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ANNUAL REVIEW



FOUNDED 1862

ABS

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WELCOME TO ABS AND ITS AFFILIATED COMPANIES

Throughout its existence, ABS has dedicated its activities to promoting the security of life, property and the environment. The traditional focus of those activities has been the provision of classification services to the builders, owners and operators of ships and marine-related facilities. This core classification activity continued at a high level throughout 2010 with the ABS-classed fleet reaching record levels and the ABS organization expanding to meet the increased demand for its services.

In addition to its traditional classification activity, ABS offers its clients a portfolio of related services, primarily in the risk management sector. These services are provided through operating subsidiaries of the ABS Group of Companies, Inc., which is a wholly-owned affiliate of ABS, subject to separate Board oversight and management. In 2010, ABS Group secured a record volume of new contract orders placing it in a solid position.

Headquartered in Houston, ABS and its affiliated companies provide services to clients worldwide through a network of representative offices in 70 countries. This review of ABS activities covers the sectors in which the organization participates and is intended to provide an overview of its performance in 2010 and highlight some of the notable achievements recorded during the year.



ABS ACTIVITY



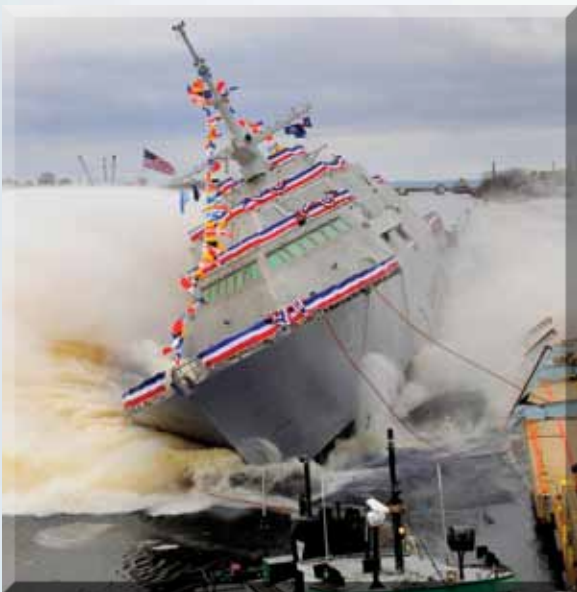
MARINE

Ship classification remains the core activity of ABS. It is the rationale for our aggressive research and development program and the activity that keeps the preponderance of our team of engineers and surveyors busy in shipyards, ports and offices around the world. We pride ourselves on setting standards of excellence in the provision of classification services to the international shipbuilding and shipowning community.



OFFSHORE & ENERGY

ABS is the leading provider of classification services to the offshore oil and gas industry. We continue to maintain a clear superiority in the exploration, production and support service sectors of the industry based on our unparalleled experience, advanced technology and responsive service delivery. In an industry marked by technical innovation and novel concepts, our ability to apply advanced risk analysis keeps us at the leading edge of these developments.



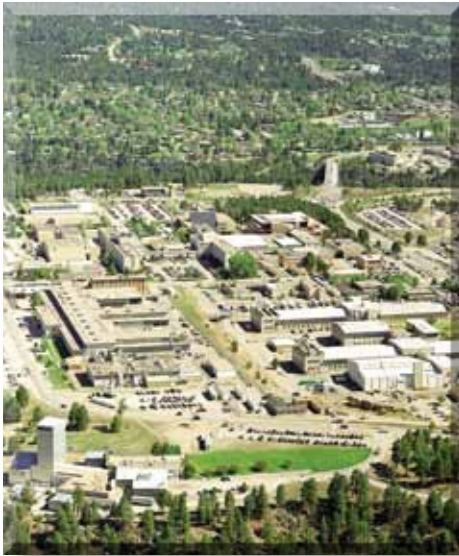
GOVERNMENT

ABS continues to expand its relationship with the US Navy and the US Coast Guard. US Navy combatants are now being built to and retained in conformance with ABS class standards established specifically for these vessels. Joint programs to develop advanced maintenance techniques promote efficient fleet utilization today and in the future. These standards are attracting increased interest from navies and government maritime agencies of other nations.



FLEET MANAGEMENT SYSTEMS

ABS Nautical Systems (ABS NS) is a division of ABS. It provides advanced fleet management software to clients in the ship, offshore, government and workboat sectors. In addition to its NS5 suite of software, the division is also the vehicle through which ABS is able to develop and provide to its clients integrated class and software services that distinguish ABS within a rapidly evolving ship management market.



ABS CONSULTING

ABSG Consulting Inc. (ABS Consulting) is a subsidiary of ABS Group of Companies, Inc. and an affiliate of ABS. It operates worldwide, offering a range of safety, risk and integrity management services to clients in the process industries (including oil and gas), maritime, nuclear, renewable energy and government sectors. For maritime clients, ABS Consulting provides technical services that lie outside of the strict purview of class. ABS Consulting helps oil and gas, petrochemical and other process industry clients achieve compliance and develop sustainable programs that support performance in competitive markets. The nuclear team provides technology-based solutions for managing the risks associated with commercial nuclear power generation. The government sector provides risk-based solutions for numerous government agencies. ABS Consulting also offers a full range of life cycle services for developers and operators of renewable energy wind projects both onshore and offshore.



ABS QUALITY EVALUATIONS

The ability to demonstrate conformance to an accredited quality management system that encourages continuous improvement is a requirement for companies across a broad range of industries. ABS Quality Evaluations, Inc. (ABS QE) is established as a respected third-party auditor of management systems to international standards and is also a contributor to the development of industry, national and international standards.



