HORMEL FOODS CORP /DE/
Form 10-Q
March 06, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended January 25, 2015

or

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

For the transition period from ___________________________________ to ____

Commission File Number: 1-2402

HORMEL FOODS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	41-0319970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Hormel Place Austin, Minnesota	55912-3680
(Address of principal executive offices)	(Zip Code)

(507) 437-5611

(Registrant s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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. _X_ YES __ NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). _X_ YES __ NO

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer X	Accelerated filer__
Non-accelerated filer __ (Do not check if a smaller reporting company)	Smaller reporting company__

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

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

Class	**Outstanding at March 1, 2015**	
Common Stock	$.0293 par value	264,067,446
Common Stock Non-Voting	$.01 par value	-0-

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements

HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands, except share and per share amounts)

		January 25, 2015 (Unaudited)		October 26, 2014
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	$	527,097	$	334,174
Accounts receivable		578,238		609,526
Inventories		1,016,788		1,054,552
Income taxes receivable		-		25,678
Deferred income taxes		86,853		86,853
Prepaid expenses		29,534		15,250
Other current assets		7,821		6,738
TOTAL CURRENT ASSETS		2,246,331		2,132,771
GOODWILL		1,225,449		1,226,406
OTHER INTANGIBLES		552,820		554,890
PENSION ASSETS		134,876		130,284
INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES		255,777		264,451
OTHER ASSETS		147,133		145,050
PROPERTY, PLANT AND EQUIPMENT				
Land		61,813		61,809
Buildings		810,674		803,722
Equipment		1,644,200		1,597,044
Construction in progress		73,153		119,657
		2,589,840		2,582,232
Less allowance for depreciation		(1,592,603)		(1,580,465)
		997,237		1,001,767
TOTAL ASSETS	$	5,559,623	$	5,455,619

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands, except share and per share amounts)

	January 25, 2015 (Unaudited)	October 26, 2014
LIABILITIES AND SHAREHOLDERS INVESTMENT		
CURRENT LIABILITIES		
Accounts payable	$ 407,419	$ 484,042
Accrued expenses	96,453	76,836
Accrued workers compensation	37,622	35,406
Accrued marketing expenses	117,992	89,561
Employee related expenses	147,730	209,874
Taxes payable	61,020	5,507
Interest and dividends payable	69,068	53,466
TOTAL CURRENT LIABILITIES	937,304	954,692
LONG-TERM DEBT less current maturities	250,000	250,000
PENSION AND POST-RETIREMENT BENEFITS	504,649	502,693
OTHER LONG-TERM LIABILITIES	105,491	112,176
DEFERRED INCOME TAXES	29,863	24,002
SHAREHOLDERS INVESTMENT		
Preferred stock, par value $.01 a share authorized 160,000,000 shares; issued none		
Common stock, non-voting, par value $.01 a share authorized 400,000,000 shares; issued none		
Common stock, par value $.0293 a share authorized 800,000,000 shares; issued 263,772,397 shares January 25, 2015 issued 263,613,201 shares October 26, 2014	7,729	7,724
Additional paid-in capital	7,550	-
Accumulated other comprehensive loss	(200,037)	(207,700)
Retained earnings	3,911,548	3,805,654
HORMEL FOODS CORPORATION SHAREHOLDERS INVESTMENT	3,726,790	3,605,678
NONCONTROLLING INTEREST	5,526	6,378
TOTAL SHAREHOLDERS INVESTMENT	3,732,316	3,612,056
TOTAL LIABILITIES AND SHAREHOLDERS INVESTMENT	$ 5,559,623	$ 5,455,619

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended	
	January 25, 2015	January 26, 2014
Net sales	$ 2,395,073	$ 2,242,672
Cost of products sold	1,950,468	1,844,030
GROSS PROFIT	444,605	398,642
Selling, general and administrative	180,299	166,189
Equity in earnings of affiliates	1,660	4,739
OPERATING INCOME	265,966	237,192
Other income and expense:		
Interest and investment income	1,149	1,173
Interest expense	(3,078)	(3,094)
EARNINGS BEFORE INCOME TAXES	264,037	235,271
Provision for income taxes	91,607	80,813
NET EARNINGS	172,430	154,458
Less: Net earnings attributable to noncontrolling interest	712	1,110
NET EARNINGS ATTRIBUTABLE TO HORMEL FOODS CORPORATION	$ 171,718	$ 153,348
NET EARNINGS PER SHARE:		
BASIC	$ 0.65	$ 0.58
DILUTED	$ 0.64	$ 0.57
WEIGHTED-AVERAGE SHARES OUTSTANDING:		
BASIC	263,676	263,752
DILUTED	270,061	270,224
DIVIDENDS DECLARED PER SHARE:	$ 0.25	$ 0.20

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

(Unaudited)

	Three Months Ended	
	January 25, 2015	**January 26, 2014**
NET EARNINGS	$ 172,430	$ 154,458
Other comprehensive income (loss), net of tax:		
Foreign currency translation	777	(2,291)
Pension and other benefits	1,897	1,019
Deferred hedging	5,006	(472)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	7,680	(1,744)
COMPREHENSIVE INCOME	180,110	152,714
Less: Comprehensive income attributable to noncontrolling interest	729	1,138
COMPREHENSIVE INCOME ATTRIBUTABLE TO HORMEL FOODS CORPORATION	$ 179,381	$ 151,576

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS INVESTMENT

(in thousands, except per share amounts)

(Unaudited)

	Hormel Foods Corporation Shareholders						
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total Shareholders Investment
Balance at October 27, 2013	$ 7,725	$ -	$ -	$ 3,452,529	$ (149,214)	$ 5,539	$ 3,316,579
Net earnings				602,677		3,349	606,026
Other comprehensive loss					(58,486)	(10)	(58,496)
Purchases of common stock		(58,937)					(58,937)
Stock-based compensation expense	1		14,392				14,393
Exercise of stock options/nonvested shares	35		6,068				6,103
Shares retired	(37)	58,937	(20,460)	(38,440)			-
Distribution to noncontrolling interest						(2,500)	(2,500)
Declared cash dividends $.80 per share				(211,112)			(211,112)
Balance at October 26, 2014	$ 7,724	$ -	$ -	$ 3,805,654	$ (207,700)	$ 6,378	$ 3,612,056
Net earnings				171,718		712	172,430
Other comprehensive income					7,663	17	7,680
Stock-based compensation expense			5,524				5,524
Exercise of stock options/nonvested shares	5		2,026				2,031
Distribution to noncontrolling interest						(1,581)	(1,581)
Declared cash dividends $.25 per share				(65,824)			(65,824)
Balance at January 25, 2015	$ 7,729	$ -	$ 7,550	$ 3,911,548	$ (200,037)	$ 5,526	$ 3,732,316

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(Unaudited)

	Three Months Ended	
	January 25, 2015	**January 26, 2014**
OPERATING ACTIVITIES		
Net earnings	$ 172,430	$ 154,458
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation	30,720	29,429
Amortization of intangibles	2,039	2,331
Equity in earnings of affiliates, net of dividends	(1,639)	5,285
Provision for deferred income taxes	1,161	428
Gain on property/equipment sales and plant facilities	(5,117)	(369)
Non-cash investment activities	(1,068)	(135)
Stock-based compensation expense	5,524	4,957
Excess tax benefit from stock-based compensation	(2,963)	(4,111)
Changes in operating assets and liabilities, net of acquisitions:		
Decrease in accounts receivable	31,288	46,476
Decrease in inventories	36,824	46,161
Decrease (increase) in prepaid expenses and other current assets	18,354	(4,297)
Increase in pension and post-retirement benefits	327	1,234
(Decrease) increase in accounts payable and accrued expenses	(39,944)	32,445
Other	(1,434)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	246,502	314,292
INVESTING ACTIVITIES		
Acquisitions of businesses/intangibles	-	(41,401)
Purchases of property/equipment	(27,674)	(37,038)
Proceeds from sales of property/equipment	9,931	4,278
Decrease in investments, equity in affiliates, and other assets	14,932	4,028
NET CASH USED IN INVESTING ACTIVITIES	(2,811)	(70,133)
FINANCING ACTIVITIES		
Dividends paid on common stock	(52,801)	(44,833)
Proceeds from exercise of stock options	2,057	3,437
Excess tax benefit from stock-based compensation	2,963	4,111
Distribution to noncontrolling interest	(1,581)	-
NET CASH USED IN FINANCING ACTIVITIES	(49,362)	(37,285)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,406)	(1,044)
INCREASE IN CASH AND CASH EQUIVALENTS	192,923	205,830
Cash and cash equivalents at beginning of year	334,174	434,014
CASH AND CASH EQUIVALENTS AT END OF QUARTER	$ 527,097	$ 639,844

See Notes to Consolidated Financial Statements

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HORMEL FOODS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A GENERAL

Basis of Presentation

The accompanying unaudited consolidated financial statements of Hormel Foods Corporation (the Company) have been prepared in accordance with generally accepted accounting principles for interim financial information, and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full year. The balance sheet at October 26, 2014, has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes included in the Company s Annual Report on Form 10-K for the fiscal year ended October 26, 2014.

Investments

The Company maintains a rabbi trust to fund certain supplemental executive retirement plans and deferred income plans, which is included in other assets on the Consolidated Statements of Financial Position. The securities held by the trust are classified as trading securities. Therefore, unrealized gains and losses associated with these investments are included in the Company s earnings. Securities held by the trust generated a gain of $1.5 million for the quarter ended January 25, 2015, compared to a gain of $0.5 million for the quarter ended January 26, 2014. The Company has transitioned the majority of this portfolio to more fixed return investments to reduce the exposure to volatility in equity markets.

Supplemental Cash Flow Information

Non-cash investment activities presented on the Consolidated Statements of Cash Flows generally consist of unrealized gains or losses on the Company s rabbi trust, amortization of affordable housing investments, and amortization of bond financing costs. The noted investments are included in other assets on the Consolidated Statements of Financial Position. Changes in the value of these investments are included in the Company s net earnings and are presented in the Consolidated Statements of Operations as either interest and investment income (loss) or interest expense, as appropriate.

Guarantees

The Company enters into various agreements guaranteeing specified obligations of affiliated parties. The Company s guarantees either terminate in one year or remain in place until such time as the Company revokes the agreement. The Company currently provides revocable standby letters of credit totaling $3.5 million to guarantee obligations that may arise under worker compensation claims of an affiliated party. This potential obligation is not reflected in the Company s Consolidated Statements of Financial Position.

New Accounting Pronouncements

In January 2014, the FASB updated the guidance within ASC 323, *Investments-Equity Method and Joint Ventures*. The update provides guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments modify the conditions that a reporting entity must meet to be eligible to use a method other than the equity or cost methods to account for qualified affordable housing project investments. If the modified conditions are met, the amendments permit an entity to make an accounting policy election to amortize the initial cost of the investment in proportion to the amount of tax credits and other tax benefits received and recognize the net investment performance in the income statement as a component of income tax expense

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(benefit). Additionally, the amendments introduce new recurring disclosures about all investments in qualified affordable housing projects irrespective of the method used to account for the investments. The updated guidance is to be applied retrospectively, and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption permitted. The Company expects to adopt the new provisions of this accounting standard at the beginning of fiscal year 2016, and adoption is not expected to have a material impact on the consolidated financial statements.

In May 2014, the FASB issued ASC 606, *Revenue from Contracts with Customers.* This topic converges the guidance within U.S. generally accepted accounting principles and international financial reporting standards and supersedes ASC 605, *Revenue Recognition.* The new standard requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period, and early application is not permitted. Accordingly, the Company plans to adopt the provisions of this new accounting standard at the beginning of fiscal year 2018, and is currently assessing the impact on its consolidated financial statements.

NOTE B ACQUISITIONS

On August 11, 2014, the Company acquired CytoSport Holdings, Inc. (CytoSport) of Benicia, California for a preliminary purchase price of $424.3 million in cash. The purchase price is preliminary pending final working capital and other purchase accounting adjustments, and was funded by the Company with cash on hand and by utilizing funds from its revolving line of credit. The agreement provides for a potential additional payment of up to $20.0 million subject to meeting specific financial performance criteria over the next two years. The Company has recognized $10.3 million related to this potential payment as of January 25, 2015, based on the current estimated fair value determined by an independent appraisal.

The acquisition was accounted for as a business combination using the acquisition method. The Company has estimated the acquisition date fair values of the assets acquired and liabilities assumed, using independent appraisals and other analyses, and is in the process of determining final working capital adjustments. Therefore, a preliminary allocation of the purchase price to the acquired assets, liabilities, and goodwill is presented in the table below.

(in thousands)		
Accounts receivable	$	37,541
Inventory		62,246
Prepaid and other assets		3,133
Property, plant and equipment		8,119
Intangible assets		183,607
Goodwill		263,829
Current liabilities		(52,298)
Long-term liabilities		(25,182)
Deferred taxes		(56,667)
Purchase price	$	424,328

The liabilities shown above include $15.0 million representing potential payments owed under a supplier agreement, which are contingent on future production levels.

Goodwill is calculated as the excess of the purchase price over the fair value of the net assets recognized. The goodwill recorded as part of the acquisition primarily reflects the value of the assembled workforce, manufacturing synergies, and the potential to expand presence in alternate channels. The goodwill balance is not expected to be deductible for income tax purposes. The goodwill and intangible assets have been allocated to the Specialty Foods and International & Other reporting segments.

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Operating results for this acquisition have been included in the Company s Consolidated Statements of Operations from the date of acquisition and are reflected in the Specialty Foods and International & Other reporting segments. The acquisition contributed $64.2 million of net sales for the first quarter of fiscal 2015. CytoSport is the maker of *Muscle Milk®* products and is a leading provider of premium protein products in the sports nutrition category. CytoSport s brands align with the Company s focus on protein while further diversifying the Company s portfolio.

On November 26, 2013, the Company acquired the China based *SKIPPY* peanut butter business from Conopco, Inc. (doing business as Unilever United States Inc.), of Englewood Cliffs, N.J. for a final purchase price of $41.9 million in cash. This acquisition includes the Weifang, China manufacturing facility and all sales in Mainland China. The purchase price was funded by the Company with cash on hand.

Operating results for this acquisition have been included in the Company s Consolidated Statements of Operations from the date of acquisition and are reflected in the International & Other reporting segment. The acquisition contributed an incremental $5.9 million of net sales for the first quarter of fiscal 2015.

SKIPPY is a well-established brand that allows the Company to expand its presence in the center of the store with a non-meat protein product and reinforces the Company s balanced product portfolio. The acquisition also provides the opportunity to strengthen the Company s global presence and complements the international sales strategy for the *SPAM* family of products.

Pro forma results of operations are not presented, as no acquisition in fiscal years 2015 or 2014 was considered material, individually or in the aggregate, to the consolidated Company.

NOTE C STOCK-BASED COMPENSATION

The Company issues stock options and nonvested shares as part of its stock incentive plans for employees and non-employee directors. The Company s policy is to grant options with the exercise price equal to the market price of the common stock on the date of grant. Options typically vest over four years and expire ten years after the date of the grant. The Company recognizes stock-based compensation expense ratably over the shorter of the requisite service period or vesting period. The fair value of stock-based compensation granted to retirement-eligible individuals is expensed at the time of grant.

