papatrifon holds undergraduate (BBA) and graduate (MBA) degrees from Baruch College (CUNY). He is also a member of the CFA Institute and a CFA charterholder.

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. From December 2007 to March 2019, he

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 Chairperson of our Compensation Committee and a member of our Audit Committee since March 2005. Since March 2021, Mr. Kontoyannis also serves as the Chairperson of the Sustainability Committee of the Company. 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 and 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. from the completion of Performance Shipping Inc.'s private offering 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.

B. Compensation

Aggregate executive compensation (including amounts paid to Steamship) for 2021 was \$6.1 million. Since June 1, 2010, Steamship, a related party, as described in "Item 7. Major Shareholders and Related Party Transactions—B. Related Party Transactions" of our Form 20-F filed with the SEC on April 27, 2022 has provided to us brokerage services. Under the Brokerage Services Agreements in effect during 2021, fees for 2021 amounted to \$3.3 million and we also paid commissions for vessel sales amounting to \$0.7 million. We consider fees under these agreements to be part of our executive compensation due to the affiliation with Steamship.

Non-employee directors receive annual compensation in the amount of \$52,000 plus reimbursement of out-of-pocket expenses. In addition, each director serving as chairman of a committee receives additional annual compensation of \$26,000, plus reimbursement for out-of-pocket expenses with the exception of the chairman of the audit and compensation committee who receive annual compensation of \$40,000. Each director serving as member of a committee receives additional annual compensation of \$13,000, plus reimbursement for out-of-pocket expenses with the exception of the member of the audit committee who receives annual compensation of \$26,000, plus reimbursement for out-of-pocket expenses. For 2021, 2020 and 2019 fees and expenses of our non-executive directors amounted to \$0.5 million, \$0.4 million and \$0.5 million, respectively.

Since 2008 and until the date of this annual report, our board of directors has awarded an aggregate amount of 25,605,241 shares of restricted common stock, of which 21,422,156 shares were awarded to senior management, and 4,183,085 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, 1,314,000 shares awarded in 2014 which vested ratably over a period of six years until 2020 and

5,600,000 shares awarded in February 2021 which will vest ratably over a period of five years until 2026. The restricted shares are subject to forfeiture until they become vested. Unless they forfeit, 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 2021, compensation costs relating to the aggregate amount of restricted stock awards amounted to \$7.4 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 for 5,000,000 common shares, amended on May 31, 2018 to increase the common shares to 13,000,000 and further amended on January 8, 2021, referred to as "the Plan", to increase the number of common shares available for the issuance of equity awards by 20 million shares. Currently, 15,194,759 shares remain reserved for issuance under the Plan.

Under the Plan, the Company's employees, officers and directors are entitled to receive options to acquire the Company's common stock. The 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 Plan, the Company's Board of Directors is able to grant (a) non-qualified stock options, (b) stock appreciation rights, (c) restricted stock, (d) restricted stock units, (e) unrestricted stock, (f) other equity-based or equity-related awards, (g) dividend equivalents and (h) cash awards. No options or stock appreciation rights can be exercisable subsequent to the tenth anniversary of the date on which such Award was granted. Under the 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. No Awards may be granted under the Plan following the tenth anniversary of the date on which the Plan was adopted by the Board (i.e., January 8, 2031).

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 a Sustainability Committee as of February 18, 2021, comprised of Mrs. Semiramis Paliou (member) and Mr. Apostolos Kontoyannis (Chairman) which, as directed by its written charter, is responsible for Identifying, evaluating and making recommendations to the Board with respect to significant policies and performance on matters relating to sustainability, including environmental risks and opportunities, social responsibility and impact and the health and safety of all of our stakeholders.

We have established an Executive Committee comprised of the three directors, Mrs. Semiramis Paliou (Chairperson), Mr. Anastasios Margaronis (member), Mr. Ioannis Zafirakis (member), and Mr. Eleftherios Papatrifon (participating on a non-voting basis). 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 of December 31, 2021, 2020 and 2019. Since 2019, the number of seafaring personnel has been decreasing as a result of the sale of vessels in each year.

	Year Ended December 31,		
	2021	2020	2019
Shoreside	111	107	111
Seafaring	708	811	914
Total	819	918	1,025

E. Share Ownership

With respect to the total amount of common shares, Series B Preferred Shares and Series C 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." of our Form 20-F filed with the SEC on April 27, 2022.





DIANA SHIPPING INC.



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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 April 27, 2022 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Recoverability assessment of vessels held and used

Description of the matter

At December 31, 2021, the carrying value of the Company's vessels plus unamortized deferred costs was \$651,577 thousand, while the carrying value of the Company's vessels for which impairment indicators existed at December 31, 2021, plus unamortized deferred costs was \$75,059 thousand. As discussed in Note 2 (k) to the consolidated financial statements, the Company evaluates its vessels for impairment whenever events or changes in circumstances indicate that the carrying value of a vessel plus unamortized deferred costs may not be recoverable in accordance with the guidance in ASC 360 – Property, Plant and Equipment ("ASC 360"). If indicators of impairment exist, management analyzes the future undiscounted net operating cash flows expected to be generated throughout the remaining useful life of each vessel and compares it to the carrying value of the vessel plus unamortized deferred costs. Where a vessel's carrying value plus unamortized deferred costs exceeds the undiscounted net operating cash flows, management will recognize an impairment loss equal to the excess of the carrying value plus unamortized deferred costs over the fair value of the vessel.

Auditing management's recoverability assessment was complex given the judgement and estimation uncertainty involved in determining the future charter rates for non-contracted revenue days used in forecasting undiscounted net operating cash flows. These rates are subjective as they involve the development and use of assumptions about the dry-bulk shipping market through the end of the useful lives of the vessels. This assumption is forward looking and subject to the inherent unpredictability of future global economic and market conditions.

How we addressed the matter in our audit

We obtained an understanding of the Company's impairment process, evaluated the design, and tested the operating effectiveness of the controls over the Company's recoverability assessment of vessels held and used, including the determination of future charter rates for non-contracted revenue days.

We evaluated management's recoverability assessment by comparing the methodology used for each vessel against the accounting guidance in ASC 360. To test management's undiscounted net operating cash flow forecasts, our procedures included, among others, comparing the future vessel charter rates for non-contracted revenue days with external data such as available market data from various analysts and recent economic and industry changes, and internal data such as historical charter rates for the vessels. In addition, we performed sensitivity analyses to assess the impact of changes to future charter rates for non-contracted revenue days in the determination of the future undiscounted net operating cash flows. We tested the completeness and accuracy of the data used within the forecasts. We assessed the adequacy of the Company's disclosures in Notes 2 (k) and 5 to the consolidated financial statements.

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

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

Athens, Greece
April 27, 2022

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, 2021, 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, 2021, 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 the Company as of December 31, 2021 and 2020, 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, 2021, and the related notes and our report dated April 27, 2022 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
April 27, 2022

DIANA SHIPPING INC.

CONSOLIDATED BALANCE SHEETS

December 31, 2021 and 2020

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

	<u>2020</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents (Note 2(e))	\$ 110,288	\$ 62,909
Accounts receivable, trade	2,832	5,235
Due from related parties, net of provision for credit losses (Notes 2(y), 4(d) and 8(b))	952	1,196
Inventories (Note 2(g))	6,089	4,717
Prepaid expenses and other assets	5,484	7,243
Vessel held for sale (Note 5)	-	23,361
Total current assets	<u>125,645</u>	<u>104,661</u>
FIXED ASSETS:		
Advances for vessel acquisitions (Note 5)	16,287	-
Vessels, net (Note 5)	643,450	716,178
Property and equipment, net (Note 6)	22,842	21,704
Total fixed assets	<u>682,579</u>	<u>737,882</u>
OTHER NON-CURRENT ASSETS:		
Restricted cash (Notes 2(e) and 7)	16,500	20,000
Investments in related parties (Note 4(h))	7,644	-
Other non-current assets	1,455	719
Deferred charges, net (Note 2(m))	8,127	9,148
Total assets	<u>\$ 841,950</u>	<u>\$ 872,410</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of long-term debt, net of deferred financing costs, current (Note 7)	\$ 41,148	\$ 39,217
Accounts payable, trade and other	9,777	8,558
Due to related parties (Note 4(a), (d) and (h))	596	484
Accrued liabilities	7,878	10,488
Deferred revenue (Note 2(p))	5,732	2,842
Total current liabilities	<u>65,131</u>	<u>61,589</u>
Long-term debt, net of current portion and deferred financing costs, non-current (Note 7)	382,527	381,097
Other non-current liabilities	1,097	1,154
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 84,672,258 and 89,275,002 issued and outstanding at December 31, 2021 and 2020, respectively (Notes 9(e) and (g))	847	893
Additional paid-in capital	982,537	1,020,164
Accumulated other comprehensive income	71	69
Accumulated deficit	(590,286)	(592,582)
Total stockholders' equity	<u>393,195</u>	<u>428,570</u>
Total liabilities and stockholders' equity	<u>\$ 841,950</u>	<u>\$ 872,410</u>