EQECAT

EQECAT, Inc., an affiliated company of ABS Group of Companies, Inc., offers the leading proprietary catastrophe modeling software and alternative risk transfer expertise available to the insurance industry. The technology-based approach addresses the management of the financial consequences of natural hazard, operational and security risks. Continued development and expansion of the EQECAT software remains the key differentiator of its products and services within the market.

CHAIRMAN'S REPORT



Robert D. Somerville
ABS
Chairman & CEO



Despite the continued weakness of the global economy, and the specific uncertainties that our principal clients in the shipping and offshore industries faced during the year, I am pleased to report that all sectors of ABS and its affiliated companies recorded operational and financial results that exceeded expectations for 2010.

The year saw continued growth in the ABS-classed fleet, establishing new records that are a testament to the quality and responsiveness of our services and the technical applicability of our class-related products. The ABS Group of Companies reported increased business activity and record revenues in a most difficult business environment. And throughout the entire ABS family, there was a renewed commitment to not only being the class society best-positioned for the future, but an organization dedicated to providing our clients with enterprise solutions for the safety, quality and environmental performance challenges they must deal with in their quests for excellence and success.

Marine classification activity remains at the core of ABS. In 2010, although many of our marine clients faced increasingly difficult trading conditions, the strong orderbook for new vessels to be built to ABS class meant that the ABS fleet grew by an additional 13.5m gross tons to close out the year at 173m gt, another record. For the orderbook, the year-on-year increase was down slightly from 2009, evidence of the retreat from the historic industry boom of the 2006-2008 period.

Attractive shipyard pricing led to a surprisingly robust flow of new orders to ABS class during the first half of the year, particularly for bulk carriers. The new order trend weakened in the latter part of the year as market rates softened in the principal dry and wet trades. However, there was a resurgence of interest in tonnage by containership operators based on their projections of trade growth. This holds promise for the future, although there are many questions associated with these designs given the current slow-steaming practices and greater emphasis on environmental concerns, particularly emissions. As the class society for the largest containerships currently in service, the designs of which include many technical innovations, we believe ABS is well-positioned to participate in the orders for the new generation of 18,000-20,000 teu containership vessels that are currently under discussion.

The net result of these various factors, together with a sustained effort to clearly identify and meet clients' needs was that our formal orderbook recorded only a small decline from 46.6m gt at the end of 2009 to 45.7m gt at the close of 2010. This backlog provides a great deal of confidence that classification activity will remain high for the foreseeable future and that the ABS-classed fleet will continue to grow.

Our success to-date is attributable to the outstanding service that is offered by our surveyors, engineering and administrative staff around the world. It is a constant challenge to trim our operational sails while living up to our mantra of "Setting the Standard for Service" as it encompasses everything from a consistent focus on training and mentoring to developing and applying the most advanced software systems.

The most significant development in our organizational structure during the past year was the decision to establish a fourth geographical administrative and operational division, the Greater China Division. This new division will allow ABS to continue to improve its service delivery in the People's Republic of China, the Hong Kong SAR and Taiwan. The decision preceded the statistical confirmation that China has become the largest shipbuilding nation in the world in tonnage terms, nudging South Korea from its long-held position of preeminence. The establishment of the new division was also in recognition of the



greater role China has in the production of marine machinery, equipment and systems requiring certification, along with the fact that it has become one of the world's major ship repair centers. From the new division headquarters in Shanghai, we are now able to better administer the more than 500 employees across the region and respond more efficiently to the needs of our clients.

The offshore sector, a traditional area of strength for ABS, experienced some hesitation in the period after the Macondo Field incident as the US Government suspended deepwater exploration

activities and reviewed overall safety policies. However, underlying fundamentals of the global energy demand quickly reasserted themselves and ABS had a strong finish with increased activity in Brazil a particular highlight. Contracts for 43 MODUs, including options, to ABS class were placed in the last few months of the year confirming the opportunities that this sector continues to offer.

The Macondo incident also provided an opportunity for ABS to provide technical support to the legislators and regulators in Washington, DC as they wrestled with the question of how best to improve existing safety standards for the offshore industry. As a result, ABS reviewed its own offshore Rule requirements to identify proactive measures that could be taken to strengthen the self-regulating safety mechanism that would support the overarching regulatory framework. Through our outreach efforts, we believe that the increased understanding of the role of classification within Washington, DC will benefit industry. In addition, we have established a proactive program to maintain and, where possible, expand the lines of communication that have been opened with government officials. The lessons learned are equally as applicable within other areas of the world where governments have an active role in marine and offshore safety standards. The degree of media coverage and legislative activity that follows every high profile pollution incident only serves to reemphasize the relationship that exists between all sectors of the marine industry, the government, the environment and society-at-large.

While oil-in-the water has been the traditional source of activists' interest, the question of marine industry-sourced emissions is rapidly gaining attention. ABS supports reasonable efforts to raise environmental awareness and reduce the industry's air emissions. As with other regulatory initiatives, particularly at an inter-governmental level, ABS' emphasis is on the development of practical approaches that are effective, enhance safety and minimize unnecessary burdens on those that will implement and enforce the standards.

To this end, we believe there is still much that can be done to further improve the shipping industry's environmental performance, particularly in the area of emissions abatement. The combination of new, practical regulations and the self-regulatory innovations developed by the industry, spurred by market forces and competition, promise continued enhancements in ship and equipment designs. ABS is doing its part to assist these advances in technology through the formation of a dedicated environmental team, the importance of which is evidenced by placing responsibility for its activities under a newly-appointed Corporate Vice President reporting directly to the President and COO.

An integral part of any attempt to improve operational and environmental performance is the need to record and analyze the associated data. That is the reason that ABS Nautical Systems has been elevated to an ABS division. The hull inspection and maintenance program that was added to its suite of fleet management programs has been successful with more than 1,000 vessels signing on during the year. The ability to further expand

this product capability to capture and analyze a wider range of machinery and vessel performance data holds tremendous promise for owners who will need to demonstrate compliance with the various environmental regulations that are being adopted and implemented.