A reconciliation of the number of options outstanding and exercisable (in thousands) as of January 25, 2015, and changes during the quarter then ended, is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining	Aggregate Intrinsic Value (in thousands)

			Contractual Term	
Outstanding at October 26, 2014	17,402	$24.61		
Granted	1,169	52.76		
Exercised	285	19.69		
Outstanding at January 25, 2015	18,286	$26.49	5.4 years	$ 491,242
Exercisable at January 25, 2015	13,740	$21.99	4.4 years	$ 430,900

The weighted-average grant date fair value of stock options granted and the total intrinsic value of options exercised (in thousands) during the first quarter of fiscal years 2015 and 2014 are as follows:

	Three Months Ended	
	January 25, 2015	January 26, 2014
Weighted-average grant date fair value	$ 10.08	$ 9.89
Intrinsic value of exercised options	$ 9,192	$ 13,402

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The fair value of each option award is calculated on the date of grant using the Black-Scholes valuation model utilizing the following weighted-average assumptions:

	Three Months Ended	
	January 25, 2015	January 26, 2014
Risk-free interest rate	2.2 %	2.5%
Dividend yield	1.9 %	1.7%
Stock price volatility	19.0%	20.0%
Expected option life	8 years	8 years

As part of the annual valuation process, the Company reassesses the appropriateness of the inputs used in the valuation models. The Company establishes the risk-free interest rate using stripped U.S. Treasury yields as of the grant date where the remaining term is approximately the expected life of the option. The dividend yield is set based on the dividend rate approved by the Company s Board of Directors and the stock price on the grant date. The expected volatility assumption is set based primarily on historical volatility. As a reasonableness test, implied volatility from exchange traded options is also examined to validate the volatility range obtained from the historical analysis. The expected life assumption is set based on an analysis of past exercise behavior by option holders. In performing the valuations for option grants, the Company has not stratified option holders as exercise behavior has historically been consistent across all employee and non-employee director groups.

The Company s nonvested shares granted on or before September 26, 2010, vest after five years or upon retirement. Nonvested shares granted between September 27, 2010, and July 27, 2014, vest after one year. Nonvested shares granted on or after July 28, 2014, vest on the earlier of the day before the Company s next annual meeting date or one year. There were no changes to the balance of nonvested shares during the first quarter, with 70 thousand shares outstanding at a weighted-average grant date fair value of $33.58 as of January 25, 2015. No shares vested during the first quarter of fiscal year 2015 or fiscal year 2014.

Stock-based compensation expense, along with the related income tax benefit, for the first quarter of fiscal years 2015 and 2014 is presented in the table below.

	Three Months Ended	
(in thousands)	January 25, 2015	January 26, 2014
Stock-based compensation expense recognized	$ 5,524	$ 4,957
Income tax benefit recognized	2,097	1,884
After-tax stock-based compensation expense	$ 3,427	$ 3,073

At January 25, 2015, there was $14.4 million of total unrecognized compensation expense from stock-based compensation arrangements granted under the plans. This compensation is expected to be recognized over a weighted-average period of approximately 3.1 years. During the quarter ended January 25, 2015, cash received from stock option exercises was $2.1 million compared to $3.4 million for the quarter ended January 26, 2014. The total tax benefit to be realized for tax deductions from these option exercises for the quarter ended January 25, 2015, was $3.5 million compared to $5.1 million in the comparable quarter of fiscal 2014.

Shares issued for option exercises and nonvested shares may be either authorized but unissued shares, or shares of treasury stock acquired in the open market or otherwise.

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NOTE D GOODWILL AND INTANGIBLE ASSETS

The carrying amounts of goodwill for the quarter ended January 25, 2015, are presented in the table below. The reduction during the first quarter is entirely due to the sale of an immaterial product line.

(in thousands)	Grocery Products	Refrigerated Foods	JOTS	Specialty Foods	International & Other	Total
Balance as of October 26, 2014	$ 322,942	$ 96,643	$ 203,214	$ 470,857	$ 132,750	$ 1,226,406
Disposal	(521)	(435)	-	-	(1)	(957)
Balance as of January 25, 2015	$ 322,421	$ 96,208	$ 203,214	$ 470,857	$ 132,749	$ 1,225,449

The gross carrying amount and accumulated amortization for definite-lived intangible assets are presented in the table below.

	January 25, 2015		**October 26, 2014**	
(in thousands)	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
Customer lists/relationships	$ 58,090	$ (11,135)	$ 67,540	$ (19,336)
Proprietary software & technology	14,820	(13,902)	14,820	(13,542)
Formulas & recipes	13,540	(12,064)	17,854	(15,955)
Other intangibles	1,770	(1,565)	4,746	(4,503)
Total	$ 88,220	$ (38,666)	$ 104,960	$ (53,336)

Amortization expense was $2.1 million for the quarter ended January 25, 2015, compared to $2.3 million for the quarter ended January 26, 2014.

Estimated annual amortization expense for the five fiscal years after October 26, 2014, is as follows:

(in thousands)	
2015	$7,554
2016	5,591
2017	5,118
2018	4,876
2019	4,833

The carrying amounts for indefinite-lived intangible assets are presented in the table below.

(in thousands)	January 25, 2015	October 26, 2014
Brands/tradenames/trademarks	$ 495,282	$ 495,282
Other intangibles	7,984	7,984
Total	$ 503,266	$ 503,266

NOTE E INVESTMENTS IN AND RECEIVABLES FROM AFFILIATES

The Company accounts for its majority-owned operations under the consolidation method. Investments in which the Company owns a minority interest, and for which there are no other indicators of control, are accounted for under the equity or cost method. These investments, along with any related receivables from affiliates, are included in the Consolidated Statements of Financial Position as investments in and receivables from affiliates.

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Investments in and receivables from affiliates consists of the following:

(in thousands)	Segment	% Owned	January 25, 2015	October 26, 2014
MegaMex Foods, LLC	Grocery Products	50%	$ 200,332	$ 208,221
Foreign Joint Ventures	International & Other	Various (26-50%)	55,445	56,230
Total			$ 255,777	$ 264,451

Equity in earnings of affiliates consists of the following:

		Three Months Ended	
(in thousands)	Segment	January 25, 2015	January 26, 2014
MegaMex Foods, LLC	Grocery Products	$ 8,057	$ 2,528
Foreign Joint Ventures	International & Other	(6,397)	2,211
Total		$ 1,660	$ 4,739

The decrease in equity in earnings in the first quarter of fiscal 2015 compared to the prior year included nonrecurring charges related to the exit from international joint venture businesses. There were twenty-two thousand dollars of dividends received from affiliates for the three months ended January 25, 2015, compared to $10.0 million dividends received for the three months ended January 26, 2014.

The Company recognized a basis difference of $21.3 million associated with the formation of MegaMex Foods, LLC, of which $16.8 million is remaining as of January 25, 2015. This difference is being amortized through equity in earnings of affiliates.

NOTE F EARNINGS PER SHARE DATA

The reported net earnings attributable to the Company were used when computing basic and diluted earnings per share. The following table sets forth the shares used as the denominator for those computations:

	Three Months Ended	
(in thousands)	January 25, 2015	January 26, 2014

Basic weighted-average shares outstanding	263,676	263,752
Dilutive potential common shares	6,385	6,472
Diluted weighted-average shares outstanding	270,061	270,224

For the three months ended January 25, 2015, and January 26, 2014, a total of 0.7 million and 0.6 million weighted- average stock options, respectively, were not included in the computation of dilutive potential common shares since their inclusion would have had an antidilutive effect on earnings per share.

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NOTE G ACCUMULATED OTHER COMPREHENSIVE LOSS

Components of accumulated other comprehensive loss are as follows:

(in thousands)	Foreign Currency Translation	Pension & Other Benefits	Deferred Gain (Loss) - Hedging	Accumulated Other Comprehensive Loss
Balance at October 26, 2014	$ 7,480	$ (205,986)	$ (9,194)	$ (207,700)
Unrecognized gains:				
Gross	760	11	3,663	4,434
Tax effect		(4)	(1,383)	(1,387)
Reclassification into net earnings:				
Gross		3,047 (1)	4,379 (2)	7,426
Tax effect		(1,157)	(1,653)	(2,810)
Net of tax amount	760	1,897	5,006	7,663
Balance at January 25, 2015	$ 8,240	$ (204,089)	$ (4,188)	$ (200,037)

(1) Included in the computation of net periodic cost (see Note K Pension and Other Post-Retirement Benefits for additional details).

(2) Included in cost of products sold in the Consolidated Statements of Operations.

NOTE H INVENTORIES

Principal components of inventories are:

(in thousands)	January 25, 2015	October 26, 2014
Finished products	$ 571,275	$ 604,946
Raw materials and work-in-process	263,618	274,105
Materials and supplies	181,895	175,501
Total	$ 1,016,788	$ 1,054,552

NOTE I DERIVATIVES AND HEDGING

The Company uses hedging programs to manage price risk associated with commodity purchases. These programs utilize futures contracts and swaps to manage the Company s exposure to price fluctuations in the commodities markets. The Company has determined that its programs which are designated as hedges are highly effective in offsetting the changes in fair value or cash flows generated by the items hedged.

Cash Flow Hedges: The Company currently utilizes corn futures to offset the price fluctuation in the Company s future direct grain purchases, and has historically entered into various swaps to hedge the purchases of grain and natural gas at certain plant locations. The financial instruments are designated and accounted for as cash flow hedges, and the Company measures the effectiveness of the hedges at least quarterly. Effective gains or losses related to these cash flow hedges are reported in accumulated other comprehensive loss (AOCL) and reclassified into earnings, through cost of products sold, in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. The Company typically does not hedge its grain or natural gas exposure beyond the next two upcoming fiscal years. As of January 25, 2015, and October 26, 2014, the Company had the following outstanding commodity futures contracts that were entered into to hedge forecasted purchases:

	Volume	
Commodity	**January 25, 2015**	**October 26, 2014**
Corn	17.3 million bushels	18.3 million bushels

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As of January 25, 2015, the Company has included in AOCL, hedging losses of $6.7 million (before tax) relating to these positions, compared to losses of $14.8 million (before tax) as of October 26, 2014. The Company expects to recognize the majority of these losses over the next 12 months.

Fair Value Hedges: The Company utilizes futures to minimize the price risk assumed when forward priced contracts are offered to the Company s commodity suppliers. The intent of the program is to make the forward priced commodities cost nearly the same as cash market purchases at the date of delivery. The futures contracts are designated and accounted for as fair value hedges, and the Company measures the effectiveness of the hedges at least quarterly. Changes in the fair value of the futures contracts, along with the gain or loss on the hedged purchase commitment, are marked-to-market through earnings and are recorded on the Consolidated Statements of Financial Position as a current asset and liability, respectively. Effective gains or losses related to these fair value hedges are recognized through cost of products sold in the period or periods in which the hedged transactions affect earnings. Any gains or losses related to hedge ineffectiveness are recognized in the current period cost of products sold. As of January 25, 2015, and October 26, 2014, the Company had the following outstanding commodity futures contracts designated as fair value hedges:

	Volume	
Commodity	**January 25, 2015**	**October 26, 2014**
Corn	6.6 million bushels	8.0 million bushels
Lean hogs	0.4 million cwt	0.7 million cwt

Other Derivatives: During fiscal years 2015 and 2014, the Company has held certain futures and options contract positions as part of a merchandising program and to manage the Company s exposure to fluctuations in commodity markets. The Company has not applied hedge accounting to these positions.

As of January 25, 2015, and October 26, 2014, the Company had the following outstanding futures related to these programs:

	Volume	
Commodity	**January 25, 2015**	**October 26, 2014**
Corn	1.9 million bushels	2.9 million bushels

Fair Values: The fair values of the Company s derivative instruments (in thousands) as of January 25, 2015, and October 26, 2014, were as follows:

		Fair Value (1)	
	Location on Consolidated Statements of Financial Position	**January 25, 2015**	**October 26, 2014**
Asset Derivatives:			
Derivatives Designated as Hedges:			
Commodity contracts	Other current assets	$ 3,827	$ (7,124)

Derivatives Not Designated as Hedges:			
Commodity contracts	Other current assets	(316)	(938)
Total Asset Derivatives		**$ 3,511**	**$ (8,062)**

(1) Amounts represent the gross fair value of derivPAN=7 ALIGN="CENTER">
Stockholder's Derivative Actions
An action may be brought in the right of a corporation to procure a judgment in its favor, by a holder of shares or of voting trust certificates or of a beneficial interest in such shares or certificates. It shall be made to appear that the plaintiff is such a holder at the time of bringing the action and that he was such a holder at the time of the transaction of which he complains, or that his shares or his interest therein devolved upon him by operation of law

In any derivative suit instituted by a stockholder or a corporation, it shall be averred in the complaint that the plaintiff was a stockholder of the corporation at the time of the transaction of which he complains or that such stockholder's stock thereafter devolved upon such stockholder by operation of law
Complaint shall set forth with particularity the efforts of the plaintiff to secure the initiation of such action by the board or the reasons for not making such effort

Such action shall not be discontinued, compromised or settled, without the approval of the High Court of the Republic

Attorney's fees may be awarded if the action is successful

Corporation may require a plaintiff bringing a derivative suit to give security for reasonable expenses if the plaintiff owns less than 5% of any class of stock and the shares have a value of less than $50,000

TAX CONSIDERATIONS

The following is a discussion of the material Marshall Islands and United States federal income tax considerations relevant to an investment decision by a United States Holder, as defined below, with respect to the acquisition, ownership and disposition of the common stock of Double Hull Tankers, Inc., or the Company. This discussion does not purport to deal with the tax consequences of owning common stock to all categories of investors, some of which (such as financial institutions, regulated investment companies, real estate investment trusts, tax-exempt organizations, insurance companies, persons holding common stock of the Company as part of a hedging, integrated, conversion or constructive sale transaction or a straddle, traders in securities that have elected the mark-to-market method of accounting for their securities, persons liable for alternative minimum tax, persons who are investors in pass-through entities, dealers in securities or currencies and investors whose functional currency is not the United States dollar) may be subject to special rules.

WE RECOMMEND THAT YOU CONSULT YOUR OWN TAX ADVISORS CONCERNING THE OVERALL TAX CONSEQUENCES ARISING IN YOUR OWN PARTICULAR SITUATION UNDER UNITED STATES FEDERAL, STATE, LOCAL OR FOREIGN LAW OF THE OWNERSHIP OF COMMON STOCK.

Marshall Islands Tax Considerations

The following are the material Marshall Islands tax consequences of our activities to us and stockholders of our common stock. We are incorporated in the Marshall Islands. Under current Marshall Islands law, we are not subject to tax on income or capital gains, and no Marshall Islands withholding tax will be imposed upon payments of dividends by us to our stockholders.

United States Federal Income Tax Considerations

This discussion is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations issued thereunder, published administrative interpretations of the Internal Revenue Service, or IRS, and judicial decisions as of the date hereof, all of which are subject to change at any time, possibly on a retroactive basis. The statements of law contained in this section, "United States Federal Income Tax Considerations," represent the opinion of Cravath, Swaine & Moore LLP ("Tax Counsel").

Taxation of Operating Income: In General

The Company's subsidiaries have elected to be treated as disregarded entities for U.S. federal income tax purposes. As a result, for purposes of the discussion below, the Company's subsidiaries are treated as branches of it rather than as separate corporations.

