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WAVES

DECEMBER 2009



CEO
Lars Vang Christensen

In unknown Territory

At the beginning of 2009 herring shipping had secured a large part of its primary revenue by long term contracts of affreightment, as we have done in earlier years. However, at an early stage, it became obvious that we would be facing major challenges in 2009. The spot markets within our segments were experiencing an unprecedented high volatility, and at times spot rates were in free fall. Hence, unpredictability and uncertainty in the market have been felt across the year. With 2010 fast approaching we know that the new year will meet us with considerable challenges and require that we focus even more on our adaptability, competitiveness, performance and management of our running costs.

What started by mid year 2008 as a financial crisis has since then developed into a severe recession in global economy and world trade. When global recession succeeds global growth at such an unprecedented speed, the tanker markets will obviously be among the first to suffer severely, as these markets are very precisely reflecting the global supply chain and regional consumption patterns in general.

The freight levels currently experienced in the spot markets however cannot be explained by mathematical logic or real economy textbook models. Undoubtedly, psychological factors are also playing an extraordinary role in these challenging times. We are surprised to witness that highly respected brokers and trendsetting oil majors are choosing to participate in what the industry has repeatedly called a process in which the objective is to obtain an unrealistic new pricing level. This is done at a time where significant players in the market are demanding ever increasing safety standards, flawless operation,

high environmental consciousness and climate awareness - which are all high cost factors to shipowners.

Experts within our industry are speaking about surplus capacity, and the latest figures are indeed indicating an instant surplus tonnage of some 3 - 5 % across the tanker markets. Following the more rigorous regulation as of 01.01.2010 in relation to tanker design and construction we must hence anticipate a certain improvement in the tanker markets. Looking forward, we can probably see that the abnormal market conditions will trigger a major forward going change among the commercial players in the industry. Some players may not survive, whereas others will seek financial strength and new business opportunities via consolidation and partnerships.

The tanker markets will also in 2010 require our full attention and focus on adaptability, competitiveness and management of running costs.

During 2009 herring shipping has taken actions to trim its business to adapt to the new market conditions. Among the many initiatives undertaken are management of unnecessary costs, postponed delivery of new tonnage, redelivered time charter tonnage, and in every respect we have taken necessary steps to prepare the company in the best possible way to cope with current and future challenges. Further action is however still being required both now and in the time to come. Thus the full attention on these important issues is highly requested by our staff.

Using a maritime expression I suppose one can say that we have moved into unknown territory, where old

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navigational charts do not apply any longer. Under such circumstances it is obvious that we must set a new course, adjust our speed and be prepared to act on real and unexpected conditions. It is a top priority that both our sea and shore staff is fully alert so that herring shipping can react with short notice and navigate its way to safe port. Market conditions will change again, and the pendulum will eventually reach its extreme position and then swing back hopefully to better times.

This means for us at herring shipping that until then we must and shall adapt our business to the actual pricing and operational conditions and at the same time prepare ourselves for a possible positive change in the market.

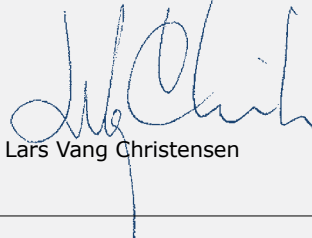
In the short term it is necessary to redeliver tonnage to ensure that our cost base will be matching the prevailing market price. At the very same time we are also pleased to take delivery of new (own) vessels, and vessels in commercial management as well as time chartered vessels.

We are also pleased that herring shipping has already today completed a major part of our fleet renewal

program, which other shipping companies are about to initiate or still in the process of making such plans and actions for. A fact which makes it possible for herring shipping to conclude that we operate one of the youngest and best fleets in our market segment. This position obviously provides us with a solid platform - now and particularly in the future as the markets regain sustainable rates.

It is our hope that by the end of a turbulent and difficult year our good relations with suppliers and customers will support us in keeping focus on business opportunities, performance and responsibility. Together we make a strong team! Let us therefore demonstrate a combined understanding that times of crisis can also be used constructively to identify and pursue new challenges and opportunities - now and in the long perspective.

I wish to take this opportunity to thank all staff for your valuable efforts in 2009.



Lars Vang Christensen

COP15

Herring shipping is known to focus on quality shipping and hence also to provide transport services by our fleet of product and chemical tankers in an environmental manner and in taking serious responsibility for the climate. For many years, we have kept succeeding in being at the very forefront of development – and we will certainly also aspire to be so in the future.

