OVERSEAS SHIPHOLDING GROUP INC
Form 10-K
February 29, 2008

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One)

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

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

For the Transition Period from __________________ to __________________.

Commission File Number 1-6479-1

OVERSEAS SHIPHOLDING GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	13-2637623
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
666 Third Avenue, New York, New York	10017
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 212-953-4100
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock (par value $1.00 per share)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ý

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant on June 30, 2007, the last business day of the registrant's most recently completed second quarter, was $2,377,427,578, based on the closing price of $81.40 per share on the New York Stock Exchange on that date. (For this purpose, all outstanding shares of Common Stock have been considered held by non-affiliates, other than the shares beneficially owned by directors, officers and certain 5% shareholders of the registrant; certain of such persons disclaim that they are affiliates of the registrant.)

As of February 22, 2008, 31,189,735 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed by the registrant in connection with its 2008 Annual Meeting of Shareholders are incorporated by reference in Part III.

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PART I

ITEM 1. BUSINESS

OVERVIEW

Overseas Shipholding Group, Inc. ("OSG" or the "Company") is one of the world's leading bulk shipping companies engaged primarily in the ocean transportation of crude oil and petroleum products. At December 31, 2007, the Company owned or operated a modern fleet of 112 vessels (aggregating 12.2 million deadweight tons and 432,400 cubic meters) of which 93 vessels operated in the international market and 19 operated in the U.S. Flag market. OSG's newbuilding program of owned and chartered-in vessels totaled 44 and extends across each of its operating segments, bringing the Company's total operating and newbuild fleet to 156 vessels.

OSG's vessel operations are organized into four strategic business units and focused on market segments each serve: crude oil ("International Flag Crude Tankers"), refined petroleum products ("International Product Carriers"), U.S. Flag vessels ("U.S. Flag") and gas ("Gas"). The International Flag Crude Tankers unit manages International Flag V-Plus, VLCC, Suezmax, Aframax and Panamax tankers; the International Product Carriers unit principally manages Panamax and Handysize Product Carriers; the U.S. Flag unit manages most U.S. Flag vessels; and the Gas unit at year end had two LNG Carriers under management with two additional vessels delivering in the first quarter of 2008. For 2007, the Gas unit was not a reportable business segment for financial reporting purposes. Each business unit has dedicated chartering and commercial personnel while the Company's technical ship management operations and corporate departments support the Company's global fleet and corporate operations.

The Company generally charters its vessels either for specific voyages at spot rates or for specific periods of time at fixed daily amounts. Spot market rates are highly volatile, while time and bareboat charter rates are fixed for a specific period of time, and provide a more predictive stream of Time Charter Equivalent Revenues. For a more detailed discussion on factors influencing spot and time charter markets, see Operations Charter Types later in this section.

A glossary of shipping terms (the "Glossary") that should be used as a reference when reading this Annual Report on Form 10-K can be found later in Item 1. Capitalized terms that are used in this Annual Report are either defined when they are first used or in the Glossary.

BUSINESS STRATEGY

The Company's strategy is to be the most respected energy transportation company in the world and to have a balanced portfolio of vessels in its fleet. As a major international shipping company, OSG intends to achieve its strategy by focusing on three goals: maximizing returns to shareholders throughout all markets; providing reliable transportation to its customers while protecting its crews, vessels and the environment; and creating a rewarding and challenging workplace for its sea and shore-based employees.

To achieve its strategy, OSG seeks to be a market leader in each of the segments in which it operates, International Flag Crude Tankers, International Product Carriers, U.S. Flag and Gas. To support this goal, OSG balances the expansion of its International and U.S. Flag fleets on an opportunistic basis, continuously improves its operations and seeks to maintain a strong balance sheet and financial flexibility to support future growth. OSG believes that it differentiates itself from its competitors through the scale and diversity of its fleet, the skills, experience and capabilities of its sea-based crew and shore-based personnel, and its provision of reliable, safe transportation services to customers.

Balanced Growth The Company believes that by balancing the types of vessels it deploys and actively managing the mix of charter types as well as the ownership profile of its fleet, it can maximize returns on invested capital while making it less dependent on any particular market sector.