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, 2021, 2020 and 2019

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES:			
Time charter revenues (Note 2(p))	\$ 214,203	\$ 169,733	\$ 220,728
OPERATING EXPENSES			
Voyage expenses (Notes 2(p) and 10)	5,570	13,525	13,542
Vessel operating expenses (Note 2(q))	74,756	85,847	90,600
Depreciation and amortization of deferred charges	40,492	42,991	48,904
General and administrative expenses	29,192	32,778	28,601
Management fees to related party (Note 4(d))	1,432	2,017	2,155
Vessel impairment charges (Note 5)	-	104,395	13,987
(Gain)/loss on sale of vessels (Note 5)	(1,360)	1,085	6,171
Other operating loss/(income), net	603	(230)	(854)
Operating income/(loss)	<u>\$ 63,518</u>	<u>\$ (112,675)</u>	<u>\$ 17,622</u>
OTHER INCOME / (EXPENSES):			
Interest expense and finance costs (Note 11)	(20,239)	(21,514)	(29,432)
Interest and other income	176	728	2,858
(Loss)/gain on extinguishment of debt (Note 7)	(980)	374	-
Gain on spin-off of OceanPal Inc. (Notes 2(aa), 3 and 4(h))	15,252	-	-
Loss on related party investments (Note 4(d))	(333)	(1,110)	(1,583)
Total other expenses, net	<u>\$ (6,124)</u>	<u>\$ (21,522)</u>	<u>\$ (28,157)</u>
Net income/(loss)	<u>\$ 57,394</u>	<u>\$ (134,197)</u>	<u>\$ 10,535</u>
Dividends on series B preferred shares (Notes 9 and 12)	(5,769)	(5,769)	(5,769)
Net income/(loss) attributed to common stockholders	<u>\$ 51,625</u>	<u>\$ (139,966)</u>	<u>\$ (16,304)</u>
Earnings/(loss) per common share, basic (Note 12)	<u>\$ 0.64</u>	<u>\$ (1.62)</u>	<u>\$ (0.17)</u>
Earnings/(loss) per common share, diluted (Note 12)	<u>\$ 0.61</u>	<u>\$ (1.62)</u>	<u>\$ (0.17)</u>
Weighted average number of common shares, basic (Note 12)	<u>81,121,781</u>	<u>86,143,556</u>	<u>95,191,116</u>
Weighted average number of common shares, diluted (Note 12)	<u>84,856,840</u>	<u>86,143,556</u>	<u>95,191,116</u>

DIANA SHIPPING INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

For the years ended December 31, 2021, 2020 and 2019

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

	2021	2020	2019
Net income/(loss)	\$ 57,394	\$ (134,197)	\$ (10,535)
Other comprehensive income/(loss) (Actuarial income/(loss))	2	(40)	(178)
Comprehensive income/(loss)	<u>57,396</u>	<u>(134,237)</u>	<u>(10,713)</u>

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, 2021, 2020 and 2019

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

	Preferred Stock Series B		Preferred Stock Series C		Preferred Stock Series D		Common Stock		Additional Paid-in Capital	(Loss)	(Accumulated Deficit)	Total Equity
	# of Shares	Par Value	# of Shares	Par Value	# of Shares	Par Value	# of Shares	Par Value				
BALANCE, December 31, 2018	2,600,000	\$ 26	-	\$ -	-	\$ -	103,764,351	\$ 1,038	\$ 1,062,645	\$ 287	\$ (436,312)	\$ 627,684
Net loss	-	\$ -	-	\$ -	-	\$ -	-	-	-	-	\$ (10,535)	\$ (10,535)
Issuance of Series C Preferred Stock (Note 9(c))	-	-	10,675	-	-	-	-	-	960	-	-	960
Issuance of restricted stock and compensation cost (Note 9(g))	-	-	-	-	-	-	2,000,000	20	7,561	-	-	7,581
Stock repurchased and retired (Note 9(e))	-	-	-	-	-	-	(14,571,012)	(146)	(49,533)	-	-	(49,679)
Dividends on series B preferred stock (Note 9(b))	-	-	-	-	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(178)	-	(178)
BALANCE, December 31, 2019	2,600,000	\$ 26	10,675	\$ -	-	\$ -	91,193,339	\$ 912	\$ 1,021,633	\$ 109	\$ (452,616)	\$ 570,064
Net loss	-	-	-	-	-	-	-	-	-	-	(134,197)	(134,197)
Issuance of restricted stock and compensation cost (Note 9(g))	-	-	-	-	-	-	2,200,000	22	10,489	-	-	10,511
Stock repurchased and retired (Note 9(e))	-	-	-	-	-	-	(4,118,337)	(41)	(11,958)	-	-	(11,999)
Dividends on series B preferred stock (Note 9(b))	-	-	-	-	-	-	-	-	-	-	(5,769)	(5,769)
Other comprehensive loss	-	-	-	-	-	-	-	-	-	(40)	-	(40)
BALANCE, December 31, 2020	2,600,000	\$ 26	10,675	\$ -	-	\$ -	89,275,002	\$ 893	\$ 1,020,164	\$ 69	\$ (592,582)	\$ 428,570
Net income	-	\$ -	-	\$ -	-	\$ -	-	-	-	-	\$ 57,394	\$ 57,394
Issuance of Series D Preferred Stock (Note 9(d))	-	-	-	-	400	-	-	-	254	-	-	254
Issuance of restricted stock and compensation cost (Note 9(g))	-	-	-	-	-	-	8,260,000	83	7,359	-	-	7,442
Stock repurchased and retired (Note 9(e))	-	-	-	-	-	-	(12,862,744)	(129)	(45,240)	-	-	(45,369)
Dividends on series B preferred stock (Note 9(b))	-	-	-	-	-	-	-	-	-	-	(5,769)	(5,769)
Dividends on common stock (Note 9(f))	-	-	-	-	-	-	-	-	-	-	(8,820)	(8,820)
OceanPal Inc. spin-off (Notes 2(a), 3 and 9(f))	-	-	-	-	-	-	-	-	-	-	(40,509)	(40,509)
Other comprehensive income	-	-	-	-	-	-	-	-	-	2	-	2
BALANCE, December 31, 2021	2,600,000	\$ 26	10,675	\$ -	400	\$ -	84,672,258	\$ 847	\$ 982,637	\$ 71	\$ (590,286)	\$ 393,195

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, 2021, 2020 and 2019

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

	2021	2020	2019
Cash Flows from Operating Activities:			
Net income/(loss)	\$ 57,394	\$ (134,197)	\$ (10,535)
Adjustments to reconcile net income/(loss) to net cash from operating activities:			
Depreciation and amortization of deferred charges	40,492	42,991	48,904
Asset Impairment loss (Note 5)	-	104,395	13,987
Amortization of financing costs (Note 11)	1,865	1,066	1,126
Compensation cost on restricted stock (Note 9(g))	7,442	10,511	7,581
Provision for credit loss (Notes 2(y) and 4(d))	300	-	-
Dividend income (Note 4(h))	(69)	-	-
Actuarial gain/(loss)	2	(40)	178
(Gain)/loss on sale of vessels (Note 5)	(1,360)	1,085	6,171
Loss/(gain) on extinguishment of debt (Note 7)	980	(374)	188
Gain on spin-off of OceanPal Inc. (Note 4(h))	(15,252)	-	-
Loss on equity method investments (Note 4(d))	333	1,110	1,583
(Increase) / Decrease in:			
Accounts receivable, trade	1,568	2,627	(4,914)
Due from related parties	(56)	(1,173)	(23)
Inventories	(1,581)	809	309
Prepaid expenses and other assets	1,759	1,967	(2,846)
Other non-current assets	(1,177)	(252)	(2,941)
Increase / (Decrease) in:			
Accounts payable, trade and other	1,219	(2,836)	321
Due to related parties	154	(31)	(97)
Accrued liabilities, net of accrued preferred dividends	(2,610)	(780)	(2,109)
Deferred revenue	2,890	310	(1,558)
Other non-current liabilities	(57)	168	143
Drydock costs	(4,531)	(10,122)	(5,230)
Net cash provided by Operating Activities	<u>\$ 89,705</u>	<u>\$ 17,234</u>	<u>\$ 49,882</u>
Cash Flows from Investing Activities:			
Payments for vessel improvements and vessel acquisitions (Note 5)	(17,393)	(6,001)	(2,804)
Proceeds from sale of vessels, net of expenses (Note 5)	33,731	15,623	41,326
Proceeds from sale of related party investment (Note 4)	-	1,500	-
Payments to joint venture (Note 4(d))	(375)	(500)	-
Investment in spin off subsidiary (Note 4(h))	(1,000)	-	-
Payments to acquire property and equipment (Note 6)	(1,600)	(138)	(125)
Net cash provided by Investing Activities	<u>\$ 13,363</u>	<u>\$ 10,484</u>	<u>\$ 38,397</u>
Cash Flows from Financing Activities:			
Proceeds from issuance of long-term debt (Note 7)	101,279	-	44,000
Proceeds from issuance of preferred stock, net of expenses (Note 9(d))	254	-	960
Payments of dividends, preferred stock (Note 9(b))	(5,769)	(5,769)	(5,769)
Payments of dividends, common stock (Note 9(f))	(8,820)	-	-
Payments for repurchase of common stock (Note 9(e))	(45,369)	(11,999)	(49,679)
Payments of financing costs (Note 7)	(7,594)	(567)	(357)
Repayments of long-term debt (Note 7)	(93,170)	(54,762)	(100,553)
Net cash used in Financing Activities	<u>\$ (59,189)</u>	<u>\$ (73,097)</u>	<u>\$ (111,398)</u>
Net increase/(decrease) in cash, cash equivalents and restricted cash	<u>43,879</u>	<u>(45,379)</u>	<u>(23,119)</u>
Cash, cash equivalents and restricted cash at beginning of the year	<u>82,909</u>	<u>128,288</u>	<u>151,407</u>
Cash, cash equivalents and restricted cash at end of the year	<u>\$ 126,788</u>	<u>\$ 82,909</u>	<u>\$ 128,288</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH			
Cash and cash equivalents	\$ 110,288	\$ 62,909	\$ 107,288
Restricted cash	16,500	20,000	21,000
Cash, cash equivalents and restricted cash	<u>\$ 126,788</u>	<u>\$ 82,909</u>	<u>\$ 128,288</u>
SUPPLEMENTAL CASH FLOW INFORMATION			
Non-cash investments (Note 5)	\$ 441	\$ 2,474	\$ -
Interest paid	\$ 19,608	\$ 21,397	\$ 28,554

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

DIANA SHIPPING INC.
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
December 31, 2021

(Expressed in thousands of U.S. Dollars – except share data, unless otherwise stated)

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 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 through the ownership of dry bulk carrier vessels. The Company operates its own fleet through Diana Shipping Services S.A. (or "DSS"), a wholly-owned subsidiary and through Diana Wilhelmsen Management Limited, or DWM, a 50% owned joint venture (Note 4). The fees paid to DSS are eliminated in consolidation.