Hence, we now await with confidence the outcome of the COP 15 Climate Change Conference in Copenhagen. Negotiations will be tuff for the delegates and leaders of the world, and we hope they will succeed in achieving a positive result. When this edition of Waves is being made available to its readers, we will all know, if the Conference became a success. We hope for Denmark - the host of the conference - and for international

shipping as a whole that the outcome of the Conference will result in a clear global agreement which from a shipping perspective will be managed and implemented by IMO in London. Indeed, we are confident that the IMO organization also in this respect will prove to be the best to ensure standardized legislation throughout the global shipping industry.

Being already a green shipping company herring shipping is well prepared for new environmental and climate targets and measures. We operate a young and modern fleet and are definitely prepared to undertake new regulations which will most likely require innovative measures and behaviour – all in favor of the environment, our customers and colleagues at sea.



Vetting Manager (CSO)
Jan Eliassen

We meet Challenges earlier

More offensive approach to vetting inspections ensures faster vessel profitability

A successful vetting inspection and a vessel ready to meet customers, undertake employment and make revenue are one and the same. The short version is therefore, that it is essential to make the vessel ready to invite the first vetting inspectors on board as soon as possible after her departure from the yard in order to have her approved for her first assignment.

The long story tells about thorough preparations, testing the vessel, remedial actions, optimization of facilities and procedures, implementation of daily routines, crew introduction and observations in general of the vessel in operation – a combination of factors that all ensure that the vessel and her crew as one entire unit act professionally and perform in accordance with the policies and quality standards which herring shipping is known for. And that may take time.

- It is my job to identify the challenges as early as possible to ensure that the vessels can operate profitably soonest after departure from the yard. Herring shipping has therefore implemented a new program to prepare the vessels for early vetting. After departure from the yard we introduce a detailed inspection of the vessel, we supervise the operation of the vessel on a continuous basis and train the crew in vetting procedures using motivation and education as main factors, explains vetting manger Jan Eliassen.

Herring shipping's vetting department counts a staff of five employees based in Herring, Holland

and China, and they supervise the vetting function, perform crew training and collect and share experience and knowledge from the vessels and attend vetting inspection on behalf of the company.

- Our presence at vetting inspections gives an important signal to the vetting inspectors that herring shipping takes vetting seriously, and that we prefer an open and trustful dialogue to the benefit of our customer and in favour of an honest and satisfactory vetting process, says Jan Eliassen.

And is there any difference compared to earlier?

- An important difference is that an experienced representative from Herring attends the vessel several months before the vessel departs from the yard to sail to its first port. His job is to put himself in the Master's place and assist and coach the new crew. He contributes with his experience from similar vessels and can thus prepare the crew for their first vetting inspection. He brings questionnaires and procedures and can in fact perform a kind of pre-vetting if required, says Jan Eliassen.

Jan Eliassen further explains that the whole exercise is not only a matter of technical preparation but also a question of psychological factors. In fact, it is important that the crew does not consider the vetting inspection to be an unpleasant experience. On the contrary it is of vital importance to make the crew accept the necessity of vetting and understand that it forms the basis of the future employment of the vessel.

m/t Tina Theresa



- On a daily basis we must prove ourselves worthy of our customer's trust. Preferably, we would like the vessel to make money already from day one to ensure our presence in the market. However, a successful vetting will provide us with new business opportunities, and that is why we perform vetting inspections more frequently than required, so Jan Eliassen tells.

- And the program works, he continues. He recently joined a vessel when she departed from the yard in China. The vessel sailed to Thailand and from there to

Europe with her cargo. On arrival at Hamburg the vessel and her crew received their first vetting inspection, and the number of observations and remarks were by far lower than what could have been expected for a new vessel, says Jan Eliassen and continues:

- The gradual preparation of the vessel and her crew from her departure in China stood its test and both Jan Eliassen and the company representative returned to the company with valuable experience to be shared on future occasions and by the next vessels.

Maritime Labour Convention 2006 - herring shipping again first in our Class

Together with SOLAS, MARPOL and the STCW, the MLC 2006 (Maritime Labour Convention) is known as the fourth pillar of the regulatory regime for quality shipping, complementing the Key Conventions of the International Maritime Organization (IMO).