Operational Excellence The Company is committed to technical excellence across its fleet. The Company's high quality, modern fleet, which is operated by experienced crews and supported by experienced shore side personnel, has in place a program of standardized operational practices and procedures that have been designed to ensure that seafarers and vessel operations comply with all applicable environmental, regulatory and safety standards established by International and U.S. maritime laws. The Company has a philosophy of continuous improvement in its systems and technologies designed to support such compliance. For more information, see Technical Operations later in this section.

Financial Flexibility The Company believes its strong balance sheet, high credit rating and high level of unencumbered assets give it access to both the unsecured bank markets and the public debt markets, allowing it to borrow primarily on an unsecured basis. This, in turn, reduces its financing costs and cash flow breakeven levels. This financial flexibility permits the Company to pursue attractive business opportunities.

Summary of 2007 Events
During 2007, the Company pursued numerous initiatives that supported its balanced growth strategy, some of which are highlighted below.

Fleet Diversification, Fleet Expansion and Active Asset Management

International Flag Crude Tankers The crude oil fleet expanded from 49 operating vessels and four newbuilds at the end of 2006 to 53 operating vessels and 10 newbuilds at the end of 2007. The crude oil transportation unit executed a number of sale, purchase, diversification and charter-in transactions in order to better serve its customers. Key events and transactions included:

Forward sale. The Company agreed to sell the Overseas Donna, a 2000-built VLCC for forward delivery. At the discretion of the purchaser, the vessel will be delivered no later than July 2009, at which time OSG will recognize a gain on the sale in excess of $75 million.

Acquisition of Hiedmar Lightering. On April 20, 2007, OSG completed the acquisition of the Heidmar Lightering business from a subsidiary of Morgan Stanley Capital Group Inc. for approximately $41 million. The Houston-based operation provides crude oil lightering services to refiners, oil companies and trading companies, primarily in the U.S. Gulf. The business manages a portfolio of one-to-three year fixed rate cargo contracts with a fleet of five dedicated International Flag Aframaxes and three U.S. Flag workboats. Subsequent to the acquisition, the International Flag lightering operations expanded to the U.S. West Coast.

Purchased vessels. In January 2007, OSG acquired 49.99% interest in a company that is constructing two VLCC tankers in China, which are expected to deliver in 2009.

Fleet diversification. In the third quarter, OSG announced the planned addition of four Suezmax tankers to its crude oil fleet, giving the Company the distinction of being the only ship owner that offers service across all crude vessel classes: V-Plus, VLCC, Suezmax, Aframax, Panamax and Lightering. The Company purchased two secondhand vessels that were then sold and bareboat chartered-back for seven and 10 years. Two newbuilding Suezmaxes were time chartered-in for three years commencing upon their delivery, which are expected in the fourth quarter of 2008. The first of the two secondhand vessels, the Overseas Newcastle, was delivered and began trading in December 2007. The other secondhand vessel, the Overseas London, commenced its 10-year bareboat charter to the Company in late-January 2008.

Fleet expansion through charter-in arrangements. The Watban, a 1996-built VLCC, was chartered-in through 2011 replacing 50% interests in two VLCCs that redelivered during the year. OSG took a 50% interest in three-year time charter-in commitments for two newbuild Aframaxes, the Aqua and the Action, which entered the fleet in the second and third quarter of 2007, respectively; and OSG took a 50% interest in a five-year time charter-in of a VLCC, the KHK Vision, which delivered in the second quarter of 2007. All of these vessels trade in Commercial Pools in which the Company participates.

International Product Carriers The product carrier fleet expanded from 32 operating vessels and 12 newbuilds at the end of 2006 to 35 operating vessels and 16 newbuilds at the end of 2007. Key events and transactions are highlighted below:

Vessel Deliveries. The Overseas Cygnus delivered in the first quarter of 2007 and the Overseas Sextans delivered in the second quarter of 2007. Both vessels have been time chartered-in for 10 years. The 2007-built vessels are IMO III certified, which gives them the flexibility to transport vegetable oils.

Vessel sales. The Overseas Almar, a 1996-built Handysize Product Carrier, was sold and a gain of approximately $5.6 million was recognized in the second quarter of 2007.