On April 15, 2021, the Company established OceanPal Inc., or OceanPal, with the intention to transfer to OceanPal a portion of its fleet, and distribute OceanPal's common stock to the Company's shareholders as a dividend (the "Spin-off"). In particular, the Company transferred to OceanPal the below subsidiaries:

- (i) Cypres Enterprises Corp., a company incorporated in the Republic of Panama on September 7, 2000, owner of the 2004 built Panamax dry bulk carrier Protefs,
- (ii) Darien Compania Armadora S.A., a company incorporated in the Republic of Panama on December 22, 1993, owner of the 2005 built Panamax dry bulk carrier Calipso and
- (iii) Marfort Navigation Company Limited, a company incorporated in the Republic of Cyprus on August 10, 2007, owner of the 2005 built Capesize dry bulk carrier Salt Lake City,

The Spin-off was concluded on November 29, 2021 and OceanPal's shares commenced trading on November 30, 2021 on the Nasdaq Capital Market under the symbol "OP" (Note 3).

In 2020, the outbreak of the COVID-19 virus had a negative effect on the global economy and adversely impacted the international dry-bulk shipping industry into which the Company operates. Although in 2021, the dry bulk market improved significantly compared to 2020, as the situation continues to evolve, it is difficult to predict the long-term impact of the pandemic on the industry. Volatility and downturn may continue which may adversely impact our business. The Company is constantly monitoring the developing situation, as well as its charterers' response to the market and continuously evaluates its estimates and assumptions mainly relating to the valuation of its assets.

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. They also include the accounts of OceanPal until November 29, 2021 when OceanPal was deconsolidated following the Spin-off. 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 has identified it has variable interests in Diana Wilhelmsen Management Limited, but is not the primary beneficiary. 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.

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

DIANA SHIPPING INC.
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
December 31, 2021

(Expressed in thousands of U.S. Dollars – except share, per share data, unless otherwise stated)

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: The Company considers highly liquid investments such as time deposits, certificates of deposit and their equivalents with an original maturity of up to about three months 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).

f) Accounts Receivable, Trade: The amount shown as accounts receivable, trade, at each balance sheet date, includes receivables from charterers for hire from lease agreements, net of provisions for doubtful accounts, if any. At each balance sheet date, all potentially uncollectible accounts are assessed individually for purposes of determining the appropriate provision for doubtful accounts. The Company assessed its accounts receivable, trade and its credit risk relating to its charterers, following the outbreak of the COVID 19 and the effect that this could have on its accounts. No provision for doubtful accounts was established as of December 31, 2021 and 2020. The Company does not recognize interest income on trade receivables.

g) Inventories: Inventories consist of lubricants and victualling which are stated, on a consistent basis, 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. Amounts removed from inventory are also determined by the first in first out method. Inventories may also consist of bunkers when on the balance sheet date a vessel is without employment. 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.

h) 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.

i) Vessels held for sale: The Company classifies assets as being held for sale when the respective criteria are met. Long-lived assets or disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less cost to sell. These assets are not depreciated once they meet the criteria to be held for sale. The fair value less cost to sell of an asset held for sale is assessed at each reporting period it remains classified as held for sale. When the plan to sell an asset changes, the asset is reclassified as held and used, measured at the lower of its carrying amount before it was recorded as held for sale, adjusted for depreciation, and the asset's fair value at the date of the decision not to sell.

j) Property and equipment: The Company owns the land and building where its offices are located. The Company also owns part of a plot acquired for office use (Note 6). Land is stated at cost 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

DIANA SHIPPING INC.
NOTES TO CONSOLIDATE FINANCIAL STATEMENTS
December 31, 2021

(Expressed in thousands of U.S. Dollars – except share data, per share data, unless otherwise stated)

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 are reviewed for impairment whenever events or changes in circumstances (such as market conditions, obsolescence or damage to the asset, potential sales and other business plans) indicate that the carrying amount of an asset 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 an asset over its remaining useful life and its eventual disposition is less than its carrying amount, the Company evaluates the asset for impairment loss. Measurement of the impairment loss is based on the fair value of the asset, determined mainly by third party valuations.

For vessels, the Company calculates undiscounted projected net operating cash flows by considering the historical and estimated vessels' performance and utilization with the significant assumption being future charter rates for the unfixed days, using 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. Other assumptions used in developing estimates of future undiscounted cash flow are charter rates calculated for the fixed days using the fixed charter rate of each vessel from existing time charters, the expected outflows for scheduled vessels' maintenance; vessel operating expenses; fleet utilization, and the vessels' residual value if sold for scrap. Assumptions are in line with the Company's historical performance and its expectations for future fleet utilization under its current fleet deployment strategy. This calculation is then compared with the vessels' net book value plus unamortized deferred costs. The difference between the carrying amount of the vessel plus unamortized deferred costs and their fair value is recognized in the Company's accounts as impairment loss.

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 of these three years for which the rates were well above the average and which were not considered sustainable for the foreseeable future. Similarly, the Company performed the exercise discussed above, for 2019, by excluding the rates for the year 2010. The Company's impairment assessment resulted in the recognition of impairment on certain vessels' carrying value in 2019 and 2020 (Note 5). No impairment loss was identified or recorded in 2021, however, according to the Company's assessment, the carrying value of vessels for which impairment indicators existed as at December 31, 2021, plus unamortized deferred costs was \$75,059.

For property and equipment, 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 2021, 2020 and 2019 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) Deferred Costs: The Company follows the deferral method of accounting for dry-docking and special survey costs whereby actual costs incurred are deferred and are amortized on a straight-line basis over the period through the date the next survey is scheduled to become due. Unamortized deferred 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 (Note 5).

n) Financing Costs: Fees paid to lenders for obtaining new loans or refinancing existing ones accounted as loan modification are deferred and recorded as a contra to debt. Other fees paid for obtaining loan facilities not used at the balance sheet date are deferred. Fees

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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 or bonds repaid or repurchased or refinanced as debt extinguishment are written off in the period the repayment, prepayment, repurchase or extinguishment is made and included in the determination of gain/loss on debt extinguishment. Loan commitment fees are expensed 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. Revenues from time charter agreements providing for varying annual rates are accounted for as operating leases and thus recognized on a straight-line basis over the non-cancellable rental periods of such agreements, as service is performed. The charterer pays to third parties port, canal and bunkers consumed during the term of the time charter agreement, unless they are for the account of the owner, in which case they are included in voyage expenses. In addition to these voyage expenses, the Company pays commissions on time charter revenue, to both the charterer and to brokers and may also record a gain or loss from bunkers which results mainly from the difference in the value of bunkers paid by the Company when the vessel is redelivered to the Company from the charterer under the vessel's previous time charter agreement and the value of bunkers sold by the Company when the vessel is delivered to a new charterer. This gain/loss that results from the re-purchase/sale of bunkers discussed above is included in voyage expenses (Note 10). 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. In time charter agreements apart from the agreed hire rate, the Company may be entitled to an additional income, such as ballast bonus. Ballast bonus is paid by charterers for repositioning of the vessels. The Company analyzes terms of each contract to assess whether income from ballast bonus is accounted together with the lease component over the duration of the charter or as service component under ASC 606. Deferred revenue includes cash received prior to the balance sheet date for which all criteria to recognize as revenue have not been met.

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 engages in the operation of dry-bulk vessels which has been identified as one reportable segment. The operation of the vessels is the main source of revenue generation, the services provided by the vessels are similar and they all operate under the same economic environment. Additionally, the vessels do not operate in specific geographic areas, as they trade worldwide; they do not trade in specific trade routes, as their trading (route and cargo) is dictated by the charterers; and the Company does not evaluate the operating results for each type of dry bulk vessels (i.e. Panamax, Capesize etc.) for the purpose of making decisions about allocating resources and assessing performance.

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t) Fair Value Measurements: The Company classifies and discloses its assets and liabilities carried at 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 carrying value of an equity method investment is reduced to zero because of losses, the Company does not provide for additional losses unless it is committed to provide further financial support for the investee. As of December 31, 2021 and 2020, the Company's investment in DWM is classified as a liability because the Company absorbed such losses (Note 4(d)). 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.

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) Shares repurchased and retired: The 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.

y) Financial Instruments, credit losses: At each reporting date, the Company evaluates its financial assets individually for credit losses and presents such assets in the net amount expected to be collected on such financial asset. When financial assets present similar risk characteristics, these are evaluated on a collective basis. When developing an estimate of expected credit losses the Company considers available information relevant to assessing the collectability of cash flows such as internal information, past events, current conditions and reasonable and supportable forecasts. As of December 31, 2021, the Company assessed the financial condition of DWM, changed its estimate on the recoverability of its receivable due from DWM relating to the fine paid by the Company on behalf of DWM (Notes 4(d) and 8(b)) and determined that part of the amount may not be recoverable. As a result, the Company recorded an allowance for credit losses amounting to \$300, based on probability of default as there was no previous loss record. The amount is included in "Other expense/(income) in the accompanying 2021 statement of operations. No credit losses were recorded in 2020 and 2019.

z) Financial Instruments, Recognition and Measurement: According to ASC 321-10-35-2, an entity may elect to measure equity securities without a readily determinable fair value, that do not qualify for the practical expedient in ASC 820 Fair Value Measurement to estimate fair value using the NAV per share (or its equivalent), at its cost minus impairment, if any. If an entity identifies observable price changes in orderly transactions for the identical or a similar investment of the same issuer, it shall measure the equity security at fair value as of the date that the observable transaction occurred. The entity shall continue to apply this measurement until the investment does not qualify to be measured in accordance with this paragraph. The entity shall reassess at each reporting period whether the equity investment without a readily determinable fair value qualifies to be measured in accordance with this paragraph. If an entity measures an equity security in accordance with this paragraph, the entity may subsequently elect to measure the equity security at fair value. The election to measure those securities at fair value shall be irrevocable. Any resulting gains or losses on the securities for which that election is made shall be recorded in earnings at the time of the election. The Company has initially measured its investments on OceanPal's equity securities at their fair value on the Spin-off date and has elected to subsequently measure such

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investments in accordance with the paragraph ASC 321-10-35-2 (Note 4(h)).