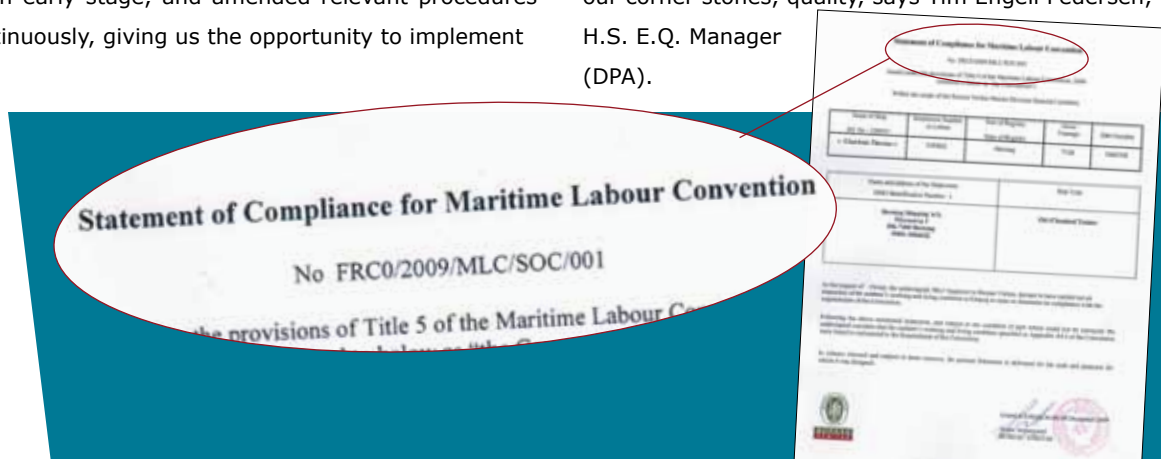
MLC 2006 regulates areas covering seafarers' living and working conditions, and not least sets standards for safe working environment. Other large elements cover nearly any aspect of the shore crewing function. The new convention is expected to enter into force in 2012 for all ILO member states, and already in 2011 for some proactive flag states.

We at herring shipping decided to monitor the development of the Maritime Labour Convention 2006 at an early stage, and amended relevant procedures continuously, giving us the opportunity to implement

the requirements in due time.

Based on external audits on shore as well as on board Bureau Veritas has now issued a "MLC 2006 Statement of Compliance" for the first vessel in the herring shipping fleet. The statement of compliance is the first ever issued by Bureau Veritas. The flag state regulatory development, as well as the lay out of the certificate is not yet completed, however once available herring shipping will already be in compliance.

- herring shipping is therefore proud once again to be the very first shipowner to enroll new legislation earliest possible, enabling experience generation throughout our organization and fleet, before it becomes mandatory, as well as ensuring continuous development of one of our corner stones, quality, says Tim Engell Pedersen, H.S. E.Q. Manager (DPA).





Focus on Problem Solving

Kristian Normann Olesen sees the results of his work every day

Long work days are usual to Kristian Normann Olesen who is a part of the Nantong site team. And he has tried this before, partly as a service engineer in the United States, partly as herring shipping's representative at a Turkish shipyard. However, his experiences in Turkey and China differ in many ways from each other.

- The two countries are different, and the mentality is not alike. However, we started here from scratch with a young and inexperienced yard team and that probably plays a major role. We were being heard, our experiences listened to and our wishes and proposals were mostly accepted, Kristian Normann Olesen begins his report from China and continues:

- I have been working here since May 2007 when I arrived directly from our site in Turkey when the newbuilding program there had just been completed with the delivery of m/t Rikke Theresa. When I started working at the Nantong site, late Leif O. Johansen was serving as site manager. Size-wise the yard was at that time only a fraction of what it is today. People who have not experienced the development of the yard can hardly imagine that the place was just farm land 2 ½ years ago. Today, the yard counts a staff of 5.000 members. M/t Ditte Theresa and m/t Ruth Theresa were the two first newbuildings delivered to us from the yard. In fact, they were also the first complete vessels delivered by

the yard, as the yard had until then only delivered a couple of hulls.

- The yard was permeated with pioneer spirit. There were many young and energetic designers and workers who were enthusiastically looking forward to build an entire vessel. Our partners did in fact not have much experience but a strong sense of professional pride. The yard management made it quite clear from the start that cooperation should be the platform for our combined results. Hence, the yard was ready to meet our requests/wishes for vessel design and details, as well as they respected our ship building experience.

Cooperation and goodwill

Herring shipping has indeed invested many resources in this cooperation, but we have gained much goodwill and benefited from high quality the other way around. We have a combined understanding with the yard that problems must be identified and solved the sooner the better.

