



The Crow's Nest

EDITORIAL



Welcome to the first edition of The Crow's Nest, the biannual newsletter of the Thomas Schulte Group.

The Crow's Nest shall provide its readers with some insight into the Thomas Schulte Group of companies and in addition an outlook into the future of a modern shipping company as part of the global logistics chain in the transport industry and the issues that surround it.

A Crow's Nest, being a ship's focal point for centuries, was usually set at the top of a ship's mast in order to identify objects that were looming afar on the horizon. In a similar fashion we will try to identify issues that are of concern, ashore as well as at sea.

Because of its pivotal importance, human resources will be a reoccurring theme of The Crow's Nest.

The shipping industry itself has undergone severe changes in the last decade. Amongst others, safety issues were dealt with in a broad spectrum, quality codes were implemented, guidelines set up and offices are being certified nowadays. None the less, sea going personnel has had to face the most fundamental changes, as the requirements on board were drastically raised, leading to an abundance of additional training courses and a constant adaption of the relevant codes and programmes. This newsletter shall get you a somewhat closer look at the people that are so closely embedded in the daily life - on board and ashore.

We hope that the concise outlook from The Crow's Nest will prove to be interesting reading.

On behalf of the entire Thomas Schulte Group, I wish everybody a merry and peaceful Christmas and all the best for 2007.

Sincerely,
Alexander Schulte

Shanghai and Hamburg – more than just seatrade

Reederei Thomas Schulte can look back at a long maritime history. It actually can trace its roots back into the year 1882. An even longer bond exists between the port of Hamburg and China.

In 1792 the first Chinese vessel berthed at the port of Hamburg. Almost 300 years later, in 2005, one quarter of the Container turnover in the port of Hamburg was China-based freight.

Apart from the enormous economic power of China, which has been providing the port of Hamburg with significant growth rates each year, there are numerous liner services, with daily sailings from Hamburg to Chinese ports. Nothing could describe the connection better, than Hamburg's established synonym being the "entrance door to the East".

In 2004, with the signing of a so called Partnership Port Agreement the relationship between Hamburg and Shanghai was publicly ratified, in order to further enhance

the flux of cargo and transport modalities between China and Europe via the seaports Shanghai and Hamburg. The partnership programme between both ports identifies training, strategy, port authority, harbour construction and IT as areas of common interest.

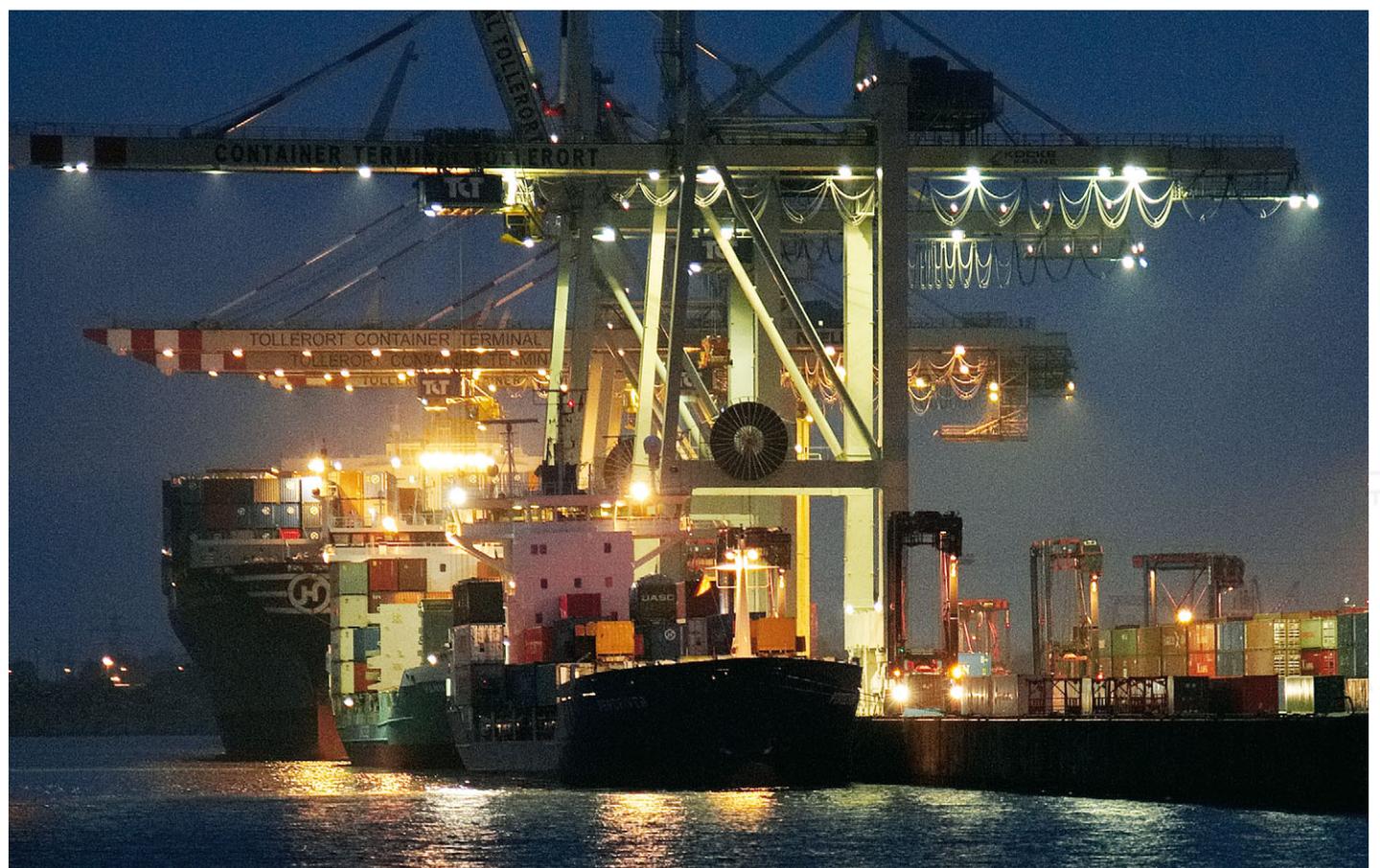
After all there are more than 400 Chinese companies located in Hamburg, more than in any other city on the European continent.