As a global provider of safety, risk, integrity and quality management services the ABS Group of Companies delivered another year of revenue growth and continued profitability. This performance included securing a record volume of new contract orders that has positioned the organization for expansion in 2011.

During the year, increased emphasis was placed on the key global market sectors of process industries, nuclear, maritime and government. In addition, the newly-established market sector for renewable energy is finding success with both onshore and offshore wind farm operators, offering services as diverse as HAZID analysis of planned developments and life cycle maintenance approaches for existing installations.

An aggressive effort to expand on ABS Consulting's long-held position as the leading independent US-based organization providing risk management analysis also bore fruit in 2010 when, for the first time, revenues generated from global activities exceeded those from the US. This broader market presence offers increased opportunities for future growth and a more diversified and stable portfolio of clients.

We pride ourselves on our ability to deliver safety, quality and environmentally-related services to our clients around the world. But to do so, we must demonstrate an equal level of commitment to these principles within our own organization. During the past year we placed a renewed emphasis on the safety of our employees, many of whom are often required to work in inherently dangerous environments, control of which is the responsibility of others. A detailed analysis of our employee safety records, benchmarked against comparable industries, confirmed that our performance significantly exceeds industry norms. However, that is not sufficient. Our aim must always be on having a zero reportable casualty or job-related injury score sheet. New procedures were implemented during the year to help achieve our goal and management at every level of the organization was reminded of their responsibilities in encouraging safe working practices at all times.

The opportunity to prepare this annual review of our activities is one I welcome. In a fast changing world it is easy to constantly focus on the challenges ahead and not give sufficient recognition to the outstanding accomplishments of the recent past. It is as true for every one of our employees as it is for me. As we close the book on 2010, we can look back on our achievements with pride as ABS is in a stronger position than the year prior and we can look to the future with confidence. Most importantly, everyone within the ABS family should acknowledge that thanks to their professionalism, enthusiasm and knowledge, the activities of thousands of other organizations are being carried out more safely and in a more environmentally-sensitive manner to the benefit of society-at-large. ☺



CLASS ACTIVITY





As the economy began to shake off the recession in 2010, ABS continued its solid performance, reaching yet another milestone in terms of fleet size as it broke through the 170m gt mark. The ABS-classed fleet finished the year at 11,191 vessels aggregating to 173m gt – an increase of more than 8 percent (in gross tonnage) from year-end 2009.

In regards to the world orderbook, ABS' position strengthened in relation to that of other class societies during 2010. More than 20m gt in new construction orders boosted ABS' share of the total newbuild market to 20.1 percent – 2.3 percent higher than the second-ranked society in terms of market share. ABS has held the number one position of the world orderbook for most of the past 36 months.

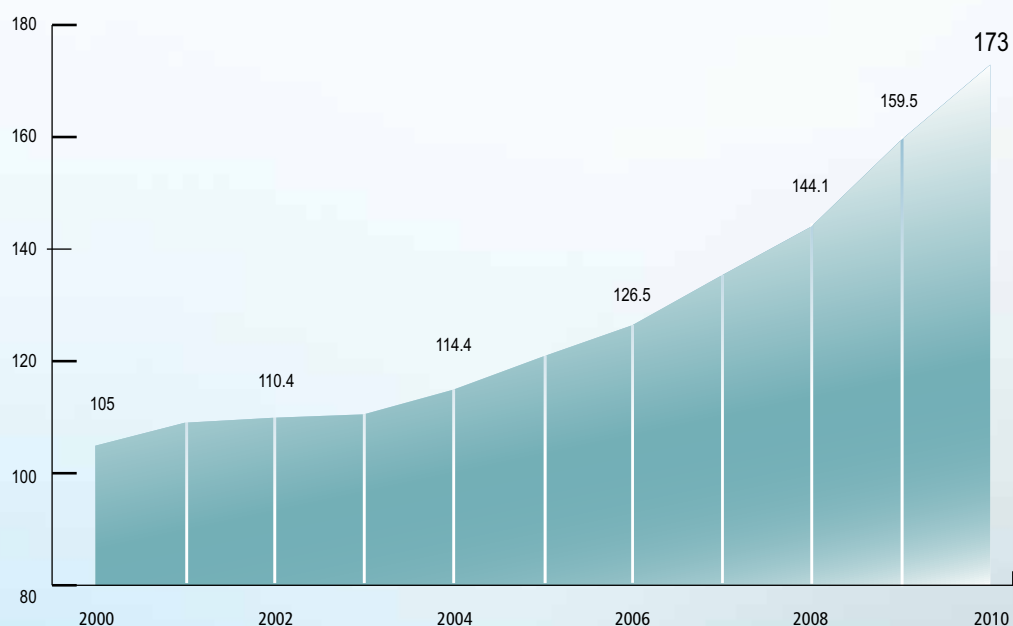
Despite the continued projections of oversupply, many shipowners took advantage of relatively low shipbuilding prices. In total vessels, the newbuild market showed an increase of 76 percent over 2009's figure. Bulk carriers proved to be the vessel of choice, accounting for 55 percent (926 vessels) of the newbuild activities around the world. This was an increase of 177 percent over 2009. Oil tankers, offshore support vessels and containerships rounded out the top four preferred vessel classes for new construction in 2010.

Scrapping which mirrored the 2009 pace for the first nine months of 2010, increased at a moderate pace during the last quarter. During 2010, 205 tankers, 108 bulk carriers and 80 containerships were scrapped. It is anticipated that the high scrapping level will continue in 2011, in part due to excess supply.