aa) Non-monetary transactions: Under ASC 845-10-30-10 Nonmonetary Transactions, Overall, Initial Measurement, Nonreciprocal Transfers with Owners and ASC 505-60 Spinoffs and Reverse Spinoffs, a pro-rata spinoff of a consolidated subsidiary or equity method investee that meets the definition of a business under ASC 805 Business Combinations (ASC 805) is recognized at the carrying amount (after reduction, if applicable of impairment) of the nonmonetary assets distributed within equity and no gain or loss is recognized. If the pro-rata spinoff of a consolidated subsidiary or equity method investee does not meet the definition of a business under ASC 805, the nonreciprocal transfer of nonmonetary assets is accounted for at fair value, if the fair value of the nonmonetary asset distributed is objectively measurable and would be clearly realizable to the distributing entity in an outright sale at or near the time of the distribution, and the spinor recognizes a gain or loss for the difference between the fair value and book value of the spinnee. A transaction is considered pro rata if each owner receives an ownership interest in the transferee in proportion to its existing ownership interest in the transferor (even if the transferor retains an ownership interest in the transferee). In accordance with ASC 805 Business Combinations: Clarifying the Definition of a Business, if substantially all of the fair value of the gross assets distributed in a spinoff are concentrated in a single identifiable asset or group of similar identifiable assets, then the spinoff of a consolidated subsidiary does not meet the definition of a business. The Company evaluated the Spin-off (Note 3) and concluded that it was a pro rata distribution to the owners of the Company of shares of a consolidated subsidiary that does not meet the definition of a business under ASC 805 Business Combinations, as the fair value of the gross assets contributed to OceanPal was concentrated in a group of similar identifiable assets, the vessels. The Company also assessed that the fair value of the nonmonetary assets transferred to OceanPal was objectively measurable and clearly realizable to the transferor in an outright sale at or near the time of the distribution, and thus the Spin-off was measured at fair value and a gain for the difference between the fair value and book value of the OceanPal was recognized.

New Accounting Pronouncements - Not Yet Adopted

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting, which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform. ASU 2020-04 applies to contracts that reference LIBOR or another reference rate expected to be terminated because of reference rate reform. The amendments in this Update are effective for all entities as of March 12, 2020 through December 31, 2022. An entity may elect to apply the amendments for contract modifications by Topic or Industry Subtopic as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic, the amendments in this Update must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. An entity may elect to apply the amendments in this Update to eligible hedging relationships existing as of the beginning of the interim period that includes March 12, 2020 and to new eligible hedging relationships entered into after the beginning of the interim period that includes March 12, 2020. An entity may elect certain optional expedients for hedging relationships that exist as of December 31, 2022 and maintain those optional expedients through the end of the hedging relationship. The Company is exposed to LIBOR and LIBOR changes under its loan agreements with several banks. As of December 31, 2021, the Company used LIBOR and will continue to use LIBOR until it is discontinued, in which case it will be replaced by another rate to be agreed with the related banks. As the rate to be used is not known, the Company is not in a position to determine the effect on its results of operations and cash flows. The Company has not entered into any contract to limit any such exposure and does not currently have any contracts that have been changed to a new reference rate, but will continue to monitor and evaluate its contracts and the effects of this standard on its consolidated financial position, results of operations, and cash flows prior to adoption.

3. OceanPal Spin-off

On November 17, 2021, DSI and OceanPal entered into an amended and restated Contribution and Conveyance agreement whereas the mutual undertakings between the two parties in relation with the Spin-off transaction were finalized. More specifically, it was agreed that effective immediately prior to the Spin-off, DSI will contribute (i) all of three vessel-owning subsidiary shares to OceanPal as a capital contribution and (ii) and aggregate of \$1.0 million in cash as working capital in exchange for 500,000 of OceanPal's Series B Preferred Shares; 10,000 of OceanPal's Series C Convertible Preferred Shares; and 100% of the common shares of OceanPal to be issued and outstanding on the Spin-off with cancellation of the existing outstanding common shares. DSI would distribute all of the OceanPal common shares to its shareholders on a pro-rata basis as a special dividend.

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As part of the Contribution and Conveyance agreement DSI agreed to indemnify OceanPal for any and all obligations and other liabilities arising from or relating to the operation, management or employment of any of the three vessels owned by the vessel owning entities to be contributed, prior to the effective date of the Spin-off, and agreed to indemnify each vessel-owning subsidiary for any and all obligations and other liabilities arising from or relating to the operation, management or employment of the vessels owned by such vessel-owning subsidiaries prior to the effective date of the Spin-off. In addition, the two parties came to a mutual understanding that certain receivables of the vessel owning entities will not be contributed from DSI to OceanPal.

In connection with the Spin-off, the Company also entered into the following agreements:

A non-competition agreement with OceanPal pursuant to which DSI granted i) a right of first refusal over any opportunity available to DSI (or any of its subsidiaries) to acquire or charter-in any dry bulk vessel that is larger than 70,000 deadweight tons and that was built prior to 2006 and ii) a right of first refusal over any employment opportunity for a dry bulk vessel pursuant to a spot market charter presented or available to DSI with respect to any vessel owned or chartered in, directly or indirectly, by DSI.

A right of first refusal agreement with OceanPal pursuant to which DSI granted a right of first refusal over six drybulk carriers currently owned by DSI and identified in the agreement. Pursuant to this right of first refusal, OceanPal has the right, but not the obligation, to purchase one or all of the six identified vessels when and if DSI makes a determination to sell one or more of the vessels. OceanPal's right to purchase the vessel will be at a price equal to the fair market value of each vessel at the time of sale.

On November 29, 2021, the Company completed a pro rata distribution of the common stock of OceanPal to the Company's stockholders of record as of the close of business on November 3, 2021. Each of the Company's stockholders received one share of OceanPal Inc. common stock for each ten shares of the Company's common stock held as of the close of business on November 3, 2021.

As detailed in Note 2(aa), the Company evaluated the Spin-Off under ASC 505-60 Spinoffs and Reverse Spinoffs, ASC 805 Business Combinations, referring to the definition of a business, and ASC 845-10-30-10 Nonreciprocal Transfers with Owners and concluded that the transaction is a pro rata spin-off of a consolidated subsidiary that does not meet the definition of a business under ASC 805 Business Combinations, thus the transaction was accounted as a Nonreciprocal transfer with owners at fair value, since the criteria imposed by ASC 845 were met.

The distribution was recorded at fair values, as follows:

(amounts in thousands of US\$)	<u>Fair value</u>	<u>Book value</u>	<u>Gain</u>
	November 29, 2021		
Cash and cash equivalents	\$ 1,000	\$ 1,000	\$ -
Receivables	835	835	-
Inventories	209	209	-
Vessels, net (Note 5)	46,040	30,302	15,738
Unamortized deferred costs	-	486	(486)
Total assets contributed	<u>\$ 48,084</u>	<u>\$ 32,832</u>	<u>\$ 15,252</u>

The fair value of vessels was measured on the date of the Spin-off, on November 29, 2021, and was determined through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations which were based on the last done deals of sale of vessels, on a charter free basis, with similar characteristics, such as type, size and age at the specific dates. The carrying value of the remaining assets contributed approximated their fair value.

The fair value of the assets contributed, amounting to \$48,084, has been recorded as dividend in the Company's consolidated statement of stockholders' equity for the year ended December 31, 2021, and was partially offset by the fair value of 500,000 of OceanPal's Series B Preferred Shares and 10,000 of OceanPal's Series C Convertible Preferred Shares, issued by OceanPal to Diana in connection with the transaction, amounting to \$7,575 (Note 4(h)).

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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 Chairman of the Board. Travel expenses for 2021, 2020 and 2019 amounted to \$2,210, \$1,854 and \$2,032, 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, 2021 and 2020, an amount of \$138 and \$54, respectively, was payable to Altair and is included in "Due to related parties" in the accompanying consolidated balance sheets.

b) Performance Shipping Inc., or Performance Shipping: On May 30, 2017, the Company acquired 100 shares of Series C Preferred Stock, par value \$0.01 per share, of Performance Shipping, for \$3,000 in exchange for a reduction of an equal amount in the principal amount of the Company's outstanding loan to Performance Shipping at that date. The acquisition of shares of Series C Preferred Stock was approved by an independent committee of the Board of Directors of the Company. In February 2020, the Company received an offer from Performance Shipping to redeem the Series C Preferred Stock for an aggregate price of \$1,500, at which price the investment was written down at December 31, 2019 resulting to a loss of \$1,500 which is included in the 2019 "Loss on related party investments". The Company's Board of Directors formed a special committee to evaluate the transaction with the assistance of an independent financial advisor. The transaction was recommended by the special committee to the Board of Directors, which resolved to accept the offer. The transaction was concluded on March 27, 2020 with the receipt of the related funds from Performance Shipping. The Series C Preferred Stock had no dividend or liquidation rights and voted with the common shares of Performance Shipping, if any. Each share of the Series C Preferred Stock entitled 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 would not exceed 49.0%, on all matters submitted to a vote of the stockholders of Performance Shipping.

In November 2021, DSS acquired part of a land owned by Unitized Ocean Transport Limited, a subsidiary of Performance Shipping, for €1.1 million (Note 6).

c) Steamship Shipbroking Enterprises Inc. or Steamship: Steamship is a company controlled by the Company's Chairman of the Board which provides brokerage services to DSI for a fixed monthly fee plus commission on the sale of vessels, pursuant to a Brokerage Services Agreement, amended annually on April 1st of each year with the exception of an amendment on November 21, 2018, to increase the fee from October 1, 2018 until expiration of the agreement in March 2019. A new agreement was signed on April 1, 2019 for the same fees until July 1, 2020, when the agreement was amended as a new monthly fee was agreed between the parties for a duration of two years, until June 30, 2022. For 2021, 2020 and 2019 brokerage fees amounted to \$3,309, \$2,653 and \$1,998, respectively, and are included in "General and administrative expenses" in the accompanying consolidated statements of operations. For 2021 and 2020, commissions on the sale of vessels amounted to \$712 and \$576, respectively and are included in the calculation of impairment charge when the vessels were recorded at fair value less cost to sell, or the gain/loss on the sale of vessels. As of December 31, 2021 and 2020, there was no amount due to Steamship.

d) 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. The DWM office was located in Limassol, Cyprus and since March 2021 in Athens, Greece. Effective July 1, 2020 Wilhelmsen Ship Management Holding Limited, was replaced by Wilhelmsen Ship Management Holding AS, which assumed all the liabilities and obligations of the former company under the Joint venture agreement. During 2021 and 2020, each 50% shareholder of DWM contributed an amount of \$375 and \$500, respectively, as additional investment to DWM. In 2020, the equity method investment in DWM turned to a liability and as of December 31, 2021 and 2020 amounted to \$388 and \$430 and is included in "Due to related parties" in the accompanying consolidated balance sheets. In 2021, 2020 and 2019, the investment in DWM resulted in a loss of \$333, \$1,110 and \$83, respectively, and is included in "Loss on related party investments" in the accompanying consolidated statements of operations.