The CHINA TIME 2006 conference in Hamburg can therefore be seen as the latest example of the close ties that exist between the two seaports of Shanghai and Hamburg.

Chinese ports and especially Shanghai have become more and more important

10 BIGGEST CONTAINER PORTS

2005	in 1000 TEU
1. Singapore	23.192
2. Hong Kong	22.277
3. Shanghai	18.022
4. Shenzhen	16.456
5. Pusan	11.673
6. Kaohsiung	9.510
7. Rotterdam	9.117
8. Hamburg	7.976
9. Dubai	7.741
10. Los Angeles	7.423



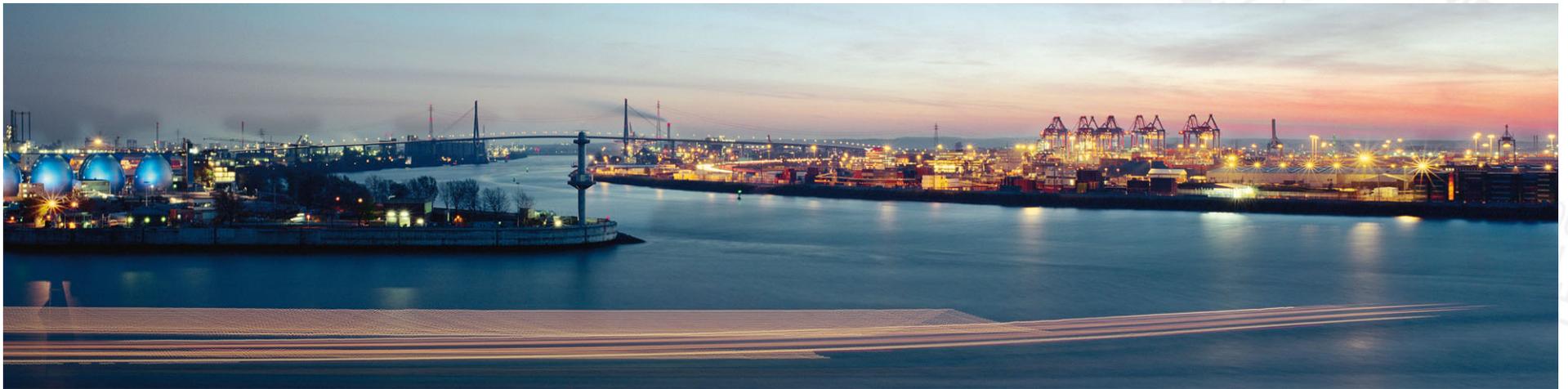
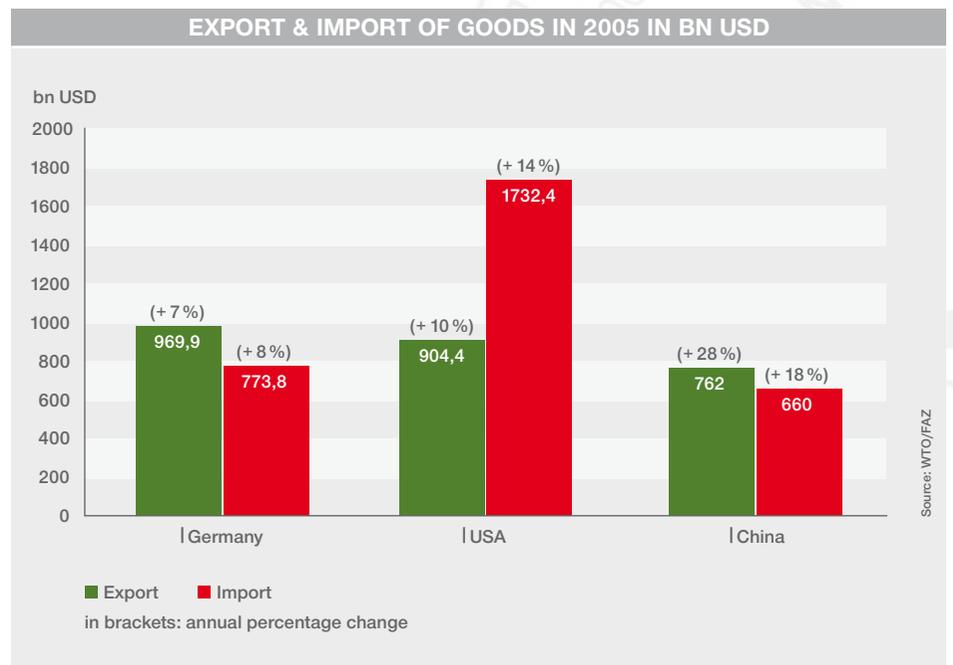
with the growth of the Chinese economy. In 2005, the container turnover of the Port of Shanghai exceeded the 18 million TEU mark. The newly opened Yanshan Terminal with its first five berths is expected to handle more than 2 million TEU. Until 2020, the new Terminal is projected to manage 25 million TEU - with a total of 50 berths available.