Unless exempt from United States federal income taxation under the rules contained in Section 883 of the Code (discussed below), a foreign corporation is subject to United States federal income taxation on its "shipping income" that is treated as derived from sources within the United States, referred to as "United States source shipping income." For these purposes "shipping income" means any income that is derived from the use of vessels, from the hiring or leasing of vessels for use on a time, voyage or bareboat charter basis, from the participation in a pool, partnership, strategic alliance, joint operating agreement, code sharing arrangement or other joint venture it directly or indirectly owns or participates in that generates such income, or from the performance of services directly related to those uses. For tax purposes, "United States source shipping income" includes (i) 50% of shipping income that is attributable to transportation that begins or ends, but that does not both begin and end, in the United States and (ii) 100% of shipping income that is attributable to transportation that both begins and ends in the United States.

Shipping income attributable to transportation exclusively between non-United States ports will be considered to be 100% derived from sources outside the United States. Shipping income derived from sources outside the United States will not be subject to any United States federal income tax.

In the absence of exemption from tax under Section 883, the Company's gross United States source shipping income would be subject to a 4% tax imposed without allowance for deductions as described below. The Company has not, nor does it believe it will engage in transportation that produces income which is considered to be 100% from sources within the United States.

Exemption of operating income from United States federal income taxation

Under Section 883 of the Code and the regulations thereunder, the Company will be exempt from United States federal income taxation on its United States source shipping income if:

(1) it is organized in a foreign country (the Company's "country of organization") that grants an "equivalent exemption" to corporations organized in the United States; and

(2) either

(A) more than 50% of the value of its stock is owned, directly or indirectly, by individuals who are "residents" of its country of organization or of another foreign country that grants an "equivalent exemption" to corporations organized in the United States, referred to as the "50% Ownership Test," or

(B) its stock is "primarily and regularly traded on an established securities market" in its country of organization, in another country that grants an "equivalent exemption" to United States corporations, or in the United States, referred to as the "Publicly-Traded Test".

The Marshall Islands, the jurisdiction where the Company and its ship-owning subsidiaries are incorporated, grants an "equivalent exemption" to United States corporations. Therefore, the Company will be exempt from United States federal income taxation with respect to the Company's United States source shipping income if either the 50% Ownership Test or the Publicly- Traded Test is met. As a result of the IPO, it is difficult to satisfy the 50% Ownership Test due to the widely-held ownership of the Company's stock.

As to the Publicly-Traded Test, the regulations under Code Section 883 provide, in pertinent part, that stock of a foreign corporation will be considered to be "primarily traded" on an established securities market in a country if the number of shares of each class of stock that is traded during any taxable year on all established securities markets in that country exceeds the number of shares in each such class that is traded during that year on established securities markets in any other single country. The Company believes that its common stock, which is, and will continue to be, the sole class of its issued and outstanding stock, is, and will continue to be, "primarily traded" on the New York Stock Exchange, which is an established securities market for these purposes.

The Publicly-Traded Test also requires the Company's common stock be "regularly traded" on an established securities market. Under the regulations, the Company's common stock is considered to be "regularly traded" on an established securities market if one or more classes of the Company's stock representing more than 50% of its outstanding shares, by both total combined voting power of all classes of stock entitled to vote and total value, are listed on the market, referred to as the "listing threshold." The regulations further require that with respect to each class of stock relied upon to meet the listing threshold, (i) such class of stock is traded on the market, other than in minimal quantities, on at least 60 days during the taxable year or $^{1}/_{6}$ of the days in a short taxable year; and (ii) the aggregate number of shares of such class of stock traded on such market during the taxable year is at least 10% of the average number of shares of such class of stock outstanding during such year (as appropriately adjusted in the case of a short taxable year). The Company believes it satisfies, and will continue to satisfy, the trading frequency and trading volume tests. However, even if the Company does not satisfy both tests, the regulations provide that the trading frequency and trading volume tests will be deemed satisfied if its common stock is traded on an established market in the United States and such stock is regularly quoted by dealers making a market in such stock. The Company believes this is and will continue to be the case.

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

In order to determine the persons who actually or constructively own 5% or more of the Company's stock, or "5% Stockholders," the Company is permitted to rely on those persons that are identified on Schedule 13G and Schedule 13D filings with the United States Securities and Exchange Commission, or the SEC, as having a 5% or more beneficial interest in its common stock. In addition, an investment company identified on a Schedule 13G or Schedule 13D filing which is registered under the Investment Company Act of 1940, as amended, will not be treated as a 5% Stockholder for such purposes.

In the event the 5 Percent Override Rule is triggered, the 5 Percent Override Rule will nevertheless not apply if the Company can establish that among the closely-held group of 5% Stockholders, there are sufficient 5% Stockholders that are considered to be "qualified stockholders" for purposes of Section 883 to preclude non-qualified 5% Stockholders in the closely-held group from owning 50% or more of each class of the Company's stock for more than half the number of days during the taxable year.

As of January 16, 2007, OIN owned approximately 44.5% of the Company's common stock and is a 5% Stockholder. Based on OIN's ownership and our review of the SEC filings discussed above, the Company believes that it did satisfy the Publicly-Traded Test and was not subject to the 5 Percent Override Rule during 2006. The Company currently believes that it will continue to satisfy the Publicly-Traded Test, although no assurances can be given that this will be the case.

In any year that the 5 Percent Override Rule is triggered with respect to the Company, the Company is eligible for the exemption from tax under Section 883 only if it can nevertheless satisfy the Publicly-Traded Test (which requires, among other things, showing that the exception to the 5 Percent Override Rule applies) or if it can satisfy the 50% Ownership Test. In either case, the Company would have to satisfy certain substantiation requirements regarding the identity of its stockholders in order to qualify for the Section 883 exemption. These requirements are onerous and there is no assurance that the Company would be able to satisfy them.

To the extent the benefits of Section 883 are unavailable, the Company's United States source shipping income, to the extent not considered to be "effectively connected" with the conduct of a United States trade or business, as described below, would be subject to a 4% tax imposed by Section 887 of the Code on a gross basis, without the benefit of deductions. Since under the sourcing rules described above, no more than 50% of the Company's shipping income would be treated as being United States source shipping income, the maximum effective rate of United States federal income tax on its shipping income would never exceed 2% under the 4% gross basis tax regime.

To the extent the benefits of the Section 883 exemption are unavailable and the Company's United States source shipping income is considered to be "effectively connected" with the conduct of a United States trade or business, as described below, any such "effectively connected" United States source shipping income, net of applicable deductions, would be subject to the United States federal corporate income tax currently imposed at rates of up to 35%. In addition, the Company may be subject to the 30% "branch profits" taxes on earnings effectively connected with the conduct of such trade or business, as determined after allowance for certain adjustments, and on certain interest paid or deemed paid attributable to the conduct of its United States trade or business.

The Company's United States source shipping income would be considered "effectively connected" with the conduct of a United States trade or business only if:

- the Company had, or was considered to have, a fixed place of business in the United States involved in the earning of United States source shipping income; and

- substantially all of the Company's United States source shipping income was attributable to regularly scheduled transportation, such as the operation of a vessel that followed a published schedule with repeated sailings at regular intervals between the same points for voyages that begin or end in the United States.

The Company does not have, nor will it permit circumstances that would result in having, any vessel sailing to or from the United States on a regularly scheduled basis. Based on the foregoing and on the expected mode of the Company's shipping operations and other activities, none of the Company's United States source shipping income is or will be "effectively connected" with the conduct of a United States trade or business.

United States taxation of gain on sale of vessels

Regardless of whether the Company qualifies for exemption under Section 883, it will not be subject to United States federal income taxation with respect to gain realized on a sale of a vessel, provided the sale is considered to occur outside of the United States under United States federal income tax principles. In general, a sale of a vessel will be considered to occur outside of the United States for this purpose if title to the vessel, and risk of loss with respect to the vessel, pass to the buyer outside of the United States. It is expected that any sale of a vessel will be considered to occur outside of the United States.

United States Federal Income Taxation of "United States Holders"

As used herein, the term "United States Holder" means a beneficial owner of common stock that

- is an individual United States citizen or resident, a United States corporation or other United States entity taxable as a corporation, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if a court within the United States is able to exercise primary jurisdiction over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust,

- owns the Company's common stock as a capital asset, and

- owns less than 10% of the Company's common stock for United States federal income tax purposes.

If a partnership holds the Company's common stock, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. If you are a partner in a partnership holding the Company's common stock, we suggest that you consult your tax advisor.

Distributions

Subject to the discussion of passive foreign investment companies ("PFICs") below, any distributions made by the Company with respect to its common stock to a United States Holder will generally constitute dividends to the extent of its current or accumulated earnings and profits, as determined under United States federal income tax principles. Distributions in excess of such earnings and profits will be treated first as a nontaxable return of capital to the extent of the United States Holder's tax basis in his common stock on a dollar-for-dollar basis and thereafter as capital gain. Because the Company is not a United States corporation, United States Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from the Company. Dividends paid with respect to the Company's common stock will generally be treated as "passive income" for purposes of computing allowable foreign tax credits for United States foreign tax credit purposes.

Dividends paid on the Company's common stock to a United States Holder who is an individual, trust or estate (a "United States Non-Corporate Holder") will generally be treated as "qualified dividend income" that is taxable to such United States Non-Corporate Holder at a preferential tax rate of 15% (through 2010) provided that (1) the common stock is readily tradable on an established securities market in the United States (such as the New York Stock Exchange); (2) the Company is not a PFIC for the taxable year during which the dividend is paid or the immediately preceding taxable year (see discussion below); (3) the United States Non-Corporate Holder has owned the common stock for more than 60 days in the 121-day period beginning 60 days before the date on which the common stock becomes ex-dividend; and (4) the United States Non-Corporate Holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. Special rules may apply to any "extraordinary dividend" generally, a dividend in an amount which is equal to or in excess of 10% of a stockholder's adjusted basis in a share of common stock paid by the Company. If the Company pays an "extraordinary dividend" on its common stock that is treated as "qualified dividend income," then any loss derived by a United States Non-Corporate Holder from the sale or exchange of such common stock will be treated as long-term capital loss to the extent of such dividend. There is no assurance that any dividends paid on the Company's common stock will be eligible for these preferential rates in the hands of a United States Non-Corporate Holder, although the Company believes that they will be so eligible provided that it is not a PFIC, as discussed below. Any dividends out of earnings and profits the Company pays which are not eligible for these preferential rates will be taxed as ordinary income to a United States Non-Corporate Holder.

In addition, even if we are not a PFIC, under proposed legislation, dividends of a corporation incorporated in a country without a "comprehensive income tax system" paid to United States Non-Corporate Holders would not be eligible for the 15% tax rate. Although the term "comprehensive income tax system" is not defined in the proposed legislation, we believe this rule would apply to us because we are incorporated in the Marshall Islands.

Sale, exchange or other disposition of common stock

Provided that the Company is not a PFIC for any taxable year, a United States Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of the Company's common stock in an amount equal to the difference between the amount realized by the United States Holder from such sale, exchange or other disposition and the United States Holder's tax basis in such stock.

Such gain or loss will be treated as long-term capital gain or loss if the United States Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as United States source income or loss, as applicable, for United States foreign tax credit purposes. Long-term capital gains of United States Non-Corporate Holders are eligible for reduced rates of taxation. A United States Holder's ability to deduct capital losses is subject to certain limitations.

PFIC status and significant tax consequences

Special United States federal income tax rules apply to a United States Holder that holds stock in a foreign corporation classified as a PFIC for United States federal income tax purposes. In particular, United States Non-Corporate Holders will not be eligible for the 15% tax rate on qualified dividends. In general, the Company will be treated as a PFIC with respect to a United States Holder if, for any taxable year in which such holder held its common stock, either

- at least 75% of the Company's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business), or

- at least 50% of the average value of the Company's assets during such taxable year produce, or are held for the production of, passive income.

Income earned, or deemed earned, by the Company in connection with the performance of services would not constitute passive income. By contrast, rental income would generally constitute "passive income" unless the Company were treated under specific rules as deriving its rental income in the active conduct of a trade or business.

Tax Counsel believes that it is more likely than not that the Company is not currently a PFIC. This opinion is based on the Company's operations and certain representations made by OSG and the Company, including representations that the terms of each ship management agreement and time charter, taken as a whole, as well as certain specific terms in each agreement, are in accordance with normal commercial practice for agreements made at arm's length between unrelated parties. Based on the foregoing, Tax Counsel has concluded that, although there is no legal authority directly on point, the gross income the Company derives from the time chartering activities of its subsidiaries more likely than not constitutes services income, rather than rental income. Consequently, such income more likely than not does not constitute passive income, and the assets that the Company or its wholly owned subsidiaries own and operate in connection with the production of such income, in particular, the vessels, more likely than not does not constitute passive assets for purposes of determining whether the Company is a PFIC. Tax Counsel believes that there is legal authority supporting its position, consisting of case law and Internal Revenue Service pronouncements, concerning the characterization of income derived from time charters as services income for other tax purposes. However, there is no legal authority specifically relating to the statutory provisions governing PFICs or relating to circumstances substantially similar to that of the Company. In addition, the opinion of Tax Counsel is based on representations of OSG and the Company that have not been reviewed by the IRS. As a result, the Internal Revenue Service or a court could disagree with the Company's position. No assurance can be given that this result will not occur. In addition, although the Company intends to conduct its affairs in a manner to avoid, to the extent possible, being classified as a PFIC with respect to any taxable year, the Company cannot assure you that the nature of its operations will not change in the future, or that it can avoid PFIC status in the future.

As discussed more fully below, if the Company were treated as a PFIC for any taxable year, a United States Holder would be subject to different taxation rules depending on whether the United States Holder made an election to treat the Company as a "Qualified Electing Fund," which election is referred to as a "QEF election." As an alternative to making a QEF election, a United States Holder should be able to make a "mark-to-market" election with respect to the Company's common stock, as discussed below.

Taxation of United States holders making a timely QEF election

If the Company were a PFIC and a United States Holder made a timely QEF election, which United States Holder is referred to as an "Electing Holder," the Electing Holder would report each year for United States federal income tax purposes its pro rata share of the Company's ordinary earnings and the Company's net capital gain (which gain shall not exceed its earnings and profits for the taxable year), if any, for the Company's taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from the Company by the Electing Holder. Any such ordinary income would not be eligible for the preferential tax rates applicable to qualified dividend income as discussed above. The Electing Holder's adjusted tax basis in the common stock would be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed would, pursuant to this election, result in a corresponding reduction in the adjusted tax basis in the common stock and would not be taxed again once distributed. An Electing Holder would not, however, be entitled to a deduction for its pro rata share of any losses that the Company incurred with respect to any year. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of the Company's common stock. A United States Holder would make a QEF election with respect to any year that the Company is a PFIC by filing one copy of IRS Form 8621 with his United States federal income tax return. If the Company were treated as a PFIC for any taxable year, it would provide each United States Holder with all necessary information in order to make the QEF election described above. Even if a United States Holder makes a QEF election for a taxable year of the Company, if the Company were a PFIC for a prior taxable year during which the holder was a stockholder and for which the holder did not make a timely QEF election, different and more adverse tax consequences would apply.