LR1 Fleet Expansion. In an effort to diversify its portfolio of vessels to better serve customers and enhance its competitive position as product trades shift and globalize, OSG expanded its large size coated Panamax fleet, or LR1 tankers. The Company purchased two 2006-built LR1s, the Overseas Visayas and the Overseas Luzon, which delivered in the third quarter. In August, OSG announced that it will build four LR1 vessels, which are expected to deliver in 2010 and 2011, and in the fourth quarter, OSG exercised an option to build two additional LR1 vessels, which are expected to deliver in late 2011. This expansion brings the OSG's operating and newbuild LR1 fleet to 10 vessels.

Sale-leasebacks. OSG sold and bareboat chartered back two 1996-built Handysize Product Carriers, the Overseas Nedimar and the Overseas Limar. The $10.8 million gain from the sales has been deferred and is being amortized over seven and one-half years (the term of the charter-backs) as a reduction of charter hire expense. OSG has renewal options at the end of each charter-hire period.

U.S. Flag The U.S. Flag fleet of 19 operating vessels and 16 newbuilds as of December 31, 2007, contracted slightly from 20 operating vessels and 14 newbuilds at the end of 2006, primarily a result of selling older tonnage and ordering shuttle tankers and ATBs for transporting refined petroleum products. Key events and transactions were:

Fleet Expansion and Modernization. In the first quarter of 2007, OSG announced a definitive agreement to build three new Articulated Tug Barges. The vessels are scheduled to be delivered in the fourth quarter of 2009 and the second and fourth quarters of 2010. Further expanding its Jones Act Product Carrier newbuild program, OSG announced a definitive agreement to expand its Aker newbuild series by two additional MT-46 Jones Act Product Carriers during the fourth quarter of 2007. This agreement brings the total number of ships OSG will bareboat-charter in from Aker to twelve.

The M211 was taken out of service to be expanded and converted to a double-hull configuration in April 2007 and is expected to rejoin the operating fleet in the first half of 2008. During the year, the Company sold three older Dry Bulk Carriers: the Overseas Harriette, the Allegiance and the Perseverance.

Vessel Deliveries. Three U.S. Flag Jones Act Product Carriers delivered in 2007. The Overseas Houston delivered and began trading in the first quarter, the Overseas Long Beach began trading in July and the Overseas Los Angeles began trading in November. An ATB, OSG 242, reentered the fleet after being converted to a double-hull configuration and expanding its capacity by 38,000 barrels using a patented methodology.

New Trade. In October 2007, OSG announced that it has signed a definitive agreement to charter two 46,000 dwt Jones Act tankers to Petrobras America, Inc., marking the first U.S. Flag shuttle tankers to transport oil from ultra-deepwater drilling projects in the U.S. Gulf of Mexico. OSG will provide shuttle tanker services from a Floating Production Storage and Offloading facility, or FPSO, at the Chinook and Cascade ultra-deepwater fields in the Walker Ridge area of the Gulf of Mexico. Ultra-deepwater discoveries are located in water at least 8,000 feet deep and require an additional 15,000 feet of drilling beneath the ocean floor. FPSOs and shuttle tankers are a cost-effective means of transporting offshore oil where pipeline infrastructure is too costly or technologically not feasible to construct. This will be the first FPSO and shuttle tanker project in U.S. waters.

Gas The first two of OSG's Q-Flex LNG Carriers delivered during the fourth quarter of 2007 and began trading. The Al Gattara, delivered on November 6 and commenced its 25-year time charter on November 23. The Tembek delivered on November 19 and commenced its 25-year time charter on December 6. Two additional LNG Carriers delivered in the first quarter of 2008. OSG has a 49.9% ownership interest in each of the LNG Carriers.

Financial Strength and Stability

During the year, the Company repurchased a total of 8.3 million shares at a cost of approximately $551 million through open market purchases and one single block transaction of 5.1 million shares. As of December 31, 2007, approximately $45 million remained available for further share repurchases under the $200 million repurchase program that was approved by the Company's Board of Directors in April 2007.

On June 6, 2007, the Company's Board of Directors announced a regular quarterly dividend of $0.3125 per share, a 25% increase from $0.25 per share, which had been in place since April 2006.

During the first half of 2007, OSG sold its entire 44.5% interest in Double Hull Tankers (NYSE: DHT) and recognized total gains from the sale of approximately $40.6 million. OSG continues to time charter-in DHT's initial fleet of seven vessels that remain subject to valuable extension options.