At year-end, ABS had requests for class contracts on 421 bulk carrier newbuilding projects (including ore carriers), aggregating to 19.3m gt. This is the second year in a row that ABS' contracts for bulk carriers exceeded that of tankers as owners speculated

ABS FLEET SIZE (2000-2010)

Millions of GT

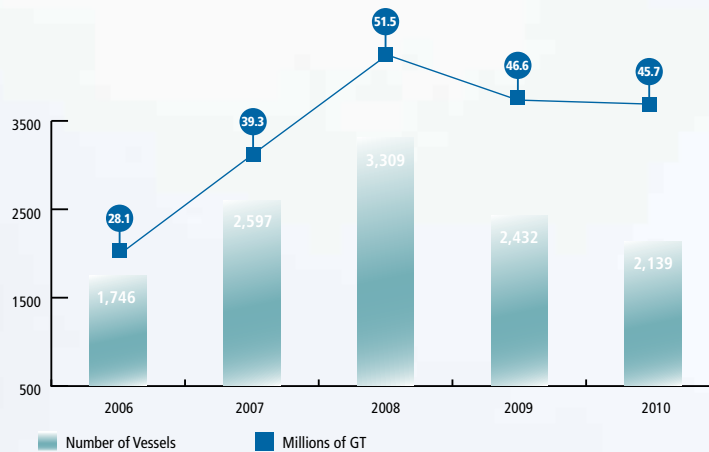




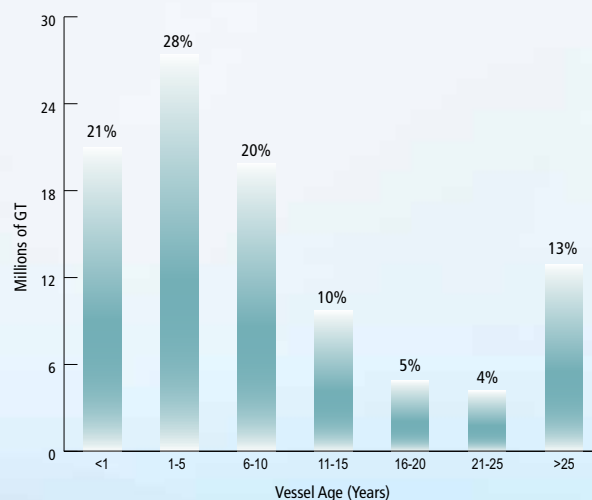
that dry goods transport demands will rise as economies continue to recover. By the close of 2010, over one-third of panamax bulkers (60,000-80,000 dwt) on order are to be built under ABS class. The society maintained its strong position in the newbuild market of post-panamax and handysize bulkers, with a 22 percent and 21 percent share of these orderbooks, respectively.

Bulk carrier owners were not alone in their increased pace of ordering – oil tanker owners' contracts were up 68 percent (203 vessels were ordered in 2010). ABS maintained its traditional leadership in this sector holding a 30 percent share of the orderbook at year-end (up 2 percent from 2009), more than 4 percent ahead of the other societies. As for the tanker newbuild market, ABS held 40 percent and 25 percent of aframax tankers and panamax tankers, respectively. The society also maintained

VESSELS ON ORDER – RFC (2006-2010)



EXISTING FLEET AGE PROFILE (2010)



its leading position in the handysize market, holding half the world orderbook for these vessels. At the close of 2010, ABS held classification requests for over 15m gt of oil carriers.

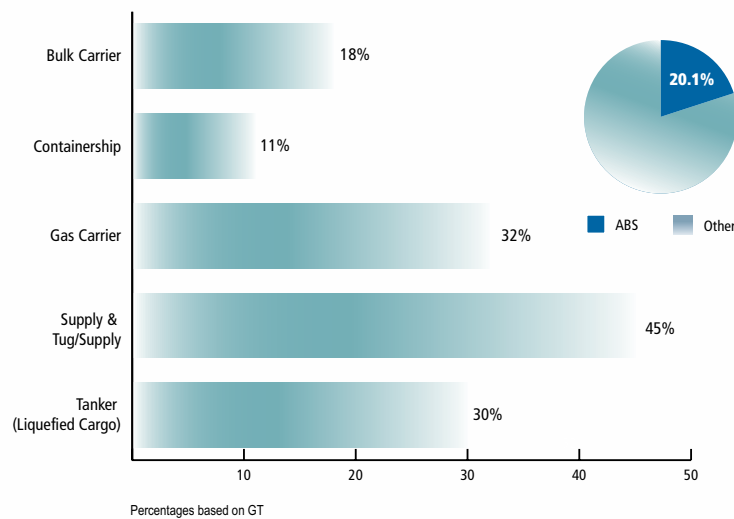
The containership business showed impressive growth in 2010, rebounding from the low rates observed in 2009. Closing out the year, ABS held contracts for 58 containerships, 3.1m gt, representing a 2 percent increase in market share over 2009. The class society remained a preferred choice for panamax size, holding 41 percent of the new order market at year-end.

The gas carriers sector also experienced higher activity levels in 2010 as spot freight rates grew to the highest levels seen in the past two years. The global marketplace for LPG carrier orders began to recover from the weak market of 2009. ABS held 32 percent of the gas carrier orderbook market, nearly twice its share three years prior, reflecting the success of its research, training and survey activities that specifically targeted this sector.

ABS remained the preferred society for Greek and Italian shipowners who placed the majority of orders by the European market. In addition, ABS ended 2010 as the leader for orders placed with shipyards in China and Korea; the clear preference among non-national class societies with Japanese shipyards; and the leader in newbuild contracts at yards in Taiwan, Singapore, Malaysia and Indonesia.

As the strong pace of deliveries continues into 2011, the in-service ABS fleet should continue the momentum it has sustained for the past 16 years. The orderbook will decline as deliveries outpace the demand for new construction, however some mitigation will be found through newbuild slippage as owners push out delivery dates. Roughly 70 percent of the in-service, ABS-classed fleet is less than ten years old. The large inflow of newbuilding and continued high level of scrapping should translate into a high fleet percentage of younger vessels for the next few years.