Taxation of United States holders making a "mark-to-market" election

Alternatively, if the Company were treated as a PFIC for any taxable year and, as the Company believes, its stock is treated as "marketable stock," a United States Holder would be allowed to make a "mark-to-market" election with respect to the Company's common stock, provided the United States Holder completes and files IRS Form 8621 in accordance with the relevant instructions and related Treasury regulations. If that election is made, the United States Holder generally would include as ordinary income in each taxable year the excess, if any, of the fair market value of the common stock at the end of the taxable year over such holder's adjusted tax basis in the common stock. The United States Holder would also be permitted an ordinary loss in respect of the excess, if any, of the United States Holder's adjusted tax basis in the common stock over its fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A United States Holder's tax basis in his common stock would be adjusted to reflect any such income or loss amount. Gain realized on the sale, exchange or other disposition of the Company's common stock would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the common stock would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included by the United States Holder in income.

Taxation of United States holders not making a timely QEF or mark-to-market election

Finally, if the Company were treated as a PFIC for any taxable year, a United States Holder who does not make either a QEF election or a "mark-to-market" election for that year, referred to as a "Non-Electing Holder," would be subject to special rules with respect to (1) any excess distribution (i.e., the portion of any distributions received by the Non-Electing Holder on the Company's common stock in a taxable year in excess of 125% of the average annual distributions received by the Non-Electing Holder in the three preceding taxable years, or, if shorter, the Non-Electing Holder's holding period for the common stock), and (2) any gain realized on the sale, exchange or other disposition of the Company's common stock. Under these special rules:

- the excess distribution or gain would be allocated ratably over the Non-Electing Holder's aggregate holding period for the common stock;

- the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company was a PFIC during the Non-Electing Holder's holding period, would be taxed as ordinary income; and

- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year.

These penalties would not apply to a qualified pension, profit sharing or other retirement trust or other tax-exempt organization that did not borrow money or otherwise utilize leverage in connection with its acquisition of the Company's common stock. If the Company were a PFIC and a Non-Electing Holder who was an individual died while owning the Company's common stock, such holder's successor generally would not receive a step-up in tax basis with respect to such stock. Certain of these rules would apply to a United States Holder who made a QEF election for one of the Company's taxable years if it were a PFIC in a prior taxable year during which the holder was a stockholder and for which the holder did not make a QEF election.

United States Federal Income Taxation of "Non-United States Holders"

A beneficial owner of common stock (other than a partnership) that is not a United States Holder is referred to herein as a "Non-United States Holder."

Dividends on common stock

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on dividends received from the Company with respect to its common stock, unless that income is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States. If the Non-United States Holder is entitled to the benefits of a United States income tax treaty with respect to those dividends, that income is taxable only if it is attributable to a permanent establishment maintained by the Non-United States Holder in the United States.

Sale, exchange or other disposition of common stock

Non-United States Holders generally will not be subject to United States federal income tax or withholding tax on any gain realized upon the sale, exchange or other disposition of the Company's common stock, unless:

- the gain is effectively connected with the Non-United States Holder's conduct of a trade or business in the United States (and, if the Non-United States Holder is entitled to the benefits of an income tax treaty with respect to that gain, that gain is attributable to a permanent establishment maintained by the Non-United States Holder in the United States); or

- the Non-United States Holder is an individual who is present in the United States for 183 days or more during the taxable year of disposition and other conditions are met.

If the Non-United States Holder is engaged in a United States trade or business for United States federal income tax purposes, the income from the common stock, including dividends and the gain from the sale, exchange or other disposition of the stock, that is effectively connected with the conduct of that trade or business will generally be subject to regular United States federal income tax in the same manner as discussed in the previous section relating to the taxation of United States Holders. In addition, if you are a corporate Non-United States Holder, your earnings and profits that are attributable to the effectively connected income, which are subject to certain adjustments, may be subject to an additional branch profits tax at a rate of 30%, or at a lower rate as may be specified by an applicable income tax treaty.

Backup Withholding and Information Reporting

In general, dividend payments, or other taxable distributions, made within the United States to you will be subject to information reporting requirements if you are a non-corporate United States Holder. Such payments or distributions may also be subject to backup withholding tax if you are a non-corporate United States Holder and you:

- fail to provide an accurate taxpayer identification number;
- are notified by the Internal Revenue Service that you have failed to report all interest or dividends required to be shown on your federal income tax returns; or
- in certain circumstances, fail to comply with applicable certification requirements.

Non-United States Holders may be required to establish their exemption from information reporting and backup withholding by certifying their status on IRS Form W-8BEN, W-8ECI or W-8IMY, as applicable.

If you are a Non-United States Holder and you sell your common stock to or through a United States office of a broker, the payment of the proceeds is subject to both United States backup withholding and information reporting unless you certify that you are a non-United States person, under penalties of perjury, or you otherwise establish an exemption. If you sell your common stock through a non-United States office of a non-United States broker and the sales proceeds are paid to you outside the United States, then information reporting and backup withholding generally will not apply to that payment. However, United States information reporting requirements, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made to you outside the United States, if you sell your common stock through a non-United States office of a broker that is a United States person or has some other contacts with the United States. Such information reporting requirements will not apply, however, if the broker has documentary evidence in its records that you are a non-United States person and certain other conditions are met, or you otherwise establish an exemption.

Backup withholding tax is not an additional tax. Rather, you generally may obtain a refund of any amounts withheld under backup withholding rules that exceed your income tax liability by filing a refund claim with the Internal Revenue Service.

PLAN OF DISTRIBUTION

We are registering for sale by the selling stockholder from time to time 4,600,000 shares of our common stock. The selling stockholder may offer and sell, from time to time, some or all of the shares covered by this prospectus. We have registered the shares covered by this prospectus for offer and sale by the selling stockholder so that those shares may be freely sold to the public by it. Registration of the shares covered by this prospectus does not mean, however, that those shares necessarily will be offered or sold.

The selling stockholder may pledge or grant a security interest in some or all of the shares of common stock owned by it and, if it defaults in the performance of its secured obligations, the pledgees or secured parties may offer and sell the shares of common stock from time to time pursuant to this prospectus or any amendment to this prospectus amending, if necessary, the list of selling stockholders to include the pledgee, transferee or other successors in interest as selling stockholders under this prospectus. The selling stockholder also may transfer and donate the shares of common stock in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling beneficial owners for purposes of this prospectus.

The selling stockholder will act independently of us in making decisions with respect to the timing, manner and size of each sale. The selling stockholder may sell its shares covered by this prospectus from time to time, in one or more transactions, at market prices prevailing at the time of sale, at prices related to market prices, at a fixed price or prices subject to change, at varying prices determined at the time of sale or at negotiated prices, by a variety of methods including the following:

on the New York Stock Exchange or any other national securities exchange or U.S. inter-dealer system of a registered national securities association on which our common stock may be listed or quoted at the time of sale;

in the over-the-counter market;

in privately negotiated transactions;

in an exchange distribution in accordance with the rules of the applicable exchange;

as settlement of short sales entered into after the date of the prospectus;

through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;

through broker-dealers, who may act as agents or principals;

through sales "at the market" to or through a market-maker;

in a block trade in which a broker-dealer will attempt to sell a block of shares of common stock as agent but may position and resell a portion of the block as principal to facilitate the transaction;

through one or more underwriters on a firm commitment or best-efforts basis;

directly to one or more purchasers;

through agents;

in options transactions;

over the internet;

any other method permitted pursuant to applicable law; or

in any combination of the above.

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In effecting sales, brokers or dealers engaged by the selling stockholder may arrange for other brokers or dealers to participate. Broker-dealer transactions may include:

- purchases of the shares by a broker-dealer as principal and resales of the shares by the broker-dealer for its account pursuant to this prospectus;
- ordinary brokerage transactions; or
- transactions in which the broker-dealer solicits purchasers.

In addition, the selling stockholder may sell any shares covered by this prospectus in private transactions or under Rule 144 under the Securities Act rather than pursuant to this prospectus.

In connection with the sale of shares covered by this prospectus, broker-dealers may receive commissions or other compensation from the selling stockholder in the form of commissions, discounts or concessions. Broker-dealers may also receive compensation from purchasers of the shares for whom they act as agents or to whom they sell as principals or both. Compensation as to a particular broker-dealer may be in excess of customary commissions or in amounts to be negotiated. In connection with any underwritten offering, underwriters may receive compensation in the form of discounts, concessions or commissions from the selling stockholder or from purchasers of the shares for whom they act as agents. Underwriters may sell the shares to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agents. The selling stockholder and any underwriters, broker-dealers or agents that participate in the distribution of the common shares may be deemed to be "underwriters" within the meaning of the Securities Act, and any profit on the sale of the shares by them and any discounts, commissions or concessions received by any of those underwriters, broker-dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act.

In connection with the distribution of the shares covered by this prospectus or otherwise, the selling stockholder may enter into hedging transactions with broker-dealers or other financial institutions. In connection with such transactions, broker-dealers or other financial institutions may engage in short sales of our common stock in the course of hedging the positions they assume with the selling stockholder. The selling stockholder may also sell shares of our common stock short and deliver the shares offered by this prospectus to close out its short positions. The selling stockholder may also enter into option or other transactions with broker-dealers or other financial institutions which require the delivery to such broker-dealer or other financial institution of shares offered by this prospectus, which shares such broker-dealer or other financial institution may resell pursuant to this prospectus, as supplemented or amended to reflect such transaction. The selling stockholder also may from time to time pledge its common shares pursuant to the margin provisions of its customer agreements with its brokers. Upon default by the selling shareholder, the broker may offer and sell such pledged common shares from time to time pursuant to this prospectus, as supplemented or amended to reflect such transaction.

At any time a particular offer of the common shares covered by this prospectus is made, a revised prospectus or prospectus supplement, if required, will be distributed which will set forth the aggregate amount of shares covered by this prospectus being offered and the terms of the offering, including the name or names of any underwriters, dealers, brokers or agents, any discounts, commissions, concessions and other items constituting compensation from the selling stockholder and any discounts, commissions or concessions allowed or reallowed or paid to dealers. Such prospectus supplement, and, if necessary, a post-effective amendment to the registration statement of which this prospectus is a part, will be filed with the SEC to reflect the disclosure of additional information with respect to the distribution of the common shares covered by this prospectus. In order to comply with the securities laws of certain states, if applicable, the shares sold under this prospectus may only be sold through registered or licensed broker-dealers. In addition, in some states the shares may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from registration or qualification requirements is available and is complied with. We have informed the selling stockholder that the anti-manipulative provisions of Regulation M promulgated under the Exchange Act may apply to its sales of shares in the market and to the activities of the selling stockholder and its respective affiliates. The selling stockholder has advised us that it has not entered into any agreements, understandings or arrangements with any underwriters or broker-dealers regarding the sale of the shares, nor is there an underwriter or coordinating broker acting in connection with the proposed sale of the shares by the selling stockholder.

In connection with an underwritten offering, we and the selling stockholder would execute an underwriting agreement with an underwriter or underwriters. Unless otherwise indicated in the revised prospectus or applicable prospectus supplement, the underwriting agreement would provide that the obligations of the underwriter or underwriters are subject to certain conditions precedent and that the underwriter or underwriters with respect to a sale of the covered shares will be obligated to purchase all of the covered shares if any such shares are purchased. The selling stockholder may grant to the underwriter or underwriters an option to purchase additional shares of common stock at the public offering price, as may be set forth in the revised prospectus or applicable prospectus supplement. If the selling stockholder grants any such option, the terms of the option will be set forth in the revised prospectus or applicable prospectus supplement.

Underwriters, agents, brokers or dealers may be entitled under relevant agreements entered into with us and the selling stockholder to indemnification by us and the selling stockholder against certain civil liabilities, including liabilities under the Securities Act that may arise from any untrue statement or alleged untrue statement of a material fact or any omission or alleged omission to state a material fact in this prospectus, any supplement or amendment hereto, or in the registration statement of which this prospectus forms a part, or to contribution with respect to payments which the underwriters, agents, brokers or dealers may be required to make.

Under our registration rights agreement with the selling stockholder, the selling stockholder has agreed to pay all of our expenses incident to the offering and sale of the shares covered by this prospectus. We have agreed to indemnify the selling stockholder, its controlling persons and its respective officers, directors, partners, employees, representatives and agents against certain losses, claims, damages, actions, expenses and other liabilities arising under the securities laws in connection with this offering. The selling stockholder has agreed, severally, to indemnify us, our officers and directors who sign the registration statement against any losses, claims, damages, actions, expenses and other liabilities, arising under the securities laws in connection with this offering with respect to written information furnished to us by the selling stockholder for inclusion in the registration statement of which this prospectus is a part (and up to the amount of the net proceeds received by the selling shareholder from sales of the shares giving rise to such obligations).

LEGAL MATTERS

The validity of our common stock offered hereby and certain other matters relating to Marshall Islands law will be passed upon for us by Reeder & Simpson PC. Certain other legal matters relating to United States law will be passed upon for us by Cravath, Swaine & Moore LLP, New York, New York. Certain legal matters will be passed upon for any underwriters, dealers or agents by Simpson Thacher & Bartlett LLP, New York, New York.

EXPERTS

Ernst & Young LLP, our independent registered public accounting firm, have audited our consolidated and predecessor combined carve-out financial statements at December 31, 2004 and 2005 and for each of the three years in the period ended December 31, 2005, as set forth in their reports, which are included in this prospectus. We have included our consolidated and predecessor combined carve-out financial statements in this prospectus and elsewhere in the registration statement of which this prospectus is a part in reliance on Ernst & Young LLP's report, given on their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

We filed with the SEC a registration statement on Form F-1 under the Securities Act, with respect to the offer and sale of common stock pursuant to this prospectus. This prospectus, filed as a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules thereto in accordance with the rules and regulations of the SEC and no reference is hereby made to such omitted information. Statements made in this prospectus concerning the contents of any contract, agreement or other document filed as an exhibit to the registration statement are summaries of all of the material terms of such contracts, agreements or documents, but do not repeat all of their terms. Reference is made to each such exhibit for a more complete description of the matters involved and such statements shall be deemed qualified in their entirety by such reference. The registration statement and the exhibits and schedules thereto filed with the SEC may be inspected, without charge, and copies may be obtained at prescribed rates, at the public reference facility maintained by the SEC at its principal office at 100 F Street, N.E., Washington, D.C. 20549. The SEC also maintains a website (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. For further information pertaining to the common stock offered by this prospectus and Double Hull Tankers, Inc. reference is made to the registration statement.

We are subject to the information and periodic reporting requirements of the Securities and Exchange Act and we file periodic reports and other information with the SEC. These periodic reports and other information are available for inspection and copying at the SEC's public reference facilities and the web site of the SEC referred to above. As a "foreign private issuer", we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements to stockholders, but we are required to furnish certain proxy statements to stockholders under New York Stock Exchange rules. Those proxy statements are not expected to conform to Schedule 14A of the proxy rules promulgated under the Exchange Act. In addition, as a "foreign private issuer", we are exempt from the rules under the Exchange Act relating to short swing profit reporting and liability.

GLOSSARY OF SHIPPING TERMS

The following are definitions of certain terms that are commonly used in the tanker industry and in this prospectus.