In May 2007, OSG formed OSG America L.P., a master limited partnership ("MLP"), and on November 15, 2007, completed an initial public offering, issuing 7.5 million common units (representing a 24.5% limited partner interest),

priced at $19.00 per unit. OSG America L.P. trades on the New York Stock Exchange under the ticker "OSP". At December 31, 2007, the OSG America L.P. fleet consisted of 19 U.S. Flag product carriers and tug barges, a newbuild fleet of five product carriers and options to purchase an additional 10 vessels upon delivery. OSG executed this transaction in order to enhance the valuation of its U.S. Flag assets, which have generally predictable cash flows generated by medium and long-term charters. The MLP structure should also lower its cost of capital, enabling it to pursue growth opportunities more competitively. The transaction generated $129.3 million in proceeds to OSG, which the Company used to pay down debt in the fourth quarter.

In November 2007, OSG America L.P. entered into a five-year senior secured revolving credit agreement. Borrowings under this facility bear interest at a rate based on LIBOR. The facility may be extended by 24 months subject to approval by the lenders.

Active Asset Management

In support of its balanced growth strategy, OSG seeks to balance the mix of owned and chartered-in tonnage of both its operating and newbuild fleet. As noted in the summary of events and transactions by business units above, the Company entered into a number of transactions whereby it sold or sold and leased-back vessels during the year. Fleet disposition activity during 2007 resulted in proceeds on vessel sales of $224 million resulting in $7.1 million in gains. Sale and lease-back transactions allow the Company to monetize assets in a favorable secondhand market, thereby transferring residual risk of older tonnage to third parties while retaining control of the tonnage. Amortization of deferred gains from sale and lease back transactions, which amounted to $47.3 million in 2007, is recorded as a reduction of charter hire expense.

Tax Changes Benefiting OSG's International Shipping Operations

In October 2004, Congress passed the American Jobs Creation Act of 2004 which, for taxable years beginning in 2005, reinstates the indefinite deferral of United States taxation on international shipping income until such income is repatriated to the U.S. as dividends. From 1987 through 2004, the Company's international shipping income was subject to current taxation. The tax law effectively restored the pre-1976 tax treatment of international shipping income beginning in 2005 and placed the Company's international fleet on a level playing field with its offshore competitors for the first time since 1986. For more information, see Taxation of the Company later in this section.

Fleet Highlights

As of December 31, 2007, OSG's owned, operated and newbuild fleet aggregated 156 vessels. Of this total, 121 vessels are International Flag and 35 vessels are U.S. Flag. The Marshall Islands is the principal flag of registry of the Company's International Flag vessels. The Company has one of the industry's most modern and efficient fleets in the international market. At a time when customers are demonstrating an increasingly clear preference for modern tonnage based on concerns about the environmental risks associated with older vessels, 100% of OSG's owned International Flag fleet is double hull.

Additional information about the Company's fleet, including its ownership profile, is set forth below under Operations Fleet Summary, as well as on the Company's website, www.osg.com.

Fleet

	International Flag Fleet								U.S. Flag Fleet (3)	Total
	Crude Tankers				Product Carriers					
	VLCC (1)	Suezmax	Aframax (2)	Panamax	Handysize	Panamax	Gas	Other		
Owned	10		7	9	12	4	2	1	14	59
Chartered-in	10	1	14	2	19			2	5	53
Newbuilds	2	2	6		10	6	2		16	44
Total	22	3	27	11	41	10	4	3	35	156

(1)

Includes V-Pluses

(2) Includes lightering vessels

(3) Excludes three U.S. Flag vessels that trade primarily in the international markets and are therefore reflected in the International Product Carriers reportable segment

Newbuild Delivery Schedule as of December 31, 2007

Year/Segment	Q1	Q2	Q3	Q4	Total
2008					
Crude		1	3	3	7
Products	1	3	1		5
U.S. Flag	1	2	2		5
Gas	2				2
Total	*4*	*6*	*6*	*3*	*19*
2009					
Crude	1	1		1	3
Products	1		1		2
U.S. Flag	2	1	1	1	5
Gas					0
Total	*4*	*2*	*2*	*2*	*10*
2010					
Crude					0
Products	1	1	1	2	5
U.S. Flag	1	2		2	5
Gas					0
Total	*2*	*3*	*1*	*4*	*10*
2011					
Crude					0
Products	1	2	1		4
U.S. Flag	1				1
Gas					0
Total	*2*	*2*	*1*	*0*	*5*
TOTAL					**44**