Until October 8, 2019, DWM provided management services to certain vessels of the Company's fleet for a fixed monthly fee and commercial services charged as a percentage of the vessels' gross revenues pursuant to management agreements between the vessels and DWM. From October 8, 2019 until May 24, 2021, all of the fleet vessels were managed by DSS and DSS outsourced the management of certain vessels to DWM. For the management services outsourced to DWM, DSS paid a fixed monthly fee per vessel and a percentage of those vessels' gross revenues. On May 24, 2021, the management of certain vessels was transferred to DWM directly, whereas the vessel

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owning companies of these vessels entered into new management agreements with DWM under which they pay a fixed monthly fee and a percentage of their gross revenues (commissions). Management fees paid to DWM in 2021, 2020 and 2019 amounted to \$1,432, \$2,017 and \$2,155, respectively, and are separately presented as "Management fees to related party" in the accompanying consolidated statements of operations. Commissions during the period from May 24, 2021 to December 31, 2021 and 2019 amounted to \$200 and \$353, respectively, and are included in "Voyage expenses" (Note 10). As at December 31, 2021 and 2020, there was an amount of \$1,252 and \$1,196 due from DWM, included in "Due from related parties" in the accompanying consolidated balance sheets (Note 8(b)). As of December 31, 2021, the amount due from related parties includes a provision of \$300 for credit losses (Note 2 (y)).

e) 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 Mr. Simeon Palios, for an aggregate purchase price of \$1,066. In September 2020, the Series C Preferred Shares were transferred from an affiliate of Mr. Simeon Palios to an affiliate of the Company's Chief Executive Officer, Mrs. Semiramis Paliou (Note 9).

f) Series D Preferred Stock: On June 22, 2021, the Company issued 400 shares Series D Preferred Stock, to an affiliate of its Chief Executive Officer, Mrs. Semiramis Paliou for an aggregate purchase price of \$360, or \$254 net of expenses (Note 9).

g) Sale and purchase of Bond by executives: On June 22, 2021, entities affiliated with executive officers and directors of the Company sold their bonds of the Company's 9.5% Senior Unsecured Bond and participated in the 8.375% Senior Unsecured Bond with an aggregate principal amount of \$21,000 (Note 7).

h) OceanPal Inc., or OceanPal: The Company is the holder of all of the issued and outstanding shares of Series B Preferred Shares and Series C Convertible Preferred Shares of OceanPal, or together the "OceanPal Shares" (Note 3). Series B preferred shares entitle the holder to 2,000 votes on all matters submitted to vote of the stockholders of the Company, provided however, that the total number of votes shall not exceed 34% of the total number of votes, provided further, that the total number of votes entitled to vote, including common stock or any other voting security, would not exceed 49% of the total number of votes.

Series C preferred shares do not have voting rights unless related to amendments of the Articles of Incorporation that adversely alter the preference, powers or rights of the Series C Preferred Shares or to issue Parity Stock or create or issue Senior Stock. Series C preferred shares are convertible into common stock at the Company's option commencing upon the first anniversary of the issue date, at a conversion price equal to the lesser of \$6.5 and the 10-trading day trailing VWAP of OceanPal's common shares, subject to adjustments. Additionally, Series C preferred shares have a cumulative preferred dividend accruing at the rate of 8% per annum, payable in cash or, at OceanPal's election, in kind and has a liquidation preference equal to the stated value of \$10,000.

As there was no observable market for the OceanPal Shares, at the Spin-Off the Series B preferred shares were recorded at their par value, or \$5, which the Company assessed was the fair value, and Series C preferred shares were recorded at \$7,570 (Note 14), being the fair value of the shares determined through Level 2 inputs of the fair value hierarchy by taking into consideration a third party valuation based on the income approach, taking into account the present value of the future cash flows the Company expects to receive from holding the equity instrument (Note 2(z)). As of December 31, 2021, the aggregate value of investments in OceanPal amounted to \$7,644, including \$69 of accrued dividends and are separately presented as "Investments in related parties" in the 2021 accompanying consolidated balance sheet. As of December 31, 2021, the Company did not identify any indications for impairment or any observable prices for identical or similar investments of the same issuer. Additionally, as of December 31, 2021, an amount of \$70 was due to OceanPal, included in "Due to related parties", resulting from amounts paid or received on behalf of OceanPal as a result of the Spin-Off.

5 Advances for vessel acquisitions and Vessels, net

Vessel Acquisitions

On July 15, 2021 the Company signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to acquire from an unaffiliated third party, a 2011 built Kamsarmax dry bulk vessel of 82,165 dwt, for a purchase price of \$22,000. The Company paid an amount of \$4,432, including 20% advance of the purchase price. The vessel was delivered on February 16, 2022 and the Company paid the balance

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of the purchase price together with bunkers and lubricants onboard the vessel (Notes 8(c) and 15).

On December 3, 2021, the Company signed, through a separate wholly-owned subsidiary, a Memorandum of Agreement to acquire from an unaffiliated third party, a Capesize dry bulk vessel of 181,500 dwt, being under construction, for a purchase price of \$59,275. The Company paid an amount of \$11,855, being 20% advance of the purchase price. The balance of the purchase price was paid on the vessel's delivery on March 29, 2022 (Notes 8(c) and 15).

Vessel Disposals

In December 2019, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Calipso*, for a sale price of \$7,275 before commissions. On the date of the agreement the vessel, having a carrying value of \$10,168 and unamortized deferred costs of \$10, was classified as held for sale and measured at the lower of its carrying value and fair value (sale price) less costs to sell, which resulted in impairment of \$3,048 included in "Vessel impairment charges" in the 2019 accompanying consolidated statement of operations.

In February 2020, the buyers of *Calipso* elected to exercise their right to cancel the contract as a result of the vessel's missing the cancelling date due to unforeseen events, unrelated to the condition of the vessel. Following this cancellation of the memorandum of agreement, on March 8, 2020, the vessel was withdrawn from the market as per management's decision and was recorded at its fair value at that date as held and used, according to the provisions of ASC 360, amounting to \$7,330. The vessel's fair value was determined through Level 2 inputs of the fair value hierarchy by taking into consideration a third party valuation which was based on the last done deals of sale of vessels with similar characteristics, such as type, size and age. The valuation of the vessel at fair value resulted in a gain of \$201 included in "Vessel impairment charges" in the 2020 accompanying consolidated statement of operations (Note 14).

On January 29, 2020, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Norfolk*, for a sale price of \$9,350 before commissions. In February 2020, the buyers of *Norfolk* elected to exercise their right to cancel the contract as a result of vessel's missing the cancelling date due to unforeseen events, unrelated to the condition of the vessel. On February 26, 2020, the Company signed a new Memorandum of Agreement to sell *Norfolk* to an unaffiliated third party for a sale price of \$8,750 before commissions, which resulted in a loss on sale of \$1,078 included in "Gain/(loss) on sale of vessels" in the 2020 accompanying consolidated statement of operations. The vessel was delivered to her new owners in March 2020.

Additionally in 2020, the Company through separate wholly-owned subsidiaries entered into Memoranda of Agreement to sell to unaffiliated third parties the vessel *Arethusa*, for a sale price of \$7,850 before commissions (Note 7), delivered to her new owners in August 2020; the vessel *Coronis*, for a sale price of \$7,100 before commissions, delivered to her new owners in January 2021; the vessel *Sideris G.S.*, for a sale price of \$11,500 before commissions; delivered to her new owners in January 2021; and the vessel *Oceanis*, for a sale price of \$5,750 before commissions, delivered to her new owners in March 2021.

At the date the MOAs were signed, all four vessels having an aggregate carrying value of \$41,881 and \$128 of unamortized deferred costs were measured at the lower of their carrying amount or fair value (sale price - Level 1 inputs of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements) less costs to sell, at their fair value of \$30,752 and were classified in current assets as vessels held for sale, according to the provisions of ASC 360, as all criteria required for this classification were then met. This resulted in an aggregate impairment of \$11,257, included in "Vessel impairment charges" in the 2020 accompanying consolidated statement of operations. Additionally, the Company recorded an aggregate loss on the sale of *Arethusa*, amounting to \$7 included in "(Gain)/loss on sale of vessels" in the 2020 accompanying consolidated statement of operations. At December 31, 2020, the vessels *Coronis*, *Sideris G.S.*, and *Oceanis* were separately presented as held for sale in the 2020 accompanying balance sheet (Note 14). The delivery of the vessels to their new owners resulted in an aggregate loss of \$204, included in "(Gain)/loss on sale of vessels" in the 2021 consolidated statement of operations.

On March 16, 2021, the Company through a separate wholly-owned subsidiary entered into a Memorandum of Agreement to sell to an unaffiliated third party the vessel *Naias*, for a sale price of \$11,250 before commissions. At the date of the agreement to sell the vessel, the vessel was measured at the lower of its carrying amount or fair value (sale price) less costs to sell, which was the vessel's carrying value at \$9,010, and was classified in current assets as vessel held for sale, according to the provisions of ASC 360, as all criteria required for this classification were met. The vessel was delivered to the buyer on July 30, 2021 and the sale of the vessel resulted in gain amounting to

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\$1,564, included in "(Gain)/loss on sale of vessels" in the 2021 consolidated statement of operations.