And that is among other things because of the yard's approach to problem solving and their accommodating attitude to our requests and wishes that I would like to express our gratitude to the cooperation with them.

- Today about 10 different site teams are present on the site representing shipowners who are building for example chemical tanker vessels, bulk carriers, car

*herring shipping's
site team, Nantong*



carriers, container vessels, supply vessels, anchor handlers, bunker barges etc. – all providing a wide variety of activities among which we are pleased to see that some of the young employees whom we trained back then are today serving as assistant site managers and thus training other new staff members themselves.

- Our site team counts nine members. We are an international team with members from Denmark, Singapore, Turkey and China having a constructive cooperation among us as well as with the classification company, the yard and designers on the yard. In our daily work company names on our working clothes are not important to us. What matters is the final result – that we build top quality vessels. In fact some of our visitors who have seen and been on board our newbuildings – and that is people who are no longer working at sea – tell us that if they should decide to sign on a vessel again, then it should definitely be on board one of our vessels. And we take that as a compliment to us and our work.

- We are passionate about our vessels. They must always be a little better than those of our competitors. Crews should love to sign on these vessels which are built for flexibility and with as much versatility as possible

They must be vessels complying with all possible requirements from shipowners, classification companies and customers – not only today but also in future.

So Kristian Normann Olesen tells about his work. We get an impression of a man and his team, who are not achieving results within a normal European working day. The time difference between China and Denmark means that when it is closing time in Nantong, the working day has just started in Denmark and phone calls can be made to the technical department at the head office in Herning. Indeed, Kristian has time off, but in reality there is not much you can do in Nantong in your free time. Things therefore form a synthesis for Kristian, if he can just spend and use his time in the best possible way when being in China. And indeed he chooses to do so, when he spend his time phoning to Herning or contacting other vessels, previously launched from the yard. There might be some detail which can be used when building the next new building. As a matter of speaking, it is important to let the next vessel benefit from his experiences.

Kristian Normann Olesen is pleased to pass on the baton to Margit Sjøgaard, head office, Herning.



*Kristian Normann Olesen and
Liu Quih Chen, Mingde Shipyard QC*



Geo Explorer

M/t Hanne Theresa pioneers a New Role in the High Arctic

By Lars Mikkelsen with input from Captain Ray Pierce (Ice Master of Northeastern Greenland Survey)

As old Robert W. Service wrote, "There are strange things done in the midnight sun" so it was for the crew of the ice-classed chemical carrier m/t Hanne Theresa last August and September. The ship was time chartered by ION Geophysical of Houston, Texas to resupply a unique ice-seismic program off the Northeastern coast of Greenland.

The vessel's role was broadly defined to include the resupply of the Russian Icebreaker Vladimir Ignatyuk and Norwegian seismic-ship, Geo Explorer. She was to resupply fuel to these ships offshore in open water or in the ice as well as support crew change, material support and minor re-provisioning of these ships. To undertake the role the ship was fitted with additional equipment such as light transfer hoses, special fittings and additional bunks. This part of the Arctic is

characterized with challenging ice, including multiyear ice and icebergs. The m/t Hanne Theresa, being well constructed, outfitted and crewed for such conditions met the ice challenge with respect but also relative ease. In fact, when not engaged in shuttling crews and materials to or from Longyearbyen on Svalbard or transferring fuel to the two ships, she contributed further by performing limited ice reconnaissance duties.

As the run to Longyearbyen was usually typically a two-day run the disembarking/embarking crews had lots of time to enjoy the m/t Hanne Theresa cuisine (which was rated to be very good) and "yarn" with the Hanne Theresa's crew. As the uniqueness of the whole operation was based on new technologies and novel approaches, there was considerable enthusiasm for the operation and the Captain and crew of the m/t Hanne Theresa hosted many hours of interesting discussion, as she made her way to and from Svalbard.

- The Captain and Crew of the m/t Hanne Theresa were a key component to a successful first Ice-Seismic Survey and we hope to participate in subsequent Arctic operations of a similar nature. As always good equipment only counts for the minor part, the success of an operation is always about the people, says Lars Mikkelsen.



Geo Explorer and m/t Hanne Theresa

In the midnight sun



M/t Hanne Theresa loaded with Arctic Expertise

By the Captain and Crew of m/t Hanne Theresa

The Captain and the crew of m/t Hanne Theresa were pleased and excited to learn this summer that their vessel was chartered by ION Geophysical, Houston to re-supply one of their survey vessels and assisting icebreaker with bunker and provisions in Arctic waters between Greenland and Norway.