SHARE OF WORLDWIDE ORDERBOOK (2010)

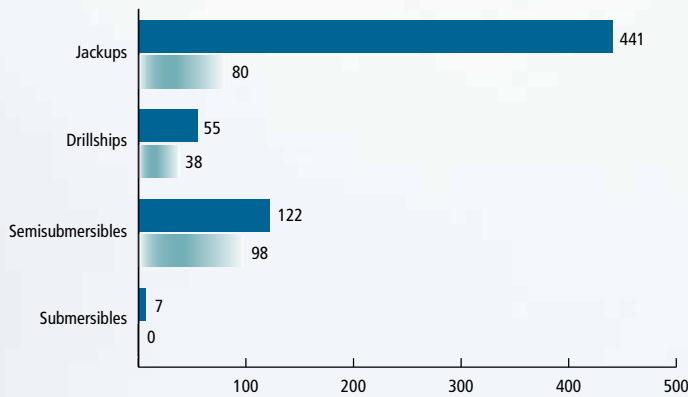




For the offshore industry, the new construction market faced a slight period of stagnation following the Macondo Field incident in the Gulf of Mexico but showed growing signs of interest as oil prices ticked back up to near \$90 a barrel in December. ABS continues to lead this sector, in terms of both its existing assets and requests for new construction. The society has long held the top position for the classification of exploration and production units. In the exploration sector, ABS closed out 2010 with firm orders for 48 jackups and 26 drillships.

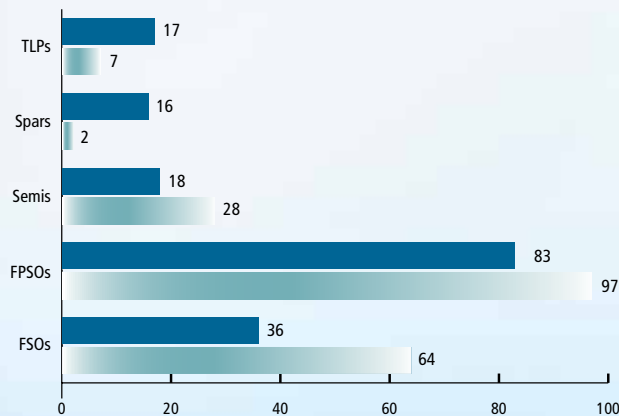
The interest for new contracts for floating production units was greater in 2010, with global ordering volumes significantly higher than 2009 levels. More contracts for these vessels have been recorded for 2010 than the orders placed in the previous three years combined. ABS currently holds 51 percent of the global orderbook for FPSOs with 19 vessels on order.

OFFSHORE EXPLORATION UNITS* SHARE (2010)



*Existing Fleet Classed and/or Certified by ABS

OFFSHORE PRODUCTION UNITS* SHARE (2010)



*Existing Fleet Classed and/or Certified by ABS

CLASS ACTIVITY SUMMARY

VESSEL TYPE	Vessels in Class 31 Dec 2010		Vessels on Order 31 Dec 2010		New Vessels Classed in 2010	
	NO.	GROSS TONS	NO.	GROSS TONS	NO.	GROSS TONS
Barge	2,580	9,437,999	363	1,231,631	249	1,017,081
Barge Carrier	4	154,364	1	24,000	-	-
Barge Type Unit	30	129,915	-	-	-	-
Bulk Carrier	785	32,557,703	421	19,278,045	130	7,735,900
Bulk Liquid Carrier	9	39,134	3	7,830	-	-
Chemical Carrier	291	5,119,515	49	539,713	-	-
Column Stabilized Unit	154	2,649,672	19	-	10	260,709
Container Carrier	530	24,942,081	58	3,115,407	25	1,016,365
Dredge	23	102,755	1	419	-	-
Drillship	30	1,276,047	21	1,217,300	6	361,280
Ferry	49	488,559	6	2,589	-	-
Fishing Vessel	13	34,612	1	2,226	-	-
Fixed Platform	67	15,066	33	-	3	-
Floating Dry Dock	18	199,268	2	-	-	-
FPSO/FSO	75	6,935,495	-	-	-	-
Gas Carrier	123	8,746,564	14	1,094,990	17	1,901,205
General Cargo Carrier	185	1,855,429	13	178,269	6	134,584
Heavy Lift Ship	21	683,763	1	32,855	2	56,363
High Speed Craft	273	87,329	80	25,022	42	17,241
Ice Breaker	-	-	1	8,000	-	-
Offshore Supply Vessel	968	1,148,144	55	125,400	49	94,010
Offshore Support Vessel	768	1,558,770	282	607,500	242	495,120
Oil Carrier	1,168	62,428,922	242	15,082,453	187	8,827,202
Passenger Vessel	20	192,541	4	2,601	-	-
Refrigerated Cargo Carrier	25	284,103	-	-	-	-
Self Elevating Unit	469	2,910,541	52	-	37	275,064
Ship Type Unit (excl. FPSO/FSO)	24	2,381,254	8	2,760,000		
Single Point Mooring	61	2,141	14	-	1	-
Spar	14	126,771	-	-	1	-
Special Purpose Vessel	445	1,148,594	27	139,723	5	4,617
Subsea Pipeline	12	-	1	-	-	-
Swath Vessel	8	24,972	1	800	-	-
Tension Leg Platform	9	32,930	2	-	-	-
Tug/Towboat	1,243	566,966	196	122,920	95	52,023
Underwater System	57	93,648	35	-	4	-
Vehicle Carrier	104	4,431,404	-	-	2	114,060
Yacht	536	196,424	133	56,604	54	24,167
TOTALS	11,191	172,983,395	2,139	45,656,297	1,167	22,386,991

ABS OPERATIONS REPORT



Christopher J. Wiernicki
ABS
President & COO



ABS is a mission-focused, service-driven organization that is committed to providing a technically-sound and professionally-delivered suite of integrated classification services to assist our clients, as well as industry, in conducting their businesses safely, efficiently and in an environmentally-sensitive manner.