Impairment Loss - other

At December 31, 2019, the Company's estimated undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of three vessels (including the *Norfolk* mentioned above) over their remaining useful lives and their eventual disposition were less than their carrying amount of \$48,966 and \$1,033 of deferred costs. This resulted in impairment loss, net loss and net loss attributed to common stock holders of \$3,419, or \$0.04 per share, included in "Vessel impairment charges" in the 2019 accompanying consolidated statement of operations. The fair value of these vessels amounted to an aggregate of \$46,580, and for the two vessels was determined through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations and for *Norfolk* which was subsequently sold, the fair value was determined through Level 1 inputs of the fair value hierarchy.

At March 31, 2020, the Company's estimated undiscounted projected net operating cash flows, excluding interest charges, expected to be generated by the use of nine vessels of the Company's fleet over their remaining useful lives and their eventual disposition were less than their carrying amount of \$258,425 and \$1,343 of unamortized deferred costs. The exercise resulted in impairment loss, net loss and net loss attributed to common stockholders of \$93,338, or \$1.08 per share, included in "Vessel impairment charges" in the 2020 accompanying consolidated statement of operations. The fair value of these vessels, amounting to an aggregate of \$166,430, was determined through Level 2 inputs of the fair value hierarchy by taking into consideration third party valuations which were based on the last done deals of sale of vessels with similar characteristics, such as type, size and age (Note 14).

The amounts reflected in Vessels, net in the accompanying consolidated balance sheets are analyzed as follows:

	Vessel Cost	Accumulated Depreciation	Net Book Value
Balance, December 31, 2019	<u>\$ 1,096,534</u>	<u>\$ (214,237)</u>	<u>\$ 882,297</u>
- Additions for improvements	6,001	-	6,001
- Additions reclassified from other non-current assets	2,474	-	2,474
- Vessel transferred from held for sale	7,130	-	7,130
- Impairment	(199,605)	96,681	(102,924)
- Vessel disposals	(16,742)	34	(16,708)
- Vessel transferred to held for sale	(23,361)	-	(23,361)
- Depreciation for the year	-	(38,731)	(38,731)
Balance, December 31, 2020	<u>\$ 872,431</u>	<u>\$ (156,253)</u>	<u>\$ 716,178</u>
- Additions for improvements	1,106	-	1,106
- Additions reclassified from other non-current assets	441	-	441
- Vessel disposals	(16,120)	7,110	(9,010)
- Vessels contributed to OceanPal (Notes 1, 3 and 14)	(47,429)	17,127	(30,302)
- Depreciation for the year	-	(34,963)	(34,963)
Balance, December 31, 2021	<u>\$ 810,429</u>	<u>\$ (166,979)</u>	<u>\$ 643,450</u>

Vessel improvements mainly relate to the implementation of ballast water treatment and other works necessary for the vessels to comply with new regulations and be able to navigate to additional ports. As at December 31, 2021 and 2020, the additions to vessels' cost amounted to \$1,547 and \$8,475, respectively of which an amount of \$441 and \$2,474, respectively relates to equipment paid or pre-paid in the respective prior years but delivered on the vessels in the reported periods.

6. Property and equipment, net

In November 2021, DSS acquired the ownership interest of a land owned by Unitized Ocean Transport Limited by 1/3, to which DSS owned also 1/3, for the purchase price of €1.1 million. The total acquisition cost, including expenses and taxes amounted to \$1,358.

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

	Property and Equipment	Accumulated Depreciation	Net Book Value
Balance, December 31, 2019	\$ 27,060	\$ (4,983)	\$ 22,077
- Additions in property and equipment	138	-	138
- Depreciation for the year	-	(511)	(511)
Balance, December 31, 2020	\$ 27,198	\$ (5,494)	\$ 21,704
- Additions in property and equipment	1,600	-	1,600
- Depreciation for the year	-	(462)	(462)
- Write-off of obsolete equipment	(529)	529	—
Balance, December 31, 2021	\$ 28,269	\$ (5,427)	\$ 22,842

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:

	2021	2020
Senior Unsecured Bond	125,000	92,000
Secured Term Loans	306,843	331,056
Total debt outstanding	\$ 431,843	\$ 423,056
Less related deferred financing costs	8,168	(2,742)
Total debt, net of deferred financing costs	\$ 423,675	\$ 420,314
Less: Current portion of long term debt, net of deferred financing costs current	(41,148)	(39,217)
Long-term debt, net of current portion and deferred financing costs, non-current	\$ 382,527	\$ 381,097

9.5% Senior Unsecured Bond: On September 27, 2018, the Company issued a \$100,000 senior unsecured bond (the "Bond") maturing in September 2023 of which entities affiliated with executive officers and directors of the Company purchased \$16,200 aggregate principal amount of the Bond. The Bond was fully repurchased and retired on September 27, 2021 upon the exercise of the Company's call option pursuant to the Bond terms discussed below. The Bond bore interest at a US Dollar fixed-rate coupon of 9.50% which was payable semi-annually in arrears in March and September of each year. The Bond was callable in whole or in parts in three years at a price equal to 103.8% of nominal value; in four years at a price equal to 101.9% of the nominal value and in four and a half years at a price equal to 100% of nominal value. The Bond included financial and other covenants and was trading on the Oslo Stock Exchange under the ticker symbol "DIASH01". On July 7, 2020, the Company repurchased \$8,000 of nominal value of the Bond. On June 22, 2021, the Company refinanced \$74,200 of nominal value of the Bond at a price equal to 106.25% of nominal value, or \$78,838, with the new bond discussed below. The Company applied the debt modification guidance for the part of the transaction refinanced by existing investors amounting to \$73,400 and the debt extinguishment for the remaining \$800. An amount of \$5,272 consisting of the costs paid to the investors who participated in the refinancing and unamortized deferred fees were deferred over the term of the new bond and an amount of \$57 was recorded as loss on debt extinguishment. On September 27, 2021, the Company exercised the call option and redeemed the balance of the Bond at the price of 103.8%. In 2021 and 2020, the repurchase of the Bond resulted in loss of \$880 and gain of \$374, respectively, which is included in "(Loss)/gain on extinguishment of debt" in the consolidated statements of operations.

8.375% Senior Unsecured Bond: On June 22, 2021, the Company issued a \$125,000 senior unsecured bond (the "New Bond") maturing in June 2026. The New Bond ranks ahead of subordinated capital and ranks the same with all other senior unsecured obligations of the Company other than obligations which are mandatorily preferred by law. The New Bond was offered to the investors of the 9.5% Senior Unsecured Bond, part of whom exchanged their bonds with the New Bond, including entities affiliated with executive officers and directors of the Company who exchanged their securities and participated in the New Bond with an aggregate principal amount of \$21,000. The New Bond bears interest from June 22, 2021 at a US Dollar fixed-rate coupon of 8.375% and is payable semi-annually in arrears in June and December of each year. The New Bond is callable in whole or in parts in June 2024 at a price equal to 103.35% of nominal value; between June 2025 to December 2025 at a price equal to 101.675% of the nominal value and after December 2025 at a price equal to 100% of nominal

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value. The New Bond includes financial and other covenants and is trading at Oslo Stock Exchange under the ticker symbol "DIASH02" effective February 1, 2022. Debt issuance costs amounted to \$2,080.

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 2.15% to 2.5%. Their maturities range from July 2023 to January 2032. For 2021 and 2020, the weighted average interest rate of the secured term loans was 2.45% and 3.02%, respectively.

Under the secured term loans outstanding as of December 31, 2021, 30 vessels of the Company's fleet are mortgaged with first preferred or priority ship mortgages, having an aggregate carrying value of \$600,311. 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, 2021 and 2020, minimum cash deposits required to be maintained at all times under the Company's loan facilities, amounted to \$16,500 and \$20,000, respectively and are 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, 2021 and 2020, the Company had the following agreements with banks, either as a borrower or as a guarantor, to guarantee the loans of its subsidiaries:

Export-Import Bank of China and DnB NOR Bank ASA: On February 15, 2012, the Company drew down a first tranche of \$37,450, under a secured loan agreement, which 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. On May 18, 2012, the Company drew down, under the same agreement, a second tranche of \$34,640, which 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. The loan was prepaid in full on May 17, 2021 and unamortized costs were written off to "(Loss)/gain on extinguishment of debt" in the 2021 consolidated statement of operations.

Credit Agricole Corporate and Investment Bank ("Credit Agricole"): On September 15, 2011, the Company drew down \$15,000 under a secured loan agreement with Emporiki Bank of Greece S.A., transferred to Credit Agricole on December 13, 2012. The loan was 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 bore interest at LIBOR plus a margin of 2.5% per annum, or 1% for such loan amount that was equivalently secured by cash pledge in favour of the bank. Following the agreement to sell the vessel Arethusa (Note 4), on July 17, 2020, the Company prepaid the outstanding balance of the loan at that date, amounting to \$6,500. The loan was prepaid using the cash pledge maintained with the bank.

Commonwealth Bank of Australia, London Branch: On January 13, 2014, the Company drew down \$9,500 under a secured loan agreement, which is repayable in 32 equal consecutive quarterly installments of \$156 each and a balloon of \$4,500 payable on January 13, 2022. The loan bears interest at LIBOR plus a margin of 2.25%. The loan was prepaid in full on May 18, 2021 and unamortized costs were written off to "(Loss)/gain on extinguishment of debt" in the 2021 consolidated statement of operations.

BNP Paribas ("BNP"): On December 19, 2014, the Company drew down \$53,500 under a secured loan agreement, which is repayable in 14 equal semi-annual installments of approximately \$1,574 and a balloon of \$31,466 payable on November 30, 2021. The loan bore interest at LIBOR plus a margin of 2%. On June 29, 2020, the Company entered into a loan agreement to refinance the existing loan, whereas the

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balloon of \$31,466 will be payable in five equal semi-annual installments of approximately \$1,574 and a balloon of \$23,596 payable together with the last installment on May 19, 2024. The refinanced loan bears interest at LIBOR plus a margin of 2.5%.

On July 16, 2018, the Company drew down \$75,000 under a secured loan agreement with BNP. The loan 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%.