The major role of the port of Shanghai to the shipping industry is reflected in the daily schedule of the Thomas Schulte fleet as well.

Reederei Thomas Schulte operates presently 25 vessels, of which 8 of them are scheduled to call the Port of Shanghai. In addition, approximately 50 % of the entire Thomas Schulte fleet is scheduled to call Chinese port's on a regular basis. Based on

the Chinese economy's important role to the world economy and the continuous huge demand of the shipping industry, big state-owned shipyards and major medium-sized shipyards are rapidly increasing their capacity. At the same time the first privately held shipyards are being established.

The China State Shipbuilding Corporation (CSSC) has established the goal to build the world's biggest single shipyard at Chanxing Island, which is projected to become the number one shipyard in the world by the year 2015, fuelling competition with the present leading shipyard in Korea. For reference purposes, about 45 % of the fleet of Reederei Thomas Schulte has been or is scheduled to be constructed in Korea and about 30 % in China.



THE THOMAS SCHULTE GROUP

The Thomas Schulte Group

With each edition of **The CROW'S NEST** we will take a closer look at one of the Thomas Schulte Group of companies and its various core activities.

The set up of the Thomas Schulte Group in several independent but structurally closely connected companies was chosen in order to offer shipping related services not only in-house but also to so called 'third party' or external clients.

Reederei Thomas Schulte positioned at the Groups centre, is the heart of the group, responsible for its strategic and

organisational interaction, not limited to supervisory functions but actively involved in the full range of operational ship owning and ship management duties of the Thomas Schulte Group.

Naturally and true to its origins Reederei Thomas Schulte being a ship owner and ship manager, it is involved in such tasks as the

- Operational handling and deployment of the fleet
- Registration
- Insurances
- Group accounting
- Structured finance
- Fonds management
- Controlling
- Consulting
- Analysis of the S&P and charter markets
- Sale & Purchase of second hand and new building tonnage
- Strategic development of the group

The team of experienced and qualified professionals handles the various affairs of the company from its Hamburg based headquarters.

Whilst the company maintains its focus on the future developments of the transport and logistics chain as such, and of the container trade in particular, the believe in tradition, integrity and responsibility forms an integral part of the company.



Crewing Challenges Ahead (Part I)

For years the world's merchant fleet has grown to meet the demands of the world trade and Thomas Schulte Group is proud to be a very successful contributor to this development in the container shipping market.

Like every company with ambitious growth and performance targets we depend on the knowledge, skills, experience and motivation of our staff. This applies even more in the maritime industry, where seafarers at sea and in often remote ports have to master numerous operational and technical challenges without the convenience of immediately available supplies or services.