M/t Hanne Theresa was built in 2002 with an extra powerful main engine and according to Finnish Swedish Ice Class 1A specifications. The vessel and her crew were experienced in navigating in Greenland waters, for example off the East coast of Greenland, where the operation in ice filled waters is particularly challenging. As an extra dimension the vessel performed a voyage to Svalbard in February, and she was therefore fully competent to undertake this new and exciting assignment.

M/t Hanne Theresa usually operates in Northern Europe and prior to her departure from Hirtshals in Denmark she was fitted with additional equipment to prepare her specifically for the coming voyage to the Arctic territory where extra focus on safety and environment must also be given high priority, particularly in connection with ship-to-ship manoeuvres. Among other things the vessel was brought up-to-date with Polar communication equipment, sun curtains and loading/unloading equipment as well as spare parts for several months. Extra containers were brought on board for transport of stores and provisions for the icebreaker and the survey vessel. And some of the cabins were even fitted with extra bunks to accommodate 6 passengers.

Furthermore, safety procedures and procedures for operating and navigating in ice filled waters were reviewed, and a bridge watch plan with overleaping lookouts was established. Satellite photos received from the survey vessel kept m/t Hanne Theresa additionally up-dated on changing ice- and weather conditions.

M/t Hanne Theresa made 4 two-day voyages between Svalbard and the Northeastern coast of Greenland.

In Longyearbyen m/t Hanne Theresa was loaded with provisions, spare parts and bunker for the ice breaker and the survey vessel. Off-signing crew was taken to Longyearbyen, and new on-signers were received and brought back.

This assignment in Arctic waters was exciting and challenging for the vessel and her crew, particularly when the vessels were meeting ship-to-ship in open sea to unload bunker and provisions. At other times the vessel had to wait for new tasks, and when waiting the crew spent their time observing the fauna around them, among others walruses, seals and killer whales.

Having completed this mission, the vessel and her crew have now returned to her usual traffic area loaded with new experience and memories of the magnificent Arctic nature and fauna.

Herning shipping has for many years focused on special operations, such as Arctic operations, ship-to-ship operations and operations performed by specialised tonnage. Indeed, the key to our success within this specific area is herring shipping's tonnage specifically built to operate in difficult waters and in combination with our long-term experience and focus on safety, environment and flawless operation.



Crew change



Arctic fauna

The Market

MD, herning shipping france s.a.r.l.
Hans Thorsen



The short sea market and other segments within the product and chemical markets are suffering today. What are the reasons for these market conditions and which factors impact the market from a general perspective and more importantly when will we again see a change towards normalized market conditions?

First of all we believe most players in the market would agree with us that the shipping markets are generally speaking in a very abnormal and chaotic situation in a negative sense; negative for owners as freight rates are depressed at very painful, historically low and thus unsustainable levels compared to cost of funds and running costs. Therefore the situation also becomes less attractive for brokers and facilitators as freight rates and volumes are reduced significantly, thus meaning that less commission is being earned and finally bad for most charterers (producers) as they sell less volumes, in a time where commodities are under severe price pressure at the very same time.

Which factors have affected the market negatively in the latest 12 to 18 months and established a possible new pricing structure in the market? In general three major factors have had an impact: the global financial melt-down mid 2008, followed by a global economical slowdown and recession ultimo 2008 and throughout 2009 and in some segments an over-supply of new tonnage.

The global slowdown of economy or recession has meant less clean oil products in general being consumed and transported, and thus the demand is being pushed back lowering freight rates. On the other hand a record high number of new vessels have been delivered during the last few years. Throughout the many shipping segments the shipowners have had some good years, and as a consequence many have ordered new vessels. Decisions have naturally been influenced by easy access to capital and the fact that their customers concurrently have encouraged them to arrange for more and more tonnage. This fact has increased the supply of tonnage, and now that the recession has succeeded growth, the result is lowered

freight rates – regardless that many ships will be phased out and scrapped in 2010 and 2011 due to new legislation being implemented.

Subsequently, one can say that the shipping market in general is suffering from a double negative impact caused by less volume to be transported and by an over-supply of tonnage, but indeed also by global recession and all the psychological factors it brings to the consumers and thus the whole supply chain.

The present situation is unsustainable but when will it change?