Nordea Bank AB, London Branch ("Nordea"): On March 19, 2015, the Company drew down \$93,080 under a secured loan agreement, which was 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 bore interest at LIBOR plus a margin of 2.1%. On May 7, 2020, the Company entered into a new loan agreement with Nordea, to refinance the balance of the existing loan, whereas the balance is payable in eight equal quarterly installments of about \$1,862 each and a balloon of \$40,955 payable together with the last installment on March 19, 2022. The borrowers had the option to request additional extensions until March 2023 and March 2024 subject to approval by the lender, both of which were exercised on July 30, 2021. The loan bears interest at LIBOR plus a margin of 2.25%. On July 29, 2021, the Company entered into a supplemental agreement with Nordea, pursuant to which the borrowers exercised their options to extend the loan maturity to March 2024 and to draw down an additional amount of \$460. The balance of the refinanced loan, including the additional \$460 drawn on July 30, 2021, is repayable in 11 equal consecutive quarterly instalments of \$1,861.6 and a balloon instalment of \$26,522 payable on March 19, 2024, all other terms of the loan remaining the same. Debt issuance costs amounted to \$141.

ABN AMRO Bank N.V., or ABN: On March 30, 2015, the Company drew down \$50,160 under a secured loan agreement, which was 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 bore interest at LIBOR plus a margin of 2.0%.

On June 27, 2019, the Company drew down \$25,000 under a new loan agreement, which is repayable in 20 consecutive quarterly installments of \$800 each and a balloon installment of \$9,000 payable together with the last installment on June 30, 2024. The loan bears interest and LIBOR plus a margin of 2.25%.

On May 22, 2020, the Company signed a term loan facility with ABN, in the amount of \$52,885 million, divided into two tranches. The purpose of the loan facility was to combine the two loans outstanding with ABN and extend the maturity of the loan maturing on March 30, 2021 (tranche B) to the maturity of the other loan, maturing on June 30, 2024 (tranche A). The refinanced loan bears interest at LIBOR plus a margin of 2.25% for tranche A and LIBOR plus a margin of 2.4% for tranche B.

On May 20, 2021, the Company, drew down \$91,000 under a secured sustainability linked loan facility with ABN AMRO Bank N.V, dated May 14, 2021, which was used to refinance existing loans which were treated as extinguished. The loan is repayable in 20 consecutive quarterly installments of \$3,390 each and a balloon of \$23,200 payable together with the last installment, on May 20, 2026. The loan bears interest at LIBOR plus a margin of 2.15% per annum, which may be adjusted annually by maximum 10 basis points upwards or downwards, subject to the performance under certain sustainability KPIs. Debt issuance costs amounted to \$736.

Danish Ship Finance A/S: On April 30, 2015, the Company drew down \$30,000 under a loan agreement, which 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%. The loan was prepaid in full on May 20, 2021 and unamortized costs were written off to Loss/(gain) on extinguishment of debt in the 2021 consolidated statement of operations.

ING Bank N.V.: On November 19, 2015, the Company drew down advance A of \$27,950 under a secured loan agreement, which 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%. The loan was prepaid in full on May 20, 2021 and unamortized costs were written off to "(Loss)/gain on extinguishment of debt" in the 2021 consolidated statement of operations.

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Export-Import Bank of China: On January 4, 2017, the Company drew down \$57,240 under a secured loan agreement, which 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%.

DNB Bank ASA: On March 14, 2019, the Company drew down \$19,000 under a secured loan agreement, which is repayable in 20 consecutive quarterly instalments of \$477.3 and a balloon of \$9,454 payable together with the last installment on March 14, 2024. The loan bears interest at LIBOR plus a margin of 2.4%.

As at December 31, 2021 and 2020, 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, 2021, and throughout their term, are shown in the table below and do not include the related debt issuance costs.

Period	Principal Repayment
Year 1	\$ 43,304
Year 2	85,492
Year 3	106,841
Year 4	17,376
Year 5	158,796
Year 6 and thereafter	20,034
Total	\$ 431,843

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.

b) On July 9, 2020, DWM and the ship-owning company of the vessel Protefs placed a security bond in the amount of \$1,750, paid by DSI, for any potential fines or penalties for alleged violations of law concerning maintenance of books and records and the handling of oil wastes of the vessel Protefs. As of December 31, 2020, the Company recorded a provision amounting to \$958 included in Vessel operating expenses in the 2020 accompanying statement of operations, representing the Company's best estimate of its share of the fine. In February 2021, DWM, as managers of the vessel, entered into a plea agreement with the United States pursuant to which DWM, as defendant, agreed to waive indictment, plead guilty pursuant to the terms thereof, accepted a fine of \$2,000 and the placement of DWM on probation for four years, subject to court approval. On September 23, 2021, in the sentencing hearing of the Protefs case, the judge accepted DWM's guilty pleas, adjudged DWM guilty and imposed the agreed upon sentence of a combined fine of \$2,000, a total special assessment and a four year term of probation. The Company paid the total amount of the fine, of which about \$1,000 is due from DWM (Note 4(d) and 2(y)).

c) As of December 31, 2021, the Company had an aggregate amount of unrecognized unconditional purchase obligations amounting to \$65,020, excluding other acquisition costs, in connection with the agreements to acquire two vessels from unaffiliated third parties, under which the Company had paid an advance of such purchase prices (Note 5) and the balance was paid on the delivery of the vessels (Note 15).

d) As at December 31, 2021, all of the Company's vessels, except for three, were fixed under time charter agreements, considered operating leases. The minimum contractual gross charter revenue expected to be generated from fixed and non-cancelable time charter contracts existing as at December 31, 2021 and until their expiration was as follows:

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Period	Amount
Year 1	\$ 128,295
Year 2	11,413
Total	\$ 139,708

9. Capital Stock and Changes in Capital Accounts

a) Preferred stock: As at December 31, 2021 and December 31, 2020, 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, 5,000,000 are designated as Series B Preferred Shares, 10,675 are designated as Series C Preferred Shares and 400 are designated as Series D Preferred Shares. As at December 31, 2021 and December 31, 2020, the Company had zero Series A Participating Preferred Shares issued and outstanding.

b) Series B Preferred Stock: As at December 31, 2021 and December 31, 2020, 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. 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 and are subordinated to all of the existing and future indebtedness.

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. In 2021, 2020 and 2019, dividends on Series B preferred shares amounted to \$5,769, \$5,769 and \$5,769, respectively. Since 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.

c) Series C Preferred Stock: As at December 31, 2021 and December 31, 2020, the Company had 10,675 Series C Preferred Shares issued and outstanding with par value \$0.01 per share, owned by an affiliate of its Chief Executive Officer, Mrs. Semiramis Paliou. The Series C Preferred Stock votes 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. In September 2020, the Series C Preferred Shares were transferred from an affiliate of Mr. Simeon Palios to an affiliate of the Company's Chief Executive Officer, Mrs. Semiramis Paliou.

d) Series D Preferred Stock: On June 22, 2021, the Company issued 400 shares of newly-designated Series D Preferred Stock, par value \$0.01 per share, to an affiliate of its Chief Executive Officer, Mrs. Semiramis Paliou, for an aggregate purchase price of \$360, or \$254 net of expenses. The Series D Preferred Stock is not redeemable and has no dividend or liquidation rights. The Series D Preferred Stock vote with the common shares of the Company, and each share of the Series D Preferred Stock entitles the holder thereof to up to 100,000 votes, on all matters submitted to a vote of the stockholders of the Company, subject to a maximum number of votes eligible to be cast by such holder derived from the Series D Preferred Shares and any other voting security of the Company held by the holder to be equal to the lesser of (i) 36% of the total number of votes entitled to vote on any matter put to shareholders of the Company and (ii) the sum of the holder's aggregate voting power derived from securities other than the Series D Preferred Stock and 15% of the total number of votes entitled to be cast on matters put to shareholders of the Company. The Series D Preferred Stock is transferable only to the holder's immediate family members and to affiliated persons or entities. The issuance of shares of Series D Preferred Stock to Tuscany Shipping Corp. was approved by an independent committee of the Board of Directors of the Company.

e) Repurchase of common shares: In 2019, the Company repurchased in tender offers 3,889,386 shares of its outstanding common stock at a price of \$2.80 per share; 3,125,000 shares at a price of \$3.40 per share; 2,000,000 shares at a price of \$3.75 per share; 2,816,900 shares at a price of \$3.55 per share; and 2,739,726 shares at a price of \$3.65. The aggregate cost of the shares repurchased amount-

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ed to \$49,679, including expenses. In February 2020, the Company repurchased, in a tender offer 3,030,303 shares of its common stock at a price of \$3.30 per share and in March 2020, repurchased 1,088,034 shares of common stock under its share repurchase plan authorized in May 2014, at an average price of \$1.72 per share. The aggregate cost of the shares repurchased amounted to \$11,999, including expenses. In February 2021, the Company repurchased in a tender offer 6,000,000 shares at the price of \$2.50 per share. In August 2021, the Company repurchased, in another tender offer, 3,333,333 shares, at a price of \$4.50 per share and in December 2021, repurchased 3,529,411 shares at a price of \$4.25 per share. The aggregate cost of the share repurchases was \$45,369, including expenses.

f) Dividend on Common stock: On November 10, 2021, the Company paid a cash dividend on its common stock, amounting to \$0.10 per common share, or \$8,820, to its stockholders of record as of November 3, 2021. On November 29, 2021, the Company distributed in the Spin-Off 8,820,240 shares of OceanPal having a value of \$40,509, or \$4.6 per share to its shareholders of record on November 3, 2021 (Note 1).

g) Incentive plan: In November 2014, the Company adopted the 2014 Equity Incentive Plan, or the 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. On January 8, 2021, the Company further amended and restated the Plan to increase the number of common shares available for issuance under the Plan by 20 million shares. Restricted shares vest ratably over a specified period, and are subject to forfeiture until they vest. Unless they forfeit, 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. On February 18, 2021 and February 24, 2021, the Company's Board of Directors approved the award of 260,000 and 2,400,000 shares of restricted common stock, respectively to executive management and non-executive directors, for a fair value of \$798 and \$6,816, respectively, to vest over a period of 3 years. Additionally, on February 24, 2021, the Company's Board of Directors approved the award of 5,600,000 shares of restricted common stock to executive management and non-executive directors, for a fair value of \$15,904, to vest over a period of 5 years. As at December 31, 2021, 16,664,759 shares remained reserved for issuance according to the Company's incentive plan.