ABS	American Bureau of Shipping, an American classification society.
Aframax	A medium size crude oil tanker of approximately 80,000 to 120,000 dwt. Aframaxes operate on many different trade routes, including in the Caribbean, the Atlantic, the North Sea and the Mediterranean. They are also used in ship-to-ship transfer of cargo in the U.S. Gulf typically from VLCCs for discharge in ports from which the larger tankers are restricted. Modern Aframaxes can generally transport from 500,000 to 800,000 barrels of crude oil.
Annual Survey	The inspection of a vessel pursuant to international conventions, by a classification society surveyor, on behalf of the flag state, that takes place every year.
Bareboat Charter	A Charter under which a charterer pays a fixed daily or monthly rate for a fixed period of time for use of the vessel. The charterer pays all voyage and vessel operating expenses. Bareboat charters are usually for a long term. Also referred to as a "Demise Charter."
Bulk Carriers	Vessels which are specially designed to carry "dry" cargoes in bulk form, such as coal, iron ore and grain.
Bunker	Fuel oil used to operate a vessel's engines, generators and boilers.
Charter	Contract for the use of a vessel, generally consisting of either a voyage, time or bareboat charter.
Charterer	The company that hires a vessel pursuant to a Charter.
Charter hire	Money paid to the ship-owner by a charterer for the use of a vessel under a time charter or bareboat charter.
Classification Society	An independent society that certifies that a vessel has been built and maintained according to the society's rules for that type of vessel and complies with the applicable rules and regulations of the country in which the vessel is registered, as well as the international conventions which that country has ratified. A vessel that receives its certification is referred to as being "in class" as of the date of issuance.
Contract of Affreightment	A contract of affreightment, or COA, is an agreement between an owner and a charterer that obligates the owner to provide a vessel to the charterer to move specific quantities of cargo over a stated time period, but without designating specific vessels or voyage schedules, thereby providing the owner greater operating flexibility than with voyage charters alone.
Draft	Vertical distance between the waterline and the bottom of the vessel's keel.
Double Hull	Hull construction design in which a vessel has an inner and outer side and bottom separated by void space, usually 2 meters in width.

Drydocking	The removal of a vessel from the water for inspection and/or repair of those parts of a vessel which are below the water line. During drydockings, which are required to be carried out periodically, certain mandatory classification society inspections are carried out and relevant certifications issued. Drydockings are generally required once every 30 to 60 months.
Dwt	Deadweight tons, which refers to the carrying capacity of a vessel by weight.
Hull	Shell or body of a ship.
IMO	International Maritime Organization, a United Nations agency that issues international regulations and standards for shipping.
Lightering	To partially discharge a tanker onto another tanker or barge.
LOOP	Louisiana Offshore Oil Port, Inc.
Lloyds	Lloyds Register, a U.K. classification society.
Metric Ton	A metric ton of 1,000 kilograms.
Newbuilding	A new vessel under construction or just completed.
Off Hire	The period a vessel is unable to perform the services for which it is required under a time charter. Off hire periods typically include days spent undergoing repairs and drydocking, whether or not scheduled.
OPA	Oil Pollution Act of 1990 of the United States.
OPEC	The Organization of the Petroleum Exporting Countries, is an international organization of oil-exporting developing nations that coordinates and unifies the petroleum policies of its member countries.
Petroleum Products	Refined crude oil products, such as fuel oils, gasoline and jet fuel.
Protection and Indemnity (or P&I) Insurance	Insurance obtained through mutual associations (called "Clubs") formed by shipowners to provide liability insurance protection against a large financial loss by one member by contribution towards that loss by all members. To a great extent, the risks are reinsured.
Scrapping	The disposal of vessels by demolition for scrap metal.
Special Survey	An extensive inspection of a vessel by classification society surveyors that must be completed within five years. Special Surveys require a vessel to be drydocked.
Spot Market	The market for immediate chartering of a vessel, usually for single voyages.
Tanker	Ship designed for the carriage of liquid cargoes in bulk with cargo space consisting of many tanks. Tankers carry a variety of products including crude oil, refined petroleum products, liquid chemicals and liquefied gas.

TCE	Time charter equivalent, a standard industry measure of the average daily revenue performance of a vessel. The TCE rate achieved on a given voyage is expressed in $/day and is generally calculated by subtracting voyage expenses, including bunkers and port charges, from voyage revenue and dividing the net amount (time charter equivalent revenues) by the round-trip voyage duration.
Time Charter	A Charter under which a customer pays a fixed daily or monthly rate for a fixed period of time for use of the vessel. Subject to any restrictions in the charter, the customer decides the type and quantity of cargo to be carried and the ports of loading and unloading. The customer pays the voyage expenses such as fuel, canal tolls, and port charges. The ship-owner pays all vessel operating expenses such as the management expenses and crew costs.
V Pluses	V Pluses are large crude oil tankers of more than 320,000 dwt. V Pluses can transport three million barrels of crude oil and are mainly used on the same long haul routes as VLCCs.
Vessel Operating Expenses	The costs of operating a vessel that is incurred during a charter, primarily consisting of crew wages and associated costs, insurance premiums, lubricants and spare parts, and repair and maintenance costs. Vessel operating expenses exclude fuel and port charges, which are known as "voyage expenses." For a time charter, the ship-owner pays vessel operating expenses. For a bareboat charter, the charterer pays vessel operating expenses.
VLCC	VLCC is the abbreviation for very large crude carrier, a large crude oil tanker of approximately 200,000 to 320,000 dwt. Modern VLCCs can generally transport two million barrels or more of crude oil. These vessels are mainly used on the longest (long haul) routes from the Arabian Gulf to North America, Europe, and Asia, and from West Africa to the U.S. and Far Eastern destinations.
Voyage Expenses	Expenses incurred due to a vessel traveling to a destination, such as fuel cost and port charges.
Worldscale	Industry name for the Worldwide Tanker Nominal Freight Scale published annually by the Worldscale Association as a rate reference for shipping companies, brokers, and their customers engaged in the bulk shipping of oil in the international markets. Worldscale is a list of calculated rates for specific voyage itineraries for a standard vessel, as defined, using defined voyage cost assumptions such as vessel speed, fuel consumption, and port costs. Actual market rates for voyage charters are usually quoted in terms of a percentage of Worldscale.
Worldscale Flat Rate	Base rates expressed in U.S.$ per ton which apply to specific sea transportation routes, calculated to give the same return as Worldscale 100.
Worldscale Points	The freight rate negotiated for spot voyages expressed as a percentage of the Worldscale Flat rate.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Double Hull Tankers, Inc.

We have audited the accompanying consolidated balance sheet of Double Hull Tankers, Inc. and subsidiaries (the Company) as of December 31, 2005 and the related consolidated statements of operations, cash flows, and changes in stockholders' equity for the period October 18, 2005 (commencement of operations) to December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Double Hull Tankers, Inc. and subsidiaries at December 31, 2005, and the consolidated results of their operations and their cash flows for the period October 18, 2005 (commencement of operations) to December 31, 2005, in conformity with U.S. generally accepted accounting principles.

New York, NY
March 31, 2006

/s/ ERNST & YOUNG LLP

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Overseas Shipholding Group, Inc.

We have audited the accompanying predecessor combined carve-out balance sheet of OSG Crude as of December 31, 2004 and the related predecessor combined carve-out statements of operations, cash flows, and changes in stockholders' equity for the period January 1, 2005 to October 17, 2005 and the years ended December 31, 2004 and 2003. These predecessor combined carve-out financial statements are the responsibility of OSG Crude's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of OSG Crude's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OSG Crude's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the predecessor combined carve-out financial statements referred to above present fairly, in all material respects, the financial position of OSG Crude at December 31, 2004, and the results of their operations and their cash flows for the period January 1, 2005 to October 17, 2005 and the years ended December 31, 2004 and 2003, in conformity with U.S. generally accepted accounting principles.

New York, NY
March 31, 2006

/s/ ERNST & YOUNG LLP

Double Hull Tankers, Inc.
Consolidated and Predecessor Combined Carve-Out Balance Sheets
as of December 31, 2005 and 2004

	December 31, 2005 Successor	December 31, 2004 Predecessor
	(Dollars in thousands, except share and per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,893	$
Voyage receivables from OSG	5,506	27,460
Prepaid expenses	281	911
Prepaid technical management fee to OSG	1,324	
Total current assets	23,004	28,371
Vessels, net of accumulated depreciation	339,491	355,571
Other assets including deferred debt issuance cost	1,567	4,576
Total assets	$ 364,062	$ 388,518
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 3,895	$ 2,043
Unrealized loss on interest rate swap	807	
Current installment on long term debt		5,200
Deferred shipping revenues	6,126	
Total current liabilities	10,828	7,243
Long term liabilities		
Long term debt	236,000	84,400
Loans payable to wholly-owned subsidiary of OSG		170,251
Deferred credits and other liabilities		1,826
Stockholders' equity		
Preferred stock ($0.01 par value, 1,000,000 shares authorized, none issued or outstanding)		
Common stock ($0.01 par value, 100,000,000 authorized, 30,006,250 shares issued and outstanding;	300	
Predecessor: no par value; 3,500 shares authorized; 700 shares issued and outstanding)		700
Paid-in additional capital	108,272	
Retained earnings	9,469	125,398
Accumulated other comprehensive loss	(807)	(1,300)
Total stockholders' equity	117,234	124,798
Total liabilities and stockholders' equity	$ 364,062	$ 388,518

Double Hull Tankers, Inc.
Consolidated and Predecessor Combined Carve-Out Statements of Operations

	2005		Year ended December 31,	
	Successor October 18 to December 31	Predecessor January 1 to October 17	Predecessor 2004	Predecessor 2003
	(Dollars in thousands except share and per share amounts)			
Shipping revenues	$ 20,173	$ 84,134	$ 136,205	$ 66,192
Ship Operating Expenses:				
Voyage expenses		772	238	352
Vessel expenses	3,675	14,433	15,601	10,956
Depreciation and amortization	3,478	14,462	17,762	14,692
General and administrative (Prior to October 18, 2005: allocated from Overseas Shipholding Group, Inc.)	746	5,759	7,269	4,828
Total Ship Operating Expenses	7,899	35,426	40,870	30,828
Income from Vessel Operations	12,274	48,708	95,335	35,364
Other Income/(Expense)		(1,471)		
Interest Expense to a Wholly-owned Subsidiary of OSG		(574)	(3,411)	(2,775)
Interest Income	67			
Interest Expense and Amortization of Deferred Debt Issuance Costs	(2,872)	(3,022)	(5,234)	(3,158)
Income before Income Taxes	9,469	43,641	86,690	29,431
Provision for Income Taxes				
Net Income	$ 9,469	$ 43,641	$ 86,690	$ 29,431
Basic Net Income per Share	$ 0.32	$ 62,344.28	$ 123,842.88	$ 42,044.38
Diluted Net Income per Share	$ 0.32	$ 62,344.28	$ 123,842.88	$ 42,044.38
Shares Used in Computing Basic Net Income per Share	30,006,250	700	700	700
Shares Used in Computing Diluted Net Income per Share	30,008,190	700	700	700

Double Hull Tankers, Inc.
Consolidated and Predecessor Combined Carve-Out Statements
of Changes in Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Paid-in Additional Capital	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total
	(Dollars in thousands except shares)					
Balance at December 31, 2002	700	$ 700	$	$ 9,277	$ (1,584)	$ 8,393
Net Income				29,431		29,431
Other Comprehensive Income/(Loss), effect of derivative instruments					(220)	(220)
Other Comprehensive Income						29,211
Balance at December 31, 2003	700	700		38,708	(1,804)	37,604
Net Income				86,690		86,690
Other Comprehensive Income/(Loss), effect of derivative instruments					504	504
Other Comprehensive Income						87,194
Balance at December 31, 2004	700	700		125,398	(1,300)	124,798
Net Income attributable to predecessor stockholders				43,641		43,641
Other Comprehensive Income						
Termination of predecessor interest rate swap					1,300	1,300
Other Comprehensive Income						44,941
Capital Contribution by predecessor stockholders			114,320			114,320
Balance at October 17, 2005	700	$ 700	$ 114,320	$ 169,039	$	$ 284,059
Balance at October 18, 2005		$	$	$	$	$
Net Income attributable to period from Oct. 18 to Dec. 31				9,469		9,469
Other Comprehensive Income						
Unrealized loss on interest rate swap					(807)	(807)
Other Comprehensive Income						8,662
Issuance of common stock	30,006,250	300	345,879			346,179
Deemed distribution to predecessor stockholders			(237,612)			(237,612)
Deferred compensation related to options granted			5			5
Balance at December 31, 2005	30,006,250	$ 300	$ 108,272	$ 9,469	$ (807)	$ 117,234

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Double Hull Tankers, Inc. Consolidated and Predecessor Combined Carve-Out Statements of Cash Flow

	2005		Year ended December 31,	
	October 18 to December 31 Successor	January 1 to October 17 Predecessor	2004 Predecessor	2003 Predecessor
Cash Flows from Operating Activities:				
Net income	$ 9,469	$ 43,641	$ 86,690	$ 29,431
Items included in net income not affecting cash flows:				
Depreciation	3,478	14,462	16,785	13,859
Amortization, including deferred finance charges	36	438	1,023	879
Expenditures of drydocking		(171)	(3,740)	
Changes in operating assets and liabilities:				
Receivables	(5,506)	25,710	(16,361)	(3,573)
Prepaid expenses	(1,605)	897	(71)	(76)
Other assets		(17)	(2)	(3)
Accounts payable and accrued expenses	3,895	(1,921)	(76)	755
Deferred shipping revenues	6,126			
Net cash provided by operating activities	15,893	83,039	84,248	41,272
Cash Flows from Investing Activities:				
Expenditures for vessels	(412,580)	(830)	(9,696)	(14,496)
Net cash (used in) investing activities	(412,580)	(830)	(9,696)	(14,496)
Cash Flows from Financing Activities:				
Issuance of common stock	178,180			
Issuance of long-term debt, net of issuance costs	234,400			
Repayment of loan from OSG		(55,931)	(69,352)	(21,576)
Transfer of balances		63,322		
Repayment of long-term debt		(89,600)	(5,200)	(5,200)
Net cash provided by/(used in) financing activities	412,580	(82,209)	(74,552)	(26,776)
Net increase in cash and cash equivalents	15,893			
Cash and cash equivalents at beginning of period				
Cash and cash equivalents at end of period	$ 15,893	$	$	$
Interest Paid	$	$ 3,022	$ 5,328	$ 2,578

**NOTES TO DOUBLE HULL TANKERS, INC.
CONSOLIDATED AND PREDECESSOR
COMBINED CARVE-OUT FINANCIAL STATEMENTS**

General

Double Hull Tankers, Inc. ("DHT" or the "Company") was incorporated on April 14, 2005 under the laws of Marshall Islands as a wholly owned indirect subsidiary of Overseas Shipholding Group, Inc. ("OSG"). In October 2005, the Company completed its initial public offering ("IPO") by issuing and selling to the public 16,000,000 common shares, par value $0.01 per share, at a price to the public of $12.00 per share, raising gross proceeds of $192 million before deduction of underwriting discounts, commissions and expenses of approximately $13.8 million. On the date of the IPO the Company also raised $236 million of secured debt (before expenses of approximately $1.6 million). Simultaneously with the IPO, the Company acquired seven double hull tankers consisting of three very large crude carriers, or VLCCs, and four Aframax vessels (the "Vessels") from subsidiaries of OSG in exchange for cash and shares of its common stock. The Company chartered these vessels back to subsidiaries of OSG. The aggregate purchase price for the vessels was $580.6 million, of which $412.6 million was in the form of cash and $168 million in the form of common stock. The Company treated the excess of the purchase price over OSG's $343.0 million aggregate book value of the vessels, or $237.6 million, as a deemed dividend to OSG.