Commercial Pools

To increase vessel utilization and thereby revenues, the Company participates in Commercial Pools with other like-minded ship owners of similar modern, well-maintained vessels. By operating a large number of vessels as an integrated transportation system, Commercial Pools offer customers greater flexibility and a higher level of service while achieving improved scheduling efficiencies. All of the Company's V-Plus and VLCC vessels are managed in the Tankers International pool which, as of December 31, 2007, operated an aggregate of 47 VLCC and V-Plus tankers that trade on long haul routes throughout the world. All of OSG's Aframax tankers except for four dedicated lightering vessels operate in the Aframax International pool, which at year end 2007 consisted of 40 Aframaxes that generally trade in the Atlantic Basin, North Sea and the Mediterranean on short and medium haul routes. Nine of the Company's 11 crude oil Panamax tankers participate in Panamax International, which operated a total of 21 Panamaxes as of December 31, 2007 on short haul and medium haul routes between South and Central America, the U.S. and the Caribbean. Five of OSG's Handysize Product Carriers participate in the Clean Products International Pool, a regional pool comprising six vessels that concentrates on triangulation trades in South America. These commercial ventures negotiate charters with customers primarily in the spot market. The size and scope of these pools enable them to enhance utilization rates for pool vessels by securing backhaul voyages and Contracts of Affreightment ("COAs"), thus generating higher effective TCE revenues than otherwise might be obtainable in the spot market while providing a higher level of service offerings to customers. For more information on the pools, see Operations International Fleet Operations.

Technical Operations

OSG believes that its commercial success depends in large part on the Company's compliance with safety, quality and environmental ("SQE") standards mandated by worldwide regulators and customers. The Company's integrated technical management centers in the U.S. and Europe manage its operating fleet of International Flag crude oil tankers and refined petroleum product carriers, the U.S. Flag fleet and the gas fleet. In addition to regular maintenance and repair, crews onboard each vessel and OSG's technical management teams of shore side personnel are responsible for ensuring that the Company's fleet meets or exceeds SQE regulations and standards established by customers and the U.S. Coast Guard, SOLAS (the International Convention for the Safety of Life at Sea) and MARPOL. This is achieved by hiring highly qualified crews and personnel, developing and deploying standardized, fleet-wide operational practices and procedures, continuous education and training and the reinforcement of Company policies through integrated systems and technology, open reporting programs and shore side support. In connection with the Company's philosophy of continuous improvement, OSG's operational integrity group, an audit and investigative function, audits both compliance by vessel crews with operating procedures and vessel compliance with environmental regulatory requirements and vessel safety and maintenance standards and responds to the Company's anonymous self reporting system of possible violations of Company policies and procedures. Furthermore, the Company's Operational Compliance Officer, who reports to the President and the Board of Directors, has independent oversight of fleet-wide vessel operating practices and procedures and global training programs. OSG believes it has one of the most comprehensive environmental compliance programs in the industry with checks and balances throughout its system. As a result of the settlement with the U.S. Department of Justice in 2006, the Company agreed to an environmental compliance program, which was substantially the same as its existing environmental management programs.

Commercial Teams

OSG's commercial teams based in offices in Houston, London, New York, Singapore and Tampa enable customers to have access, at all times, to information about their cargo's position and status. The Company believes that the scale of its fleet, its commercial management skills and its extensive market knowledge allow it to consistently achieve better rates than smaller, independent shipowners. OSG's strong reputation in the marketplace is the result of longstanding relationships with its customers and business partners. Investments in technology, including database and software tools, have enabled OSG to improve the speed and quality of information it provides to its customers.

Customers

OSG's customers include major independent and state-owned oil companies, oil traders, and U.S. and international government entities. The Company believes that it distinguishes itself in the shipping market through an emphasis on service, safety and reliability and its ability to maintain and grow long-term customer relationships.