From the beginning the Thomas Schulte Group has been utilizing the services of well known crew managers with a far reaching network of agencies and a high reputation amongst seafarers to find and recruit highly competent crew. Today our vessels are manned by seafarers from ten different countries with the majority of officers coming from Russia and Ukraine and most of the ratings from the Philippines and Myanmar.

The common language between the crew members on board as well as with the office staff is English and the crew managers undertake great efforts to ensure that the English language skills of all seafarers are adequate to handle anything from day-to-day communication to emergency situations safely.

The professional competence requirements for seafarers are regulated by the International Convention on Standard of Training, Certification and Watchkeeping (STCW). All our seafarers have passed the training courses required for their ranks

and are in possession of verifiable certificates to prove that.

Furthermore new applicants have to prove in computer tests and interviews that their talents meet the high company standards before they can join our ship-board teams. It is vital for every seafarer that he can rely on the abilities and the responsibility of his colleagues 24 hours a day not only for safety, security and environmental reasons, but also to be able to deliver an uninterrupted high quality service to our customers in a highly competitive environment.

It is the naked truth that the supply of officers worldwide has not kept pace with the needs of the merchant fleet, despite the warnings of international shipping organizations such as BIMCO (The Baltic and International Maritime Council) and ISF (International Shipping Federation). In their latest manpower study in 2005 both organizations have predicted once more that there will be a gap between the supply and the demand of qualified officers unless efforts are stepped up to attract and retain young people in these interesting professions.

Governments of crew supply countries have largely failed to address the issue. As a result of the attempts to comply with the requirements of the 3rd Maritime Conference (2003), German shipping companies are facing a severe lack of qualified and experienced German personnel as required under German flag. At the same time there are ample numbers of applicants for the nautical and technical study courses, however training capacities have not only not been expanded, but the Senate of Hamburg even closed the local mari-

time academy in 2005 in a cost cutting exercise that has been widely criticized by the shipping community of the city state. This shall serve only as an example, as the shortages of qualified personnel are not limited to German seafarers but exist internationally on an equal level.

Considering the continuing restrictions to the nationality of Masters, officers and crew it becomes very difficult to meet German government expectations to bring a larger share of the growing German controlled fleet back under German flag. As a sign of commitment to the 3rd Maritime Conference the Thomas Schulte Group has re-flagged the FABIAN SCHULTE in January 2006. Further steps will depend on the promised reform progress of the German administration - streamlining of regulations, reduction of red tape, acceptance of English as communication language and computerization of the administration are some other issues which need to be addressed.

Our company already employs a number of students and cadets from various countries and will seek to increase this pool of future officers further. We will continue to monitor young officers with promotion potential in close liaison with our associate crew managers, in order to ensure a better preparation of these seafarers before

they take over new responsibilities.

At the same time, it has been decided that additional and continuous training shall be provided to our seagoing staff addressing individual training needs, as well as possible general ones such as

- quality management (ISO 9001)
- environmental management (ISO 14001)
- accident and incident investigation techniques
- risk assessment techniques
- bridge team management
- limitations of electronic chart and information display systems
- electronics for engineers
- workshop and welding skills

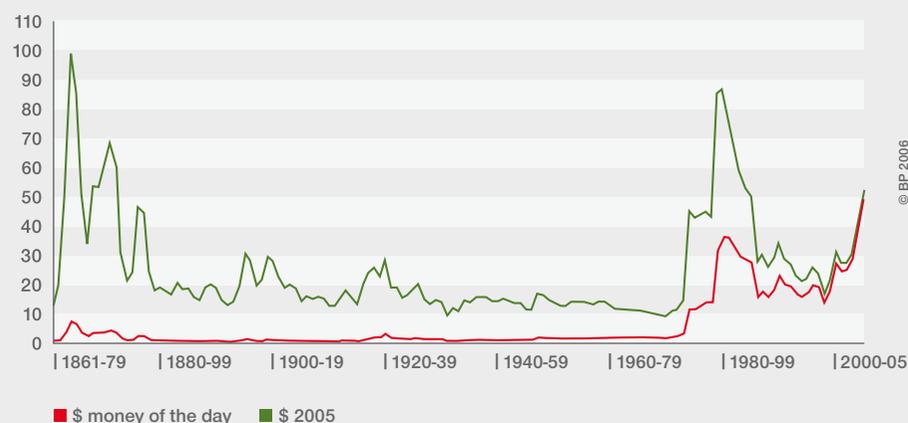
After the swift expansion over the last two years, the company will undertake all necessary efforts to ensure all new employees feel at home within the Thomas Schulte Group. We appreciate the input of any employee in order to make our organization a more effective and efficient one and hope for a constructive feedback e. g. during management reviews, ship visits and senior fleet officer meetings.