Subsequent to the IPO, an aggregate of 648,500 of these shares were sold by a subsidiary of OSG, in connection with the underwriters' exercise of their over-allotment option. The Company did not receive any proceeds from the sale of the over-allotment shares. As of December 31, 2005, OSG beneficially owned approximately 44.5% of our outstanding common stock.

The vessels are owned by seven Marshall Islands subsidiaries of the Company. The primary activity of each of the vessel subsidiaries is the ownership and operation of a vessel. The following table sets out the details of the vessel subsidiaries included in these consolidated financial statements:

Company	Vessel name	Dwt	Flag State	Year Built
Chris Tanker Corporation	*Overseas Chris*	309,285	Marshall Islands	2001
Ann Tanker Corporation	*Overseas Ann*	309,327	Marshall Islands	2001
Regal Unity Tanker Corporation	*Regal Unity*	309,966	Marshall Islands	1997
Cathy Tanker Corporation	*Overseas Cathy*	112,028	Marshall Islands	2004
Sophie Tanker Corporation	*Overseas Sophie*	112,045	Marshall Islands	2003
Ania Aframax Corporation	*Ania*	94,848	Marshall Islands	1994
Rebecca Tanker Corporation	*Rebecca*	94,873	Marshall Islands	1994

Effective October 18, 2005, the Company chartered the vessels to subsidiaries of OSG for terms of five to six and one-half years at basic hire amounts which are essentially fixed. In addition, the time charter arrangements include a profit sharing component that gives us the opportunity to earn additional hire when vessel earnings exceed the basic hire amounts set forth in the charters. Our vessels are operated in the Tankers International Pool and the Aframax International Pool and we expect our potential to earn additional hire will benefit from the utilization rates realized by these pools. In a pooling arrangement, the net revenues generated by all of the vessels in a pool are aggregated and distributed to pool members pursuant to a pre-arranged weighting system that recognizes each vessel's earnings capacity based on its cargo capacity, speed and fuel consumption, and actual on-hire performance.

Each time charter may be renewed by OSG on one or more successive occasions for periods of one, two or three years, up to an aggregate of five, six or eight years, depending on the vessel. If a time charter is renewed, the charter terms providing for profit sharing will remain in effect and the charterer, at the time of exercise, will have the option to select a basic charter rate that is equal to (i) 5% above the published one-, two- or three-year time charter rate (corresponding to the extension length) for the vessel's class, as decided by a shipbrokers panel, or (ii) the basic hire rate set forth in the applicable charter. The shipbrokers panel will be The Association of Shipbrokers and Agents Tanker Broker Panel or another panel of brokers mutually acceptable to us and OSG.

Effective October 18, 2005, the Company also entered into ship management agreements with Tanker Management Ltd., a wholly owned subsidiary of OSG. The ship management agreements provide for the technical management of the Vessels. The basic hire rate for each of the Vessels and the technical management fee are payable monthly in advance. The basic hire will increase annually by an amount approximately equal to the annual increase in the fee payable under the applicable ship management agreement.

Note A Summary of significant accounting policies:

Basis of presentation and accounting

Prior to October 18, 2005, the accompanying predecessor combined carve-out financial statements include the accounts of seven wholly-owned subsidiaries of OSG. Such subsidiaries (collectively, "OSG Crude"), which are incorporated in the Marshall Islands, owned a fleet consisting of seven modern tankers prior to the IPO. The predecessor combined carve-out financial statements have been prepared to reflect the financial position, results of operations and cash flows of OSG Crude, which owned the vessels which were acquired by Double Hull Tankers, Inc. on October 18, 2005.

The Double Hull Tankers, Inc. consolidated and predecessor combined carve-out financial statements are prepared in accordance with generally accepted accounting principles in the United States. The consolidated financial statements include the assets and liabilities of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation or combination. For the year ended December 31, 2005, the predecessor combined carve-out financial statements are for the period January 1, 2005 through October 17, 2005, and the consolidated financial statements of the Company and its wholly owned subsidiaries are for the 75 day period from October 18, 2005 (date operations commenced) through December 31, 2005 during which the Company operated as an independent company. For the period from January 1, 2005 through October 17, 2005 and for the years ended December 31, 2004 and 2003, the predecessor combined carve-out financial statements presented herein have been carved out of the financial statements of OSG. The assets, liabilities, results of operations, and cash flows of the predecessor were carved out of the consolidated financial statements of OSG using specific identification. In the preparation of these predecessor carve-out financial statements, general and administrative expenses were not identifiable as relating solely to the vessels. General and administrative expenses, consisting primarily of salaries and other employee related costs, office rent, legal and professional fees, and travel and entertainment were allocated based on OSG Crude's proportionate share of OSG's total ship-operating (calendar) days for each of the periods presented. Management believes these allocations to reasonably present the financial position, results of operations and cash flows of OSG Crude. However, the predecessor combined carve-out statements of financial position, operations and cash flow may not be indicative of those that would have been realized had OSG Crude operated as an independent stand-alone entity for the periods presented. Had OSG Crude operated as an independent stand-alone entity, its results could have differed significantly from those presented herein.

The statements of operations and cash flows have been reclassified to conform to the current presentation.

Cash and cash equivalents

Interest-bearing deposits that are highly liquid investments and have a maturity of three months or less when purchased are included in cash and cash equivalents. Cash and cash equivalents of $15.9 million as of December 31, 2005 are pledged as described in Note C and are held at a single financial institution. The carrying value of cash and cash equivalents approximates its fair value.

Vessels

At October 18, 2005, the Company recorded the Vessels at their historical cost to OSG Crude. The Vessels are being depreciated over periods ranging from 14 to 23 years, which represent the Vessels' remaining life at the date of acquisition from OSG Crude. For the periods through October 17, 2005, the Vessels are recorded at cost and are depreciated to their estimated salvage value on the straight-line basis, using a vessel life of 25 years. Each vessel's salvage value is equal to the product of its lightweight tonnage and an estimated scrap rate per ton. Accumulated depreciation was $113,695,467 and $96,798,531 at December 31, 2005 and 2004, respectively. Interest costs are capitalized to vessels during the period that vessels are under construction. Interest capitalized aggregated $200,803 in 2004 and $3,621,377 in 2003.

Deferred drydock expenditures

On October 18, 2005, the Company entered into a management agreement with Tanker Management Ltd., a subsidiary of OSG, for the technical management of its seven vessels in exchange for a fee that is fixed for the first two years of the agreement. As part of the management agreement, OSG is responsible for drydocking costs.

Prior to October 18, 2005, expenditures incurred during a drydocking are deferred and amortized on the straight-line basis over the period until the next scheduled drydocking, generally two and a half to five years. Expenditures for maintenance and repairs are expensed when incurred. Amortization of capitalized drydock expenditures, which is included in depreciation and amortization in the combined statements of operations, amounted to $1,028,025 for the period from January 1, 2005 through October 17, 2005, $976,864 in 2004 and $833,220 in 2003. The unamortized portion of deferred drydocking expenditures, which is included in other assets in the combined balance sheet, was $4,110,010 at December 31, 2004.

Impairment of long-lived assets

The carrying amounts of long-lived assets held and used are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying amount of a particular asset may not be fully recoverable. In such instances, an impairment charge would be recognized if the estimate of the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the asset's carrying amount. This assessment is made at the individual vessel level since separately identifiable cash flow information for each vessel is available. The amount of an impairment charge, if any, would be determined using discounted cash flows.

Deferred finance charges

Finance charges incurred in the arrangement of debt are deferred and amortized to interest expense on a straight-line basis over the life of the related debt. Deferred finance charges of $1,567,141 and $437,922 are included in other assets at December 31, 2005 and 2004, respectively. Amortization of deferred finance charges amounted to $35,859 for the period from October 18, 2005 to December 31, 2005, $437,922 for the period from January 1, 2005 through October 17, 2005, $46,052 in 2004 and $45,989 in 2003.

Revenue and expense recognition

Revenues from time charters and bareboat charters are accounted for as operating leases and are thus recognized ratably over the rental periods of such charters.

Voyage revenues are recognized ratably over the estimated length of each voyage and, therefore, are allocated between reporting periods based on the relative transit time in each period. In accordance with Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," our predecessor, OSG Crude, did not begin recognizing voyage revenue until a charter had been agreed to by one of the subsidiaries and the customer, even if the vessel has discharged its cargo and is sailing to the anticipated load port on its next voyage.

Under voyage charters, expenses such as fuel, port charges, canal tolls, cargo handling operations and brokerage commissions were paid by OSG Crude whereas, under time and bareboat charters, such voyage costs were paid by OSG Crude's customers. For voyage charters, time charter equivalent revenues represent shipping revenues less voyage expenses. For time and bareboat charters, time charter equivalent revenues represent shipping revenues less brokerage commissions, if applicable, which are included in voyage expenses.

The vessels owned by Double Hull Tankers, Inc. and OSG Crude operated in either the Tankers International Pool (VLCCs) or the Aframax International Pool (Aframaxes) during the three years ended December 31, 2005. For vessels operating in such pools, revenues and voyage expenses are pooled and allocated to each pool's participants on a time charter equivalent basis in accordance with an agreed-upon formula.

Ship operating expenses include voyage expenses. Vessel expenses include crew costs, vessel stores and supplies, lubricating oils, maintenance and repairs, insurance and communication costs.

As part of the time charters Double Hull Tankers, Inc. has entered into with subsidiaries of OSG with respect to its seven vessels, DHT has the opportunity to earn additional hire when vessel earnings exceed the basic hire amounts set forth in the charters. Additional hire, if any, is calculated and paid quarterly in arrears and recognized as revenue in the quarter in which it was earned.

On October 18, 2005, Double Hull Tankers, Inc. entered into a management agreement with Tanker Management Ltd., a subsidiary of OSG, for the technical management of its seven vessels in exchange for a fee that is fixed for the first two years. This management agreement covers, among others, costs related to crewing, maintenance, ordinary repairs, scheduled drydockings, insurance deductibles and other vessel operating expenses, but excluding insurance premiums.

Derivatives

Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Investments and Hedging Activities" ("FAS 133") requires DHT, Inc. and OSG Crude to recognize all derivatives on the balance sheet at fair value. If the derivative is an effective hedge, a change in the fair value is either offset against the change in fair value of the hedged item or recognized in other comprehensive income until the hedged item is recognized in income. The ineffective portion of effective hedges is immediately recognized in income. Derivatives that are not effective hedges are fully adjusted through income.

Double Hull Tankers, Inc. and OSG Crude use interest rate swaps to convert interest-bearing debt from floating to fixed rate. The swaps are designated and qualify as a cash flow hedges. DHT and OSG Crude assumes no ineffectiveness since the interest rate swap meets the conditions required under FAS 133 to apply the critical terms method for prepayable debt.

Common Stock of OSG Crude

Each of the seven subsidiaries included in the predecessor combined carve-out financials statements had authorized capital of 500 common registered shares with no par value. Upon incorporation, each subsidiary issued 100 shares to OSG International, Inc., a wholly-owned subsidiary of OSG, in exchange for investment of $100,000.

Foreign currency

The functional currency of the Company and each of the vessel subsidiaries is the U.S. dollar. Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rates. Foreign currency revenues and expenses are translated at transaction date exchange rates. Exchange gains and losses are included in the determination of net income.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Note B Accounts payable and accrued expenses:

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2005 Successor	**2004 Predecessor**
Interest	$ 2,814,905	$ 1,124,928
Insurance	491,000	229,303
Accounts payable	82,996	131,004
Other	505,546	558,021
	$ 3,894,447	$ 2,043,256

Note C Debt:

Debt consists of the following:

	December 31,		
	2005	2004	2003
Secured term loan DHT	$ 236,000,000	$	$
Secured term loan OSG Crude		89,600,000	94,800,000
Less current portion		(5,200,000)	(5,200,000)
Long term portion	$ 236,000,000	$ 84,400,000	$ 89,600,000

The effective interest rate for debt outstanding at December 31, 2005 and 2004 was 5.6% and 5.7%, respectively as a result of a related interest rate swaps (see Note E).

On October 18, 2005, DHT entered into a $401,000,000 secured credit facility with The Royal Bank of Scotland for a term of ten years, with no principal amortization for the first five years. The credit facility consists of a $236,000,000 term loan, a $150,000,000 vessel acquisition facility and a $15,000,000 working capital facility. DHT is the borrower under the credit facility and each of its seven vessel owning subsidiaries have guaranteed its performance thereunder. The facility is secured by, among other things, first priority mortgage on DHT's seven vessels, assignment of earnings and insurances and the Company's rights under the time charters for the vessels and the ship management agreements, and a pledge of the balances in the Company's bank accounts. The credit facility provides that we may not pay dividends if the charter-free market value of our vessels that secure the credit facility is less than 135% of our borrowings under the facility plus the actual or notional cost of terminating any interest rate swaps that we enter, if there is a continuing default under the credit facility or if the payment of the dividend would result in a default or breach of a loan covenant. Interest is payable quarterly in arrears.

We borrowed the entire amount available under the $236,000,000 term loan upon the completion of the IPO to fund a portion of the purchase price for the seven vessels that we acquired from OSG.

Borrowings under the term loan and the working capital facility bear interest at an annual rate of LIBOR plus a margin of 0.70%. Borrowings under the vessel acquisition portion of the credit facility bear interest at an annual rate of LIBOR plus a margin of 0.85%. To reduce our exposure to fluctuations in interest rates, we have entered into an interest rate swap pursuant to which we fixed the interest rate on the full amount of our $236,000,000 term loan at 5.595%. We are required to pay a commitment fee of 0.3% per annum, which will be payable quarterly in arrears, on the undrawn portion of the facility.

We will be required to repay the term loan commencing three months after the fifth anniversary of the facility closing date (October 18, 2005) in twenty quarterly installments of $6,062,500 and a final repayment of $114,750,000 occurring simultaneously with the last quarterly repayment. In addition, the vessel acquisition facility will reduce (with any excess borrowing becoming repayable at the time of reduction) quarterly commencing three months after the fifth anniversary of the facility closing date in increments of $7,500,000. The working capital facility will also reduce (with any excess borrowing becoming repayable at the time of reduction) commencing three months after the fifth anniversary of the facility closing date in twenty quarterly installments of $750,000.

On July 10, 2002, OSG Crude borrowed $100,000,000 according to a secured term loan agreement bearing interest at the London interbank offered rate ("LIBOR") plus a margin of 1%. The loan was guaranteed by OSG and secured by liens on the *Overseas Chris* and *Overseas Ann*. The secured loan agreement also contained financial covenants applicable to the consolidated financial position of OSG. In July 2005, OSG Crude repaid the outstanding balance, $87,000,000 of the secured term loan, with funds contributed to capital by a wholly-owned subsidiary of OSG. In connection with this transaction, the related floating-to-fixed interest rate swap was terminated. Accordingly, OSG Crude recognized a loss of approximately $1,471,000 related to such swap termination.