To deliver on this commitment, in 2010, we continued to invest in developing advanced technologies to strengthen our existing Rules and to develop new standards to meet the changing needs of the industry. We continued to place great importance on training so that our professional staff members are kept abreast of new and evolving technology, designs and regulatory requirements, as well as better in-field practices.

We continued to anticipate and exceed our clients' expectations in terms of efficiency, cost competitiveness, responsiveness and service delivery. These efforts included continual improvements to the ABS Eagle Survey and Engineering Manager programs that provide our clients with unparalleled access to their class-related information through a web portal. We also expanded the Rapid Response Damage Assessment (RRDA) program to increase the technical support offered to clients and included free enrollment and an optional class notation for newbuildings delivered into ABS class. Enhancements were also made to the fully-integrated fleet management system offered through our Nautical Systems division. The system places greater emphasis on data management to better assist clients with the vessel operations, including a comprehensive approach to structural inspection and maintenance at no cost for all newbuildings delivered into ABS class.

We believe that it is our constant attention to technical leadership and responsive service that successfully differentiates ABS within the classification sector. That success is evidenced by our fleet statistics. By the close of 2010, the ABS-classed fleet had reached a new record of 173m gt, an 8 percent year-on-year growth, and broke through the 11,000 vessel mark. We retained our position as the preferred society for tanker owners with the largest share of both the existing fleet and the orderbook for these vessels. We continued to rebuild our position within the bulk carrier sector in which our orderbook share exceeds our existing fleet presence by 7 percent. ABS remained the classification society of record for the largest containerships currently in service and worked closely with the leading operators and designers as they confronted the technical challenges associated with the development of the next generation of 18,000-20,000 teu vessels.

As the leading classification society serving the offshore industry, we continued to benefit from the robust level of activity on both the exploration and production sides despite the slow down stemming from the Macondo Field incident. ABS built on its leading position within the exploration side of the business, being selected to class the majority of drillships and jackups for which orders were placed in 2010. We continued to expand our leading position within the production sector, with Brazil proving to be a particularly active area. In recognition of the importance of Brazil within our offshore portfolio, we established a new Offshore Technology Center in partnership with the Federal University of Rio de Janeiro. And, as the year closed, we had retained our position as the leading class society for offshore support vessels in service and on order.



Responding to the offshore industry's continuing expansion of its activities in water depths of up to 12,000 ft, we invested time, staff and capital on significantly increasing our capabilities with respect to subsea systems. These efforts have positioned us as the society best equipped to support the industry as it employs these increasingly sophisticated production technologies.

Through our experience within the offshore sector, ABS is well-positioned to assist with the rapid expansion of offshore

wind farms, including proposed floating units and the specialized support vessels, many of which have been built or are on order to ABS class. ABS issued its *Guide for Building and Classing Offshore Wind Turbine Installations* towards the end of the year which is the first such criteria to address the unique needs of these installations when placed in hurricane-prone areas such as the US Gulf of Mexico. ABS was also selected to participate in the newly-formed US national committee charged with identifying wind turbine design requirements for offshore installations.

The net result of these and other client-focused activities resulted in ABS closing the year with the largest share of all newbuilding orders placed with shipyards around the world. We had 2,131 firm orders aggregating in excess of 45m gt and an additional 6.9m gt booked to ABS class for which construction has yet to begin. ABS held the largest share of orders placed with South Korean and Chinese shipyards and was the preferred non-national classification society for orders placed with Japanese shipbuilders. Our preeminent position within the offshore sector also saw us maintaining the leading position with the Singapore yards that specialize in the construction and major modifications of these units.

The sustained pace of ordering almost completely offset the rapid pace of deliveries resulting in only a marginal decline in the total orderbook. Orders for 1,120 new vessels, 436 of which were placed with Chinese shipyards, were received during the year aggregating to 20.4m gt. It was particularly encouraging to maintain our position as the preferred class society within the discerning Greek owner market with more tonnage being ordered to ABS class than any other society. Also encouraging was the fact that the number of orders cancelled during the year did not have a significant impact on the overall orderbook as owners either deferred delivery dates or substituted different types or sizes of vessels for those originally ordered.

The surge of newbuilds entering service meant a further improvement in the age profile of the ABS-classed fleet with almost 70 percent of the fleet at the close of 2010 being aged ten years or younger and a remarkable 80 percent of the fleet being 15 years of age or less. The increased fleet size, together with more stringent regulations, port State inspections and charterers' demands meant there was no slow down of in-service survey activity despite the younger age profile. The quality of the survey services provided was evidenced by our continued outstanding record within the three major port State regimes, the Paris and Tokyo MOUs and the US Coast Guard, with ABS remaining in the elite tier of societies in all three jurisdictions.

While the commercial ship and offshore sectors remain the primary focus of ABS activities, classification services for military vessels is an area of strong growth with the US being the principal promoter of new standards and programs that have the

potential for wider application. In 2010, ABS was asked to significantly expand the development and application of a program of risk-based, through-life surveys developed from the modeling of existing naval vessels by the US Naval Sea Systems Command (NAVSEA). The program moved from a pilot phase to a broader application during the year under a multi-year agreement that saw the first ten vessels being modeled and a further 16 identified for 2011 under the phased introduction of the system.