Liquidity

The Company believes that the strength of its balance sheet, and the financial flexibility that it affords, distinguishes it from many of its competitors. In 2007, stockholders' equity declined by $389 million to $1.8 billion, principally due to the Company's repurchase of $551 million of its shares, and liquidity, including undrawn bank facilities, stood at more than $1.8 billion at December 31, 2007. During 2007, OSG America L.P., a subsidiary of OSG, entered into a new $200 million secured credit facility, which is nonrecourse to the Company.

Liquidity adjusted debt to capital was 32.6% at December 31, 2007, compared with 14.8% as of December 31, 2006. The increase was principally the result of $551 million in share repurchases in 2007, which were substantially funded through borrowings under the Company's unsecured credit facility. For this purpose, liquidity adjusted debt is defined as long-term debt reduced by cash and the balance in the Capital Construction Fund.

Employees

As of December 31, 2007, the Company had 3,754 employees comprised of 3,278 seagoing personnel and 476 shore side staff. The Company has collective bargaining agreements with three different maritime unions covering 599 seagoing personnel employed on the Company's U.S. Flag vessels. These agreements are in effect for periods ending between March 2008 and June 2015. Under the collective bargaining agreements, the Company is obligated to make contributions to pension and other welfare programs. OSG believes that it has a satisfactory relationship with its employees.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements regarding the outlook for tanker and articulated tug/barge markets, and the Company's prospects, including prospects for certain strategic alliances and investments. There are a number of factors, risks and uncertainties that could cause actual results to differ from the expectations reflected in these forward-looking statements, including changes in production of or demand for oil and petroleum products, either globally or in particular regions; prospects for the growth of the Gas segment; greater than anticipated levels of newbuilding orders or less than anticipated rates of scrapping of older vessels; changes in trading patterns for particular commodities significantly impacting overall tonnage requirements; changes in the rates of growth of the world and various regional economies; risks incident to vessel operation, including accidents and discharge of pollutants; unanticipated changes in laws and regulations; increases in costs of operation; drydocking schedules differing from those previously anticipated; the ability of the Company to attract and retain experienced, qualified and skilled crewmembers; delays or cost overruns in the building of new vessels; the cost and availability of insurance coverage; the availability to the Company of suitable vessels for acquisition or chartering-in on terms it deems favorable; changes in the pooling arrangements in which the Company participates, including withdrawal of participants or termination of such arrangements; estimates of future costs and other liabilities for certain environmental matters and compliance plans; and projections of the costs needed to develop and implement the Company's strategy of being a market leader in the segments in which the Company competes. The Company assumes no obligation to update or revise any forward-looking statements. Forward-looking statements in this Form 10-K and written and oral forward-looking statements attributable to the Company or its representatives after the date of this Form 10-K are qualified in their entirety by the cautionary statement contained in this paragraph and in other reports hereafter filed by the Company with the Securities and Exchange Commission.

OPERATIONS

The bulk shipping of crude oil and refined and unrefined petroleum products has many distinct market segments based, in large part, on the size and design configuration of vessels required and, in some cases, on the flag of registry. Freight rates in each market segment are determined by a variety of factors affecting the supply and demand for suitable vessels. Tankers, ATBs and Product Carriers are not bound to specific ports or schedules and therefore can respond to market opportunities by moving between trades and geographical areas. The Company has established three reportable business segments: International Crude Tankers, International Product Carriers, and U.S. vessels.

The following chart reflects the percentage of TCE revenues generated by the Company's three reportable segments for each year in the three-year period ended December 31, 2007 and excludes the Company's proportionate share of TCE revenues of affiliated companies.

	Percentage of TCE Revenues		
	2007	**2006**	**2005**
International			
Crude Tankers	54.8%	68.9%	69.6%
Product Carriers	23.4%	21.7%	19.3%
Other	2.3%	1.8%	2.7%
Total International Segments	80.5%	92.4%	91.6%
U.S.	19.5%	7.6%	8.4%
Total	100.0%	100.0%	100.0%

The following chart reflects the percentage of income from vessel operations accounted for by each reportable segment. Income from vessel operations is before general and administrative expenses, gain on disposal of vessels and the Company's share of income from affiliated companies:

	Percentage of Income from Vessel Operations		
	2007	**2006**	**2005**
International			
Crude Tankers	69.3%	88.5%	78.6%
Product Carriers	17.6%	14.5%	14.5%
Other	1.1%	(5.9)%	0.9