As the global economy slowly picks up again and pushes demand back up. However, when exactly this will happen is still an open question frequently discussed by everyone and difficult to answer. But we certainly hope to see an improvement during 2010. Some forecasts are predicting a better 2010 than 2009, and it is positive that the three regions: The Far East, Europe and the Americas are again talking about a slow recovery of their respective economies.

Another important aspect is a reduction of supply of tonnage which will happen gradually with a slowdown of newbuildings and phasing-out/scrapping of tonnage. Many newbuildings have been delayed, and a high number of the many optional vessels will not be confirmed.

Phasing-out/scrapping in the Short Sea segment will undoubtedly happen, as the age profile will request so, but also partly accelerated by new IMO regulations for double hull vessels imposed in 2010 for transport of all oil products. We anticipate however that the Short Sea tanker segment <10.000 will recover faster than the rest of the tanker market and other shipping markets in general.

In summery, 2010 will no doubt be an interesting and tuff year for the industry, and a speedy recovery must be in everybody's interest.



Fleet List

m/t Aleyna Mercan	m/t Dagmar Theresa	m/t Lisa	m/t Rikke Theresa
m/t Anette Theresa	m/t Ditte Theresa	m/t Lycian	m/t Ruth Theresa
m/t Anna Johanne	m/t Else Marie Theresa	m/t Lydian	m/t Sara Theresa
m/t Annelise Theresa	m/t Eships Bainunah	m/t Malou Theresa	m/t Serra Theresa
m/t Birthe Theresa	m/t Hada	m/t Maria Theresa	m/t Sofie Theresa
m/t Bitten Theresa	m/t Haldoz	m/t Marim	m/t Susanne Theresa
m/t Britta Theresa	m/t Hanne Theresa	m/t MRC Emirhan	m/t Tina Theresa
m/t Caroline Theresa	m/t Ida Theresa	m/t MRC Semiramis	m/t Trine Theresa
m/t Cecilie Theresa	m/t Jette Theresa	m/t Nordic Glory	m/t Vasi
m/t Charlotte Theresa	m/t Karina Theresa	m/t Nordic Victory	m/t Vitta Theresa

News about Names

Anniversary:

Peter Gjesing Olesen celebrated his 10-year anniversary 04.10.09

Birthdays:

Jan Stefan Svenson celebrated his 60th birthday on 12.08.09

Hans Christian Myrup celebrated his 60th birthday on 26.08.09

Lars Sørensen celebrated his 50th birthday on 28.08.09

Marcos Wagley Pecley celebrated his 30th birthday on 02.09.09

Puri Tarun celebrated his 30th birthday on 25.09.09

Per Weber Petersen celebrated his 50th birthday on 02.10.09

Michael Enemark Lauridsen celebrated his 40th birthday on 02.10.09

Nonito A. Oberio celebrated his 50th birthday on 28.10.09

Janni Bodholt Troelsen celebrated her 30th birthday on 29.10.09

Pita Koroi celebrated his 40th birthday on 12.11.09

Paul Cesar Perez Rastrullo celebrated his 30th birthday on 12.11.09

Asivarosi Naicovitabua celebrated his 50th birthday on 19.11.09

Ferdinand Martinez Ocampo celebrated his 30th birthday on 21.11.09

Juancho Aldana celebrated his 40th birthday on 04.12.09

Ruben Umbay Ferrero celebrated his 50th birthday on 04.12.09

Joseph Gregson Olaivar celebrated his 30th birthday on 31.12.09

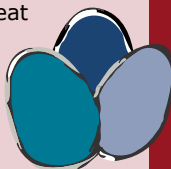


Quiz



Two fathers and two sons sat down to eat eggs for breakfast. They ate exactly three eggs, each person had an egg.

The riddle is for you to explain how.



Answer to the quiz to be forwarded to the editorial office to e-mail: kc@herning-shipping.com.

Answer to the latest Waves edition quiz

The correct answer to the quiz is: Jette wrote the digit 3 120 times.

The Winners are: The Captain of m/t Serra Theresa, Andrey Shikin and Operations Dept., Monsoon Maritime Services Phils. The Editorial Offices congratulates. A gift is now on its way to the winners.



Merry Christmas and Season's Greetings

Merry Christmas and Season's Greetings to all
from the Management and Staff of herning shipping.

We thank you for the fine cooperation shared in 2009 and
look forward to a continued fine cooperation in 2010.

With best wishes

Lars Vang Christensen
CEO

Instead of sending traditional Christmas gifts for customers and business
associates, herning shipping has this year made a donation to Save the
Children Denmark - www.redbarnet.dk