As of December 31, 2004, approximately 35.6% of the net book amount of the OSG Crude vessels, representing two tankers, was pledged as collateral under the debt agreement. As of December 31, 2005, all of the net book amount of DHT's seven vessels, is pledged as collateral under the debt agreement.

The carrying amounts of the loans approximate their fair value.

Note D Loans payable to wholly-owned subsidiary of OSG:

The loans payable to a wholly-owned subsidiary of OSG consisted of amounts due under a floating rate revolving credit facility. Such facility, which had no stated maturity and accordingly, had been classified as a long-term liability, provided for borrowings of up to $450,000,000. Borrowings bore interest based on the short-term Applicable Federal Rate published quarterly by the Internal Revenue Service of the United States. Interest was compounded quarterly. The effective interest rate on borrowings outstanding at December 31, 2004 was 2.8%.

During the second quarter of 2005, the wholly-owned subsidiary of OSG made a capital contribution of $114,320,169, which was deemed effective April 1, 2005, to OSG Crude, reducing loans payable to the wholly-owned subsidiary to zero.

Note E Derivatives:

As of December 31, 2005, DHT is party to a floating-to-fixed interest rate swap that is being accounted for as a cash flow hedge with a notional amount of $236,000,000 pursuant to which DHT pays a fixed rate of 5.6% and receives a floating rate based on LIBOR. The swap expires on October 18, 2010. As of December 31, 2005, DHT has recorded a liability of $806,777 in unrealized loss on interest rate swap related to the fair value of the swap. This unrealized loss has been charged to accumulated other comprehensive income/(loss). The fair value of interest rate swaps is the estimated amount that DHT would receive or pay to terminate the agreement at the reporting date.

OSG Crude was a party to a floating-to-fixed interest rate swap that was being accounted for as a cash flow hedge with a notional amount of $87,000,000 pursuant to which it paid a fixed rate of 4.58% and received a floating rate based on LIBOR. At December 31, 2004, OSG Crude recorded a liability of $1,300,480 in deferred credits and other liabilities related to the fair value of the swap. The fair value of interest rate swaps is the estimated amount that OSG Crude would receive or pay to terminate the agreement at the reporting date.

Note F Accumulated other comprehensive income/(loss):

The components of the change in the accumulated unrealized loss on derivative instruments follow:

	2005		Year ended December 31,	
	October 18 to December 31 Successor	January 1 to October 17 Predecessor	2004 Predecessor	2003 Predecessor
Reclassification adjustments for interest expense included in net income/(loss)	$	$	$ 2,895,492	$ 895,880
(Increase) / decrease in unrealized loss on derivative instruments:	(806,778)	1,300,480	(2,391,849)	(1,116,033)
	$ (806,778)	$ 1,300,480	$ 503,643	$ (220,153)

The components of accumulated other comprehensive income (loss) in the consolidated balance sheet follow:

	December 31,	
	2005 Successor	2004 Predecessor
Unrealized losses on derivative instruments	$ (806,778)	$ (1,300,480)
	$ (806,778)	$ (1,300,480)

Note G Taxes:

No income taxes have been provided herein because DHT and the predecessor company, OSG Crude, comprise foreign corporations that would not be subject to United States federal income taxes. Further, neither DHT nor OSG Crude is subject to income taxes imposed by the Marshall Islands, the country in which they are incorporated.

Note H Stock Compensation:

In connection with the IPO, the Company awarded a total of 6,250 shares of restricted common stock to its CEO and CFO. These shares are non-transferable until they vest, which occurs ratably over a four-year period. The aggregate fair market value of the shares on the grant date, $75,000, is being amortized to compensation expense over the vesting period of four years, using the straight-line method. In addition, also in connection with the IPO, the Company awarded its CEO and CFO stock options to purchase a total of 69,448 shares of common stock at an exercise price of $12.00 per share. These stock options vest ratably over a three-year period and expire ten years from the date of grant. The Company follows Financial Accounting Standards Board Statement No. 123 (R), "Share-Based Payment" and related Interpretations in accounting for its stock-based compensation. The fair value of the options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 4.69%, dividend yield of 10.42%, expected stock price volatility of 0.31 and expected life of 6 years. The aggregate fair market value of the stock options on the grant date, $75,000, is being amortized to compensation expense over the vesting period of three years, using the straight-line method. Total stock-based compensation expense was $8,989 for the period from October 18, 2005 to December 31, 2005.

Note I Pooling arrangements:

Tankers International Pool

In December 1999, the Tankers International Pool ("Tankers") was established to pool VLCC fleets. Tankers, which commenced operations in February 2000, commercially managed a fleet of 47 modern VLCCs as of December 31, 2005. Tankers was formed to meet the global transportation requirements of international oil companies and other major customers. All three of DHT's VLCCs participate in the Tankers pool.

Aframax International Pool

Since 1996, OSG and PDV Marina S.A., the marine transportation subsidiary of the Venezuelan state-owned oil company, have pooled the commercial management of their Aframax fleets. The pool commercially managed a fleet of 36 modern Aframaxes as of December 31, 2005, which generally trade in the Atlantic Basin, North Sea and the Mediterranean. All four of DHT's Aframaxes trade in this pool.

Note J Charters-out:

The future minimum revenues expected to be received on the time charters for our seven vessels and the related revenue days (revenue days represent calendar days, less days that vessels are not available for employment due to repairs or drydock) are as follows:

	Amount	Revenue Days
2006	$ 71,211,200	2,524
2007	71,276,500	2,511
2008	73,090,200	2,562
2009	73,146,000	2,555
2010	70,830,200	2,407
Thereafter	48,044,100	1,455
Net minimum charter payments	$ 407,598,200	14,014

Future minimum revenues do not include any additional hire from the profit sharing component of the charter agreements. Revenues from a time charter are not received when a vessel is off-hire, including time required for normal periodic maintenance of the vessel. In arriving at the minimum future charter revenues, an estimated time off-hire to perform periodic maintenance on each vessel has been deducted, although there is no assurance that such estimate will be reflective of the actual off-hire in the future.

Note K Subsequent event:

In February 2006, DHT declared a dividend of $12,902,688 or $0.43 per share, and paid that dividend on March 24, 2006 to stockholders of record as of March 10, 2006.

Double Hull Tankers, Inc.
Consolidated Balance Sheets
as of September 30, 2006 and December 31, 2005

	September 30, 2006 (unaudited)	December 31, 2005
	(Dollars in thousands except per share amounts)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 16,840	$ 15,893
Voyage receivables from OSG	4,306	5,506
Unrealized gain on interest rate swap	1,596	
Prepaid expenses	117	281
Prepaid technical management fee to OSG	1,324	1,324
Total current assets	24,183	23,004
Vessels, net of accumulated depreciation	326,840	339,491
Other assets, including deferred debt issuance cost	1,447	1,567
Total assets	$ 352,470	$ 364,062
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued expenses	$ 3,522	$ 3,895
Unrealized loss on interest rate swap		807
Deferred shipping revenues	6,126	6,126
Total current liabilities	9,648	10,828
Long term debt	236,000	236,000
Stockholders' equity		
Preferred stock ($0.01 par value, 1,000,000 shares authorized, none issued or outstanding)		
Common stock ($0.01 par value, 100,000,000 authorized, 30,006,250 shares issued and outstanding)	300	300
Paid-in additional capital	108,347	108,272
Accumulated earnings/(deficit)	(3,421)	9,469
Accumulated other comprehensive income/(loss)	1,596	(807)
Total stockholders' equity	106,822	117,234
Total liabilities and stockholders' equity	$ 352,470	$ 364,062

See notes to consolidated financial statements.

Double Hull Tankers, Inc.
Consolidated and Predecessor Combined Carve-Out
Statements of Operations (Unaudited)

	Nine months ended September 30,	
	Successor 2006	**Predecessor 2005**
	(Dollars in thousands except per share amounts)	
Shipping Revenues	$ 64,860	$ 79,572
Ship Operating Expenses:		
Voyage expenses		290
Vessel expenses	14,041	12,991
Depreciation and amortization	12,651	13,559
General and administrative (For 2005: allocated from Overseas Shipholding Group, Inc.)	1,668	5,125
Total Ship Operating Expenses	28,360	31,965
Income from Vessel Operations	36,500	47,607
Other Expense		(1,471)
Interest Expense to a Wholly-owned Subsidiary of OSG		(574)
Interest Income	681	
Interest Expense and Amortization of Deferred Debt Issuance Costs	(10,463)	(3,022)
Income before Income Taxes	26,718	42,540
Provision for Income Taxes		
Net Income	$ 26,718	$ 42,540
Basic Net Income per Share	$ 0.89	$ 60,770.36
Diluted Net Income per Share	$ 0.89	$ 60,770.36
Shares Used in Computing Basic Net Income per Share	30,006,250	700
Shares Used in Computing Diluted Net Income per Share	30,014,089	700

See notes to consolidated financial statements.

Double Hull Tankers, Inc.
Consolidated Statement of Changes in Stockholders' Equity (Unaudited)

	Common Stock					
	Shares	Amount	Paid-in Additional Capital	Accumulated Earnings/ (Deficit)	Accumulated Other Comprehensive Income/(Loss)	Total
			(Dollars in thousands)			
Balance at January 1, 2006	30,006,250	$ 300	$ 108,272	$ 9,469	$ (807)	$ 117,234
Net Income				26,718		26,718
Other Comprehensive Income, effect of derivative instruments					2,403	2,403
Other Comprehensive Income						29,121
Cash Dividends Declared				(39,608)		(39,608)
Deferred Compensation Related to Options and Restricted Stock Granted			75			75
Balance at September 30, 2006	30,006,250	$ 300	$ 108,347	$ (3,421)	$ 1,596	$ 106,822

See notes to consolidated financial statements.

Double Hull Tankers, Inc.
Consolidated and Predecessor Combined Carve-Out Statements of Cash Flow
(Unaudited)

	Nine months ended September 30,	
	2006 Successor	**2005 Predecessor**
	(Dollars in thousands)	
Cash Flows from Operating Activities:		
Net income	$ 26,718	$ 42,540
Items included in net income not affecting cash flows:		
Depreciation	12,651	12,633
Amortization, including deferred finance charges	120	1,346
Deferred compensation related to options and restricted stock granted	75	
Expenditures of drydocking		(171)
Changes in operating assets and liabilities:		
Receivables	1,200	15,836
Prepaid expenses	164	197
Other assets		
Accounts payable and accrued expenses	(373)	(1,104)
Net cash provided by operating activities	40,555	71,277
Cash Flows from Investing Activities:		
Expenditures for vessels		(817)
Net cash (used in) investing activities		(817)
Cash Flows from Financing Activities:		
Repayment of loan from OSG		(55,931)
Intercompany transfers		75,071
Cash dividends paid	(39,608)	
Repayment of long-term debt		(89,600)
Net cash (used in) financing activities	(39,608)	(70,460)
Net increase in cash and cash equivalents	947	
Cash and cash equivalents at beginning of period	15,893	
Cash and cash equivalents at end of period	$ 16,840	$
Interest Paid	$ 10,259	$ 4,147

See notes to consolidated financial statements.

**NOTES TO DOUBLE HULL TANKERS, INC.
CONSOLIDATED AND PREDECESSOR
COMBINED CARVE-OUT FINANCIAL STATEMENTS**

General

Double Hull Tankers, Inc. ("DHT" or the "Company") was incorporated on April 14, 2005 under the laws of Marshall Islands as a wholly owned indirect subsidiary of Overseas Shipholding Group, Inc. ("OSG"). In October 2005, the Company completed its initial public offering ("IPO") by issuing and selling to the public 16,000,000 common shares, par value $0.01 per share, at a price to the public of $12.00 per share, raising gross proceeds of $192 million before deduction of underwriting discounts, commissions and expenses of approximately $13.8 million. On the date of the IPO the Company also raised $236 million of secured debt (before expenses of approximately $1.6 million). Simultaneously with the IPO, the Company acquired seven double hull tankers consisting of three very large crude carriers, or VLCCs, and four Aframax vessels (the "Vessels") from subsidiaries of OSG in exchange for cash and shares of its common stock. The Company chartered these vessels back to subsidiaries of OSG. The aggregate purchase price for the vessels was $580.6 million, of which $412.6 million was in the form of cash and $168 million in the form of common stock. The Company treated the excess of the purchase price over OSG's $343.0 million aggregate book value of the vessels, or $237.6 million, as a deemed dividend to OSG.

Subsequent to the IPO, an aggregate of 648,500 of these shares were sold by a subsidiary of OSG, in connection with the underwriters' exercise of their over-allotment option. The Company did not receive any proceeds from the sale of the over-allotment shares. As of September 30, 2006 and December 31, 2005, OSG beneficially owned approximately 44.5% of our outstanding common stock.

The vessels are owned by seven Marshall Islands subsidiaries of the Company. The primary activity of each of the vessel subsidiaries is the ownership and operation of a vessel. The following table sets out the details of the vessel subsidiaries included in these consolidated financial statements:

Company	Vessel name	Dwt	Flag State	Year Built
Chris Tanker Corporation	*Overseas Chris*	309,285	Marshall Islands	2001
Ann Tanker Corporation	*Overseas Ann*	309,327	Marshall Islands	2001
Regal Unity Tanker Corporation	*Regal Unity*	309,966	Marshall Islands	1997
Cathy Tanker Corporation	*Overseas Cathy*	112,028	Marshall Islands	2004
Sophie Tanker Corporation	*Overseas Sophie*	112,045	Marshall Islands	2003
Ania Aframax Corporation	*Ania*	94,848	Marshall Islands	1994
Rebecca Tanker Corporation	*Rebecca*	94,873	Marshall Islands	1994

Effective October 18, 2005, the Company chartered the vessels to subsidiaries of OSG for terms of five to six and one-half years at basic hire amounts which are essentially fixed. In addition, the time charter arrangements include a profit sharing component that gives us the opportunity to earn additional hire when vessel earnings exceed the basic hire amounts set forth in the charters. Our vessels are operated in the Tankers International Pool and the Aframax International Pool and we expect our potential to earn additional hire will benefit from the utilization rates realized by these pools. In a pooling arrangement, the net revenues generated by all of the vessels in a pool are aggregated and distributed to pool members pursuant to a pre-arranged weighting system that recognizes each vessel's earnings capacity based on its cargo capacity, speed and fuel consumption, and actual on-hire performance.

Each time charter may be renewed by OSG on one or more successive occasions for periods of one, two or three years, up to an aggregate of five, six or eight years, depending on the vessel. If a time charter is renewed, the charter terms providing for profit sharing will remain in effect and the charterer, at the time of exercise, will have the option to select a basic charter rate that is equal to (i) 5% above the published one-, two- or three-year time charter rate (corresponding to the extension length) for the vessel's class, as decided by a shipbrokers panel, or (ii) the basic hire rate set forth in the applicable charter. The shipbrokers panel will be The Association of Shipbrokers and Agents Tanker Broker Panel or another panel of brokers mutually acceptable to us and OSG.

Effective October 18, 2005, the Company also entered into ship management agreements with Tanker Management Ltd., a wholly owned subsidiary of OSG. The ship management agreements provide for the technical management of the Vessels. The basic hire rate for each of the Vessels and the technical management fee are payable monthly in advance. The basic hire will increase annually by an amount approximately equal to the annual increase in the fee payable under the applicable ship management agreement.