Restricted stock during 2021, 2020 and 2019 is analyzed as follows:

	Number of Shares	Weighted Average Grant Date Price
Outstanding at December 31, 2018	3,761,633	\$ 4.04
Granted	2,000,000	2.99
Vested	(1,928,400)	3.75
Outstanding at December 31, 2019	<u>3,833,233</u>	<u>\$ 3.63</u>
Granted	2,200,000	2.72
Vested	(3,610,221)	3.52
Outstanding at December 31, 2020	<u>2,423,012</u>	<u>\$ 2.95</u>
Granted	8,260,000	2.85
Vested	(1,168,363)	3.20
Outstanding at December 31, 2021	<u>9,514,649</u>	<u>\$ 2.83</u>

The fair value of the restricted shares has been determined with reference to the closing price of the Company's stock on the date such awards were approved by the Company's board of directors.

The aggregate compensation cost is being recognized ratably in the consolidated statement of operations over the respective vesting periods. During 2021, 2020 and 2019, compensation cost amounted to \$7,442, \$10,511 and \$7,581, respectively, and is included in "General and administrative expenses" presented in the accompanying consolidated statements of operations.

At December 31, 2021 and December 31, 2020, the total unrecognized cost relating to restricted share awards was \$20,054 and \$3,978, respectively. At December 31, 2021, the weighted-average period over which the total compensation cost related to non-vested awards not yet recognized is expected to be recognized is 1.65 years.

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10. Voyage expenses

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Commissions	\$ 10,794	\$ 8,310	\$ 11,108
(Gain)/loss from bunkers	(5,955)	3,708	1,537
Port expenses and other	731	1,507	897
Total	<u>\$ 5,570</u>	<u>\$ 13,525</u>	<u>\$ 13,542</u>

11. Interest and Finance Costs

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Interest expense	\$ 20,502	\$ 20,742	\$ 27,963
Interest income from bond repurchase	(2,435)	(579)	-
Amortization of financing costs	1,865	1,066	1,126
Loan expenses and other	307	285	343
Total	<u>\$ 20,239</u>	<u>\$ 21,514</u>	<u>\$ 29,432</u>

12. 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. Incremental shares are the number of shares assumed issued under the treasury stock method weighted for the periods the non-vested shares were outstanding. In 2021, the denominator of the diluted earnings per share calculation includes 3,735,059 incremental shares. In 2020 there were no incremental shares and in 2019, there were 598,014 incremental not included in the calculation as the Company incurred losses and the effect of such shares was anti-dilutive.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Net income/(loss)	\$ 57,394	\$ (134,197)	\$ (10,535)
Dividends on series B preferred shares	(5,769)	(5,769)	(5,769)
Net income/(loss) attributed to common stockholders	<u>\$ 51,625</u>	<u>(139,966)</u>	<u>(16,304)</u>
Weighted average number of common shares, basic	<u>81,121,781</u>	<u>86,143,556</u>	<u>95,191,116</u>
Incremental shares	<u>3,735,059</u>	<u>-</u>	<u>-</u>
Weighted average number of common shares, diluted	<u>84,856,840</u>	<u>86,143,556</u>	<u>95,191,116</u>
Earnings/(loss) per share, basic	<u>\$ 0.64</u>	<u>\$ (1.62)</u>	<u>\$ (0.17)</u>
Earnings/(loss) per share, diluted	<u>\$ 0.61</u>	<u>\$ (1.62)</u>	<u>\$ (0.17)</u>

13. 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.

The vessel-owning companies with vessels that have called on the United States are obliged to file tax returns with the Internal Revenue Service. However, pursuant to the Internal Revenue Code of the United States, U.S. source income from the international operations of ships is generally exempt from U.S. tax. The applicable tax is 50% of 4% of U.S.-related gross transportation income unless an exemption applies. The Company and each of its subsidiaries expects it qualifies for this statutory tax exemption for the 2021, 2020 and 2019 taxable

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years, and the Company takes this position for United States federal income tax return reporting purposes.

14. Financial Instruments and Fair Value Disclosures

Interest rate risk and 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 ability and willingness of each of the Company's counterparties to perform their obligations under a contract depend upon a number of factors that are beyond the Company's control and may include, among other things, general economic conditions, the state of the capital markets, the condition of the shipping industry and charter hire rates. The Company's credit risk with financial institutions is limited as it has temporary cash investments, consisting mostly of deposits, placed with various qualified financial institutions and performs periodic evaluations of the relative credit standing of those financial institutions. The Company limits its credit risk with accounts receivable by performing ongoing credit evaluations of its customers' financial condition and by receiving payments of hire in advance. The Company, generally, does not require collateral for its accounts receivable and does not have any agreements to mitigate credit risk.

During 2021, 2020 and 2019, charterers that individually accounted for 10% or more of the Company's time charter revenues were as follows:

<u>Charterer</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cargill International SA	10%	18%	16%
Koch Shipping PTE LTD. Singapore	*	16%	14%
Swissmarine Pte. Ltd	*	*	18%
Glencore Agriculture B.V., Rotterdam	*	*	12%

*Less than 10%

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.

Fair value of assets and liabilities: The carrying values of financial assets reflected in the accompanying consolidated balance sheet, approximate their respective fair values due to the short-term nature of these financial instruments.

The fair value of long-term bank loans with variable interest rates approximates the recorded values, generally due to their variable interest rates.

Fair value measurements disclosed

As of December 31, 2021, the New Bond having a fixed interest rate and a carrying value of \$125,000 (Note 7) had a fair value of \$128,750 determined through the Level 1 input of the fair value hierarchy as defined in FASB guidance for Fair Value Measurements.

Other Fair value measurements

<u>Description (in thousands of US Dollars)</u>	<u>December 31, 2021</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total gains/(loss)</u>
Non-recurring fair value measurements				
Investments in related parties (1)	7,575		7,575	

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	<u>December 31, 2020</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Total gains/(loss)</u>
Non-recurring fair value measurements				
Long-lived assets held for use (2)	166,430		166,430	(93,338)
Long-lived assets held for use - Calipso (3)	7,330		7,330	201
Long-lived assets held for sale (4)	23,361	23,361		(8,700)
Total non-recurring fair value measurements	<u>197,121</u>	<u>23,361</u>	<u>173,760</u>	<u>(101,837)</u>

- (1) On November 29, 2021, Series B preferred shares and Series C preferred shares were recorded at \$5 and \$7,570, respectively, being the fair value of the shares on the date of issuance to the Company by OceanPal (Note 4).
- (2) At March 31, 2020, vessels held for use, having a carrying value of \$258,425 and \$1,343 of unamortized deferred costs, were written down to their fair value of \$166,430, resulting in an impairment charge of \$93,338 (Note 5).
- (3) On March 8, 2020, the vessel Calipso, having a carrying value of \$7,130, was recorded at fair value of \$7,330, resulting in gain of \$201 (Note 5).
- (4) In September 2020, the vessel Coronis and in December 2020, the vessels Sideris G.S. and Oceanis having an aggregate carrying value of \$31,933 and \$128 of unamortized deferred costs, were recorded at an aggregate fair value of \$23,361, resulting in impairment charge of \$8,700 (Note 5).

15. Subsequent Events

a) Series B Preferred Stock Dividends: On January 18, 2022 and April 18, 2022, the Company paid quarterly dividends on its series B preferred stock, amounting to \$0.5546875 per share, or \$1,442, each, to its stockholders of record as of January 14, 2022 and April 14, 2022, respectively.

b) Acquisition of vessel: On February 16, 2022, the Company acquired the vessel Leonidas P.C. (ex Magnolia) (Note 5).

c) Restricted share awards: On February 25, 2022, the Company's Board of Directors approved the award of 1,470,000 shares of restricted common stock to executive management and non-executive directors, pursuant to the Company's amended plan, as annual bonus. The fair value of the restricted shares based on the closing price on the date of the Board of Directors' approval was \$6,105. The cost of these awards will be recognized in income ratably over the restricted shares vesting period which will be 3 years.

d) Common Stock Dividend: On March 21, 2022, the Company paid a dividend on its common stock of \$0.20 per share, or \$17,227, to its stockholders of record as of March 9, 2022.

e) Vessel delivery and sale and leaseback transaction: On March 29, 2022, the Company acquired Florida, the Capesize dry bulk vessel it had agreed to acquire from a third party company (Note 5). On the same date, the Company sold the vessel at the price of \$50,000 to a different third party company and entered into a bare boat charter with the new owner of the vessel, under a sale and leaseback transaction, pursuant to which the Company will act as charterer. The bare boat charter has a duration of ten years and the Company will have the option to acquire the vessel after a specific period at prices specified in the agreement.

f) The war in Ukraine: The war in Ukraine has disrupted supply chains and caused instability in the energy markets and the global economy, which have experienced significant volatility. The United States and the European Union, among other countries, have announced sanctions against Russia, including sanctions targeting the Russian oil sector, among those a prohibition on the import of oil and coal from Russia to the United States. Currently, the Company's operations, or our counterparties, have not been significantly affected by the war in Ukraine and its implications, however, the ongoing conflict could result in uncertain impacts on the international shipping markets the world economy and consequently the Company's business and results of operations.



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Simeon Palios

Chairman of the Board of Directors

Anastasios Margaronis

Director and President

Ioannis Zafirakis

*Director, Chief Financial Officer,
Chief Strategy Officer, Treasurer and Secretary*

Eleftherios Papatrifon

Chief Operating Officer

Maria Dede

Chief Accounting Officer

Kyriacos Riris

Non-Executive Director

Apostolos Kontoyannis

Non-Executive Director

Konstantinos Fotiadis

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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 2026 are traded on the Oslo Børs Stock Exchange under the symbol "DIASH02".

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

www.dianashippinginc.com.



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