The article will continue in our summer edition, containing amongst other issues the results of the 5th Maritime Conference, which is to be held in Hamburg on December 4th, 2006.



CRUDE OIL PRICES SINCE 1861

US dollars
per barrel



DEVELOPMENT EURO - US DOLLAR

Price
USD



ISO 9001, ISO 14001 – Quality Standards in modern Shipping

Serious accidents have frequently been followed by stricter rules and regulations, made to prevent similar accidents.

Despite the continuous legislative reactions of shipping industry authorities on accidents, same regrettably do still take place – new causes, new consequences. After a number of very serious accidents which occurred during the late 1980's, the International Safety Management Code (ISM-Code) has been established in order to implement the personal responsibility of all shipping companies by law.

For Ocean Shipmanagement, the technical manager of the Thomas Schulte Group the ISM code has merely been the foundation for the comprehensive quality and environment management system.

Hence, in October 2006 OCEAN Shipmanagement GmbH has been certified by Germanischer Lloyd, Hamburg, according to the international standards DIN EN ISO 9001:2000 (quality management) and DIN EN ISO 14001:2004 (environmental management).



With this voluntary certification OSM is committed to guarantee both the utmost safety of our vessels, to minimize the environmental impact of their operation and to increase their efficiency constantly. A significant impulse to accomplish this high standard was certainly the continuous growth of the fleet. It was deemed absolutely necessary to ensure that the continuous growth is running in coordinated and controlled fashion and not on account of the quality.

One of the key assignments of the quality department is to ensure that these systems are "alive" and not mere theory. Quality is erroneously not produced in the quality department but is being borne by all employees on board and ashore equally. Everyone is being asked to show a distinctive safety awareness, to mind the environment and to enhance quality of vessel's operation. The quality department is thereby supporting the crew with intensive awareness training in order to advance this awareness on board and ashore. Within the bounds of the ISM Codes the function of the "Designated Person" is being viewed as a connector between vessel, shipping company and public authorities with regard to vessel's safety and environmental protection.

By carrying out regularly so-called internal audits the appliance of our ship management system on board and ashore is being reviewed. The familiarisation of the employees with these procedures as well as the augmentation of their awareness is an essential part of our work. Solely by the constant and conscientious cooperation of everyone, safety can be maintained at a high level, quality can be improved continuously and impacts on the environment can be minimized.

Our procedures are not static, all procedures and instructions are under continuous review, new findings will be recorded, processes are being slimmed, suggestions for improvement are being incorporated in our policy or new guidelines and laws have to be abided. To keep an eye on new legislation is also important in order to prepare vessels well in advance for the new requirements. Once per year the whole system is being checked formally with regard to its efficiency.

Furthermore, all correspondence with flag state and port states regarding deficien-

cies which are discovered in a control is being dealt with by the quality department. This is on the one hand being done in order to delete any deficiency without delay and further in order to analyse the reasons therefore, ensuring to avoid any possible recurrence in the future.

Another wide range of duties of the quality department is the averting of danger. With the implementation of the ISPS Code on July 1st 2004, shipping companies have been obliged to take extensive measures against the rising acts of piracy and terrorism. Therefore, the risk and sensitivity of each vessel to terrorism and piracy has to be analysed thoroughly and potential weaknesses have to be investigated. Thereupon, an emergency response plan for any particular vessel is prepared.

Generally, it can be said that the safety and quality department has a controlling, coordinating, organising and analysing function in a shipping company. In order to guarantee safety, improve quality and reduce impacts on the environment, each and every employee is expected and requested to assist, whether ashore or on board and independent of his or her rank or the duty he or she is performing.

Shipping has always required traditions to be adapted to the latest requirements.

CREW'S NEST

Congratulation!

Chief Engineer Andrey Alexanderov and Chief Engineer Sergey Lazarev received a Commendation Certificate and a Reederei Thomas Schulte watch as first seafarers with more than 10 years of company service, in a small ceremony at the Thomas Schulte Group head office in Hamburg on November 13th, 2006.

The company looks forward to further congratulate Captain Alexey Fedotov, Chief Engineer Kazimir Rusak and Electrical Engineer Alexey Kruming who also served more than 10 years in our fleet and were on board at the time of the celebration.



from left to right: S. Gerth, J. Paninka, A. Alexanderov, S. Lazarev, A. Schulte, O. Kautz, F.W. Heidrich

IMPRINT



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