Note A Basis of presentation

The accompanying unaudited Double Hull Tankers, Inc. consolidated and predecessor combined carve-out financial statements as of September 30, 2006 (successor) and for the nine months ended September 30, 2006 (successor) and September 30, 2005 (predecessor) have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 6-K and Article 10 of Regulation S-X. They do not include all of the information and footnotes required by generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

The balance sheet at December 31, 2005 has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's consolidated financial statements for the year ended December 31, 2005 included elsewhere in this prospectus.

The accompanying predecessor combined carve-out financial statements for the nine months ended September 30, 2005 include the accounts of seven wholly-owned subsidiaries of OSG. Such subsidiaries (collectively "OSG Crude"), which are incorporated in the Marshall Islands, owned a fleet consisting of seven modern tankers prior to the IPO. These predecessor combined carve-out financial statements have been prepared to reflect the financial position, results of operations and cash flows of OSG Crude, which owned the vessels which were acquired by DHT on October 18, 2005.

The consolidated financial statements include the assets and liabilities of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation or combination. For the period from January 1, 2005 through September 30, 2005, the predecessor combined carve-out financial statements presented herein have been carved out of the financial statements of OSG. The results of operations, and cash flows of the predecessor were carved out of the consolidated financial statements of OSG using specific identification. In the preparation of these predecessor carve-out financial statements, general and administrative expenses were not identifiable as relating solely to the vessels. General and administrative expenses, consisting primarily of salaries and other employee related costs, office rent, legal and professional fees, and travel and entertainment were allocated based on OSG Crude's proportionate share of OSG's total ship-operating (calendar) days for each of the periods presented. Management believes these allocations to reasonably present the results of operations and cash flows of OSG Crude. However, the predecessor combined carve-out statements of operations and cash flow may not be indicative of those that would have been realized had OSG Crude operated as an independent stand-alone entity for the periods presented. Had OSG Crude operated as an independent stand-alone entity, its results could have differed significantly from those presented herein.

Note B Accounts payable and accrued expenses:

Accounts payable and accrued expenses consist of the following:

	September 30, 2006	December 31, 2005
Interest	$ 2,708,343	$ 2,814,905
Insurance	335,349	491,000
Accounts payable	169,427	82,996
Other	309,440	505,546
	$ 3,522,559	$ 3,894,447

Note C Debt:

On October 18, 2005, DHT entered into a $401,000,000 secured credit facility with The Royal Bank of Scotland for a term of ten years, with no principal amortization for the first five years. The credit facility consists of a $236,000,000 term loan, a $150,000,000 vessel acquisition facility and a $15,000,000 working capital facility. DHT is the borrower under the credit facility and each of its seven vessel owning subsidiaries have guaranteed its performance thereunder. The facility is secured by, among other things, first priority mortgage on DHT's seven vessels, assignment of earnings and insurances and the Company's rights under the time charters for the vessels and the ship management agreements, and a pledge of the balances in the Company's bank accounts. The credit facility provides that we may not pay dividends if the charter-free market value of our vessels that secure the credit facility is less than 135% of our borrowings under the facility plus the actual or notional cost of terminating any interest rate swaps that we enter, if there is a continuing default under the credit facility or if the payment of the dividend would result in a default or breach of a loan covenant. Interest is payable quarterly in arrears.

We borrowed the entire amount available under the $236,000,000 term loan upon the completion of the IPO to fund a portion of the purchase price for the seven vessels that we acquired from OSG.

The effective interest rate for debt outstanding at September 30, 2006 and December 31, 2005 was 5.6% as a result of the related five-year interest rate swap (see Note E below).

Borrowings under the term loan and the working capital facility bear interest at an annual rate of LIBOR plus a margin of 0.70%. Borrowings under the vessel acquisition portion of the credit facility bear interest at an annual rate of LIBOR plus a margin of 0.85%. To reduce our exposure to fluctuations in interest rates, we have entered into an interest rate swap pursuant to which we fixed the interest rate on the full amount of our $236,000,000 term loan at 5.595%. We are required to pay a commitment fee of 0.3% per annum, which will be payable quarterly in arrears, on the undrawn portion of the facility.

We will be required to repay the term loan commencing three months after the fifth anniversary of the facility closing date (October 18, 2005) in twenty quarterly installments of $6,062,500 and a final repayment of $114,750,000 occurring simultaneously with the last quarterly repayment. In addition, the vessel acquisition facility will reduce (with any excess borrowing becoming repayable at the time of reduction) quarterly commencing three months after the fifth anniversary of the facility closing date in increments of $7,500,000. The working capital facility will also reduce (with any excess borrowing becoming repayable at the time of reduction) commencing three months after the fifth anniversary of the facility closing date in twenty quarterly installments of $750,000.

As of September 30, 2006, all of the net book amount of DHT's seven vessels, is pledged as collateral under the debt agreement.

On July 10, 2002, OSG Crude borrowed $100,000,000 according to a secured term loan agreement bearing interest at the London interbank offered rate ("LIBOR") plus a margin of 1%. The loan was guaranteed by OSG and secured by liens on the *Overseas Chris* and *Overseas Ann*. The secured loan agreement also contained financial covenants applicable to the consolidated financial position of OSG.

In July 2005, OSG Crude repaid the outstanding balance, $87,000,000 of the secured term loan, with funds advanced by a wholly-owned subsidiary of OSG. In connection with this transaction, the related floating-to-fixed interest rate swap was terminated. Accordingly, OSG Crude recognized a loss of approximately $1,471,000 related to such swap termination.

The carrying amounts of the loans approximate their fair value.

Note D Loans payable to wholly-owned subsidiary of OSG:

The loans payable to a wholly-owned subsidiary of OSG consisted of amounts due under a floating rate revolving credit facility. Such facility, which had no stated maturity and accordingly, had been classified as a long-term liability, provided for borrowings of up to $450,000,000. Borrowings bore interest based on the short-term Applicable Federal Rate published quarterly by the Internal Revenue Service of the United States. Interest was compounded quarterly.

During the second quarter of 2005, the wholly-owned subsidiary of OSG made a capital contribution of $114,320,169, which was deemed effective April 1, 2005, to OSG Crude, reducing loans payable to the wholly-owned subsidiary to zero.

Note E Derivatives:

As of September 30, 2006, DHT is party to a floating-to-fixed interest rate swap that is being accounted for as a cash flow hedge with a notional amount of $236,000,000 pursuant to which DHT pays a fixed rate of 5.6% and receives a floating rate based on LIBOR. The swap expires on October 18, 2010. As of September 30, 2006, DHT has recorded an asset of $1,595,952 related to the fair value of the swap. This unrealized gain has been credited to accumulated other comprehensive income/(loss). The fair value of interest rate swaps is the estimated amount that DHT would receive or pay to terminate the agreement at the reporting date.

OSG Crude was a party to a floating-to-fixed interest rate swap that was being accounted for as a cash flow hedge with a notional amount of $87,000,000 pursuant to which it paid a fixed rate of 4.58% and received a floating rate based on LIBOR. See Note C.

Note F Accumulated other comprehensive income/(loss):

The components of the change in the accumulated unrealized gain/(loss) on derivative instruments follow:

	Nine months ended September 30,	
	2006 Successor	2005 Predecessor
Movement in unrealized gain/(loss) on derivative instruments	$ 2,402,730	$ (647,500)

The components of accumulated other comprehensive income/(loss) in the consolidated balance sheets follow:

	September 30, 2006	December 31, 2005
Unrealized gains/(losses) on derivative instruments	$ 1,595,952	$ (806,778)

Note G Taxes:

No income taxes have been provided herein because DHT and the predecessor company, OSG Crude, comprise foreign corporations that would not be subject to United States federal income taxes. Further, neither DHT nor OSG Crude is subject to income taxes imposed by the Marshall Islands, the country in which they are incorporated.

Note H Stock Compensation:

In connection with the IPO, the Company awarded a total of 6,250 shares of restricted common stock to its CEO and CFO. These shares are non-transferable until they vest, which occurs ratably over a four-year period. The aggregate fair market value of the shares on the grant date, $75,000 is being amortized to compensation expense over the vesting period of four years, using the straight-line method. In addition, also in connection with the IPO, the Company awarded its CEO and CFO stock options to purchase a total of 69,448 shares of common stock at an exercise price of $12.00 per share. These stock options vest ratably over a three-year period and expire ten years from the date of grant. The Company follows Financial Accounting Standards Board Statement No. 123 (R), "Share-Based Payment" and related Interpretations in accounting for its stock-based compensation. The fair value of the options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: risk free interest rate of 4.69%, dividend yield of 10.42%, expected stock price volatility of 0.31 and expected life of 6 years. The aggregate fair market value of the stock options on the grant date, $75,000, is being amortized to compensation expense over the vesting period of three years, using the straight-line method.

The Company awarded a total of 24,396 shares of restricted common stock to its CEO and CFO on November 8, 2006. These restricted shares vest, subject to certain restrictions, in three equal amounts in May 2007, May 2008 and May 2009. At the date of the award, the fair market value of the Company's common stock was $13.89 per share. The aggregate fair market value of the shares on the grant date will be amortized to expense from November 2006 to May 2009.

The Company awarded 3,000 shares of restricted common stock to its directors on May 10, 2006. These restricted shares vested on October 18, 2006. At the date of the award, the fair market value of the Company's common stock was $12.79 per share. The aggregate fair market value of the shares on the grant date, $38,370, has been amortized to expense over five months, using the straight-line method.

The Company awarded a total of 10,842 shares of restricted common stock to its directors on November 8, 2006. These restricted shares vest, subject to certain restrictions, in three equal amounts in May 2007, May 2008 and May 2009. At the date of the award, the fair market value of the Company's common stock was $13.89 per share. The aggregate fair market value of the shares on the grant date will be amortized to expense from November 2006 to May 2009.

Note I Subsequent Event:

In November 2006, the Company declared a dividend of $0.42 per share, or $12.6 million, and paid that dividend on December 6, 2006.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers.

Our bylaws provide that we shall, subject to the limitations contained in the Marshall Islands Business Corporation Act, as amended from time to time, indemnify all persons whom it may indemnify pursuant thereto.

In connection with an underwriter offering, the Underwriting Agreement, which would be filed as Exhibit 1.1, may provide that the underwriters named therein will indemnify us and hold us harmless and each of our directors, officers or controlling persons from and against certain liabilities, including liabilities under the Securities Act. The Underwriting Agreement may also provide that such underwriters will contribute to certain liabilities of such persons under the Securities Act.

Item 7. Recent Sales of Unregistered Securities.

None.

Item 8. Exhibits and Financial Statement Schedules.

(a)
Exhibits

Exhibit Number	Description
1.1	Form of Underwriting Agreement****
3.1	Amended and Restated Articles of Incorporation of Double Hull Tankers, Inc.**
3.2	Bylaws of Double Hull Tankers, Inc.**
4.2	Registration Rights Agreement**
5.1	Opinion of Reeder & Simpson PC****
8.1	Tax Opinion of Cravath, Swaine & Moore LLP****
10.1	Form of Credit Agreement**
10.2.1	Memorandum of Agreement *Overseas Ann***
10.2.2	Memorandum of Agreement *Overseas Chris***
10.2.3	Memorandum of Agreement *Regal Unity***
10.2.4	Memorandum of Agreement *Overseas Cathy***
10.2.5	Memorandum of Agreement *Overseas Sophie***
10.2.6	Memorandum of Agreement *Rebecca***
10.2.7	Memorandum of Agreement *Ania***
10.3.1	Form of Time Charter *Overseas Ann***
10.3.2	Time Charter *Overseas Chris***
10.3.3	Time Charter *Regal Unity***
10.3.4	Time Charter *Overseas Cathy***
10.3.5	Time Charter *Overseas Sophie***
10.3.6	Time Charter *Rebecca***
10.3.7	Time Charter *Ania***
10.4.1	Form of Ship Management Agreement *Overseas Ann***

10.4.2	Ship Management Agreement *Overseas Chris***
10.4.3	Ship Management Agreement *Regal Unity***
10.4.4	Ship Management Agreement *Overseas Cathy***
10.4.5	Ship Management Agreement *Overseas Sophie***
10.4.6	Ship Management Agreement *Rebecca***
10.4.7	Ship Management Agreement *Ania***
10.5	Form of Charter Framework Agreement**
10.6	Form of OSG Guaranty of Charterers' Payments under Charters and Charter Framework Agreement**
10.7	Form of Double Hull Tankers, Inc. Guaranty of Vessel Owners' Obligations under Management Agreement**
10.8	Form of Double Hull Tankers, Inc. Guaranty of Vessel Owners' Obligations under Charters**
10.9	Form of Indemnity Agreement among OSG, OIN and certain subsidiaries of DHT related to existing recommendations**
10.10	Employment Agreement of Ole Jacob Diesen***
10.10.1	Indemnification Agreement for Ole Jacob Diesen***
10.11	Employment Agreement of Eirik Ubøe***
10.11.1	Indemnification Agreement for Eirik Ubøe***
10.12	2005 Incentive Compensation Plan**
21.1	List of subsidiaries of Double Hull Tankers, Inc.**
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm*
23.2	Consent of Maritime Strategies International Ltd*
23.3	Consent of Cravath, Swaine & Moore LLP (contained in Exhibit 8.1)
23.4	Consent of Reeder & Simpson PC (contained in Exhibit 5.1)
24.1	Powers of Attorney (included on signature page)****
*	Filed herewith.
**	Incorporated by reference to the Registration Statement filed on Form F-1 originally filed on September 21, 2005 (Registration No. 333-128460), as amended.
***	Incorporated by reference to Double Hull Tanker Inc.'s annual report on Form 20-F for the fiscal year ended December 31, 2005, filed on May 19, 2006.
****	Previously filed.

(b) Financial Statement Schedules.

The financial statement schedules are omitted because they are inapplicable or the requested information is shown in the combined carve-out financial statements of Double Hull Tankers, Inc. or related notes thereto.

Item 9. Undertakings

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1993;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offering therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) If the Registrant is a foreign private issuer, to file a post-effective amendment to the registration statement to include any financial statements required by Item 8-A of Form 20-F (17 CFR 249.220f) at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Securities Act of 1933 need not be furnished, *provided* that the Registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form F-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form F-3.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will governed by the final adjudication of such issue.

(c) The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be a part of this registration statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(d) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-3 and has duly caused this Post-effective Amendment No. 1 on Form F-3 to the Registration Statement on Form F-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in Oslo, Norway, on the 7th day of February, 2007.

DOUBLE HULL TANKERS, INC.

By: /s/ EIRIK UBøE

CHIEF FINANCIAL OFFICER

Pursuant to the requirements of the Securities Act of 1933, this Post-effective Amendment No. 1 on Form F-3 to the Registration Statement on Form F-1 has been signed by the following persons in the capacities and on the date indicated.

Signature	Title
OLE JACOB DIESEN*	Chief Executive Officer
/s/ EIRIK UBøE	Chief Financial Officer
ERIK LIND*	Chairman of the Board
RANDEE DAY*	Director
ROLF WIKBORG*	Director
DONALD J. PUGLISI* Managing Director Puglisi & Associates	Authorized Representative in the United States

*By: /s/ EIRIK UBøE

Eirik Ubøe, Attorney-in-fact

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