The program builds on similar development work being undertaken by ABS for several clients within the shipping and offshore sectors through its Nautical Systems division. These clients are seeking a more comprehensive approach to managing the data required to maintain an effective life cycle maintenance program for their assets. It also emphasizes the increasing importance of the Nautical Systems division as the developer of the programs that will be used by operators of every kind to collect, analyze and present key operational data and apply the results to more effectively and efficiently manage their vessels.

Environmental data is expected to be a key component of this future approach to vessel management. As owners seek to provide evidence of their compliance with stricter environmental requirements (relating to issues as diverse as emissions abatement to ballast water management), the need to integrate the collection, management and analysis of applicable operational data will only increase. Since so much of this data is directly linked to either regulatory compliance or safety, and therefore the classification status of their vessels, the class society of the future can be expected to play an integral role in assisting operators collect, manage and use the relevant data.

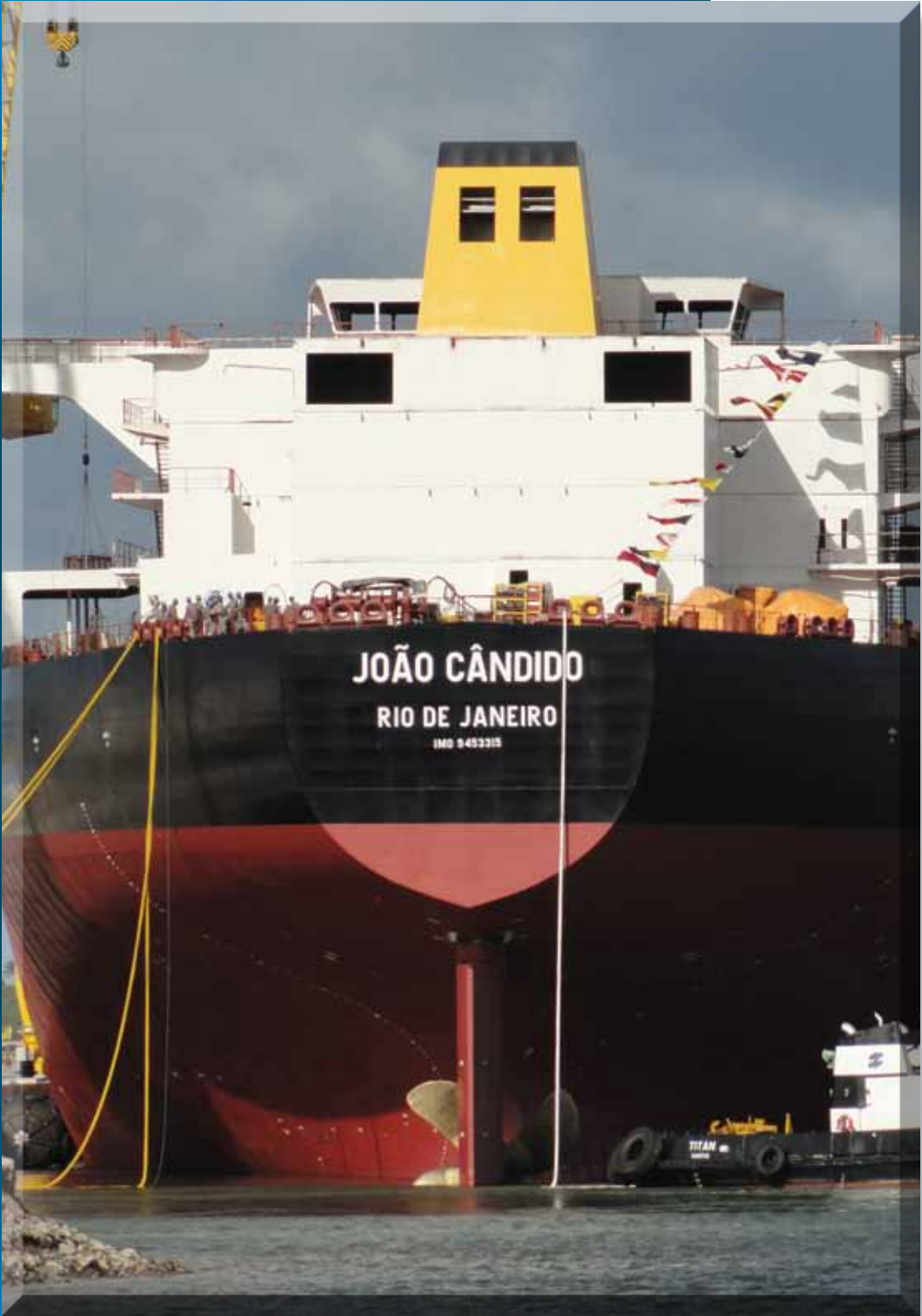
By establishing a dedicated Environmental Solutions team in 2010, ABS has made clear its intention to be the leader in helping clients to understand new environmental mandates and to develop and apply practical solutions to address them.

Throughout 2010, ABS and Lloyd's Register (LR) continued its collaborative effort to harmonize the software used by both societies to evaluate tankers and bulk carriers designed to the IACS Common Structural Rules for both vessel types. From the outset, for clients to realize maximum benefits, ABS' position had been that the Common Rules should be supported by common software. Although the joint venture with LR has required a substantial financial investment, we believe that the efficiencies it will provide in the years to come will more than offset the development costs.

Whether it is a greater emphasis on data management or the continuing convergence of condition monitoring, performance management and maintenance management systems, the world of classification is changing rapidly. 2010 marks the year in which ABS implemented or built upon a series of wide-ranging initiatives that have placed it as the leader in this dynamic environment and clearly defines the society as the Class of the Future. ☞



MARINE



During a year in which the world's economy began to recover, ABS achieved significant accomplishments in product development, service execution and fleet growth. As deliveries from an inflated orderbook continued at a rapid pace, the ABS-classed fleet reached a record of 173m gt.

Given the turbulent market conditions of the last few years, ABS' record performance required dedication, hard work and an unwavering commitment to service. Despite a newbuilding market that remained relatively soft in comparison to pre-2008 levels, ABS ended the year with contracts for 20.4m gt in new construction orders, thus retaining its leadership position in the market.

Achieving these stellar results required the delivery of superior service from the talented men and women of ABS. Since staffing increased only slightly over 2009 levels, personnel resources had to be realigned to ensure the society was positioned to meet clients' current needs, as well as their long-term plans.

In addition to the realignments, ABS made a major change in the organization's structure by establishing a new division to manage activities in the People's Republic of China, Hong Kong SAR and Taiwan. The new Greater China operating division was formed as a direct result of the increased marine activity levels occurring throughout the area. As the region continues to expand its market presence, the new operating division will allow the society to better serve the area's shipyards, shipbuilders and shipowners.

ABS also increased its prominence in Eastern Europe as it was accepted as a Recognized Organization by the Republic of Kazakhstan. This new relationship allows the society to perform statutory certification surveys on board Kazakhstan-flagged vessels and for companies operating these ships and units.

Service delivery was a fundamental driver for other organizational changes within ABS during the past year. A new Chief Engineer of Structures position was created to strengthen the society's structural analysis capabilities. ABS also established a new Hull and Statutory engineering team, based in London, to manage customers' plan review activities in a more efficient manner.

Improved communications with customers was also a key element behind the society's activities in 2010. As environmental concerns remained the dominant technical issue facing the maritime industry, ABS took a more proactive role in assisting ship operators in their efforts to understand the implications that new and impending regulations may have on their operations. In response to this ever-growing need, ABS formed an Environmental Solutions group specifically tasked to communicate guidance to customers seeking assistance in this area.



ABS Expands Casualty Response Service



ABS continued its progression towards a more holistic approach of vessel safety management through the enhancement of its Rapid Response Damage Assessment (RRDA) program which provides 24/7 technical support to enrolled vessels involved in a casualty.

The RRDA expansion initiative, launched in 2010, provides coverage and service for the first year to owners of all new ABS-classed tankers, bulk carriers, large gas carriers, containerships and tank barges. The normal charges assessed for developing the electronic model of the vessel that is used for conducting the damage stability calculations are waived.



The RRDA program creates a computerized model of each vessel to provide strength and stability analysis at the time of an incident. Feedback received from RRDA participants spurred ABS to expand the range of services to include hull girder ultimate strength, local buckling and local strength analyses with the vessel in a damaged condition.

A key element of the expanded RRDA service is the integrated nature of the system. The RRDA ship model is an extension of the Hull Maintenance model that ABS has provided to owners of new ABS-classed vessels delivered since 1 January 2009.

In addition, vessels in the RRDA program are eligible to receive the new ABS optional class notation **RRDA**. This notation provides evidence to port State authorities and other interested parties that the vessel meets the requirements for access to shore-based damage stability capability. ♦

ABS continuously looks for practical ways to help its customers. For example, the society significantly upgraded several products and services in 2010. The *ABS Guide for the Environmental Protection Notation for Vessels* was updated to include procedures and requirements for ballast water and sewage management, anti-fouling applications, airborne pollutant discharges and fuel oil; the use of exhaust gas cleaning systems; refrigerants and the Green Passport for ship recycling. Along with the updated Guide came two new notations, ENVIRO and ENVIRO+, both of which denote adherence to enhanced standards for environmental protection with the ENVIRO+ notation establishing more stringent criteria in such areas as design characteristics, water discharges and air emissions.

Drawing upon feedback from the industry, ABS also updated its *Guide for Vessels Operating in Low Temperature Environments*, with significant input coming from members of a newly-established Arctic Technical Advisory Committee comprised of prominent industry representatives active in harsh environment developments. In addition to the Guide update, the committee established a long-term robust research and development program to identify the products and services required by this specialized market.

Recognizing the impact new technologies can have on traditional classification services, ABS in collaboration with select flag Administrations made extended drydock survey periods available to containerships, LNG and LPG vessels meeting specific eligibility requirements. Under the new program, qualified vessels have the option to extend drydock survey periods from five to seven-and-a-half years. The extended drydock program is just one example of the shift towards a more holistic approach of vessel management taking place in the industry. For the past several years, ABS has been providing integrated tools that approach vessel management as a single entity rather than as a collection of systems and parts.

Another significant step forward in this comprehensive approach to vessel management included enhancements to the ABS casualty response service, in particular adding capabilities that more quickly analyze a vessel's structural reaction to damage. Perceiving its Rapid Response and Damage Assessment program as an important element in the overall promotion of safety to the marine industry, ABS extended an unprecedented offer of initial enrollment and vessel modeling at no cost to tankers, bulk carriers, large gas carriers, containerships and tank barges newly-built or transferred into ABS class.

Behind the release of the new products and services lies an active Technology group. Throughout the year, these professionals conducted several joint industry projects researching future innovations in ship design that can assist operators in obtaining environmental compliance while also promoting safety and commercial efficiencies.

These studies were numerous in quantity and far-reaching in scope. Projects included assessing the practicality of



ABS Offers Extended Drydock Survey Periods



In conjunction with several maritime authorities, ABS launched an extended survey program whereby qualifying containership vessels could extend out-of-water drydocking periods from five to seven-and-a-half years.

A.P. Møller-Mærsk A/S and the Danish Maritime Authority were the first to sign into the program with ABS, covering an initial fleet of 14 Maersk Line containerships. Under the pilot program, the Maersk Line vessels were approved to undergo two underwater examinations before a traditional out-of-water drydock inspection is required.



By year-end, maritime Administrations participating in the program included the Marine and Port Authority of Singapore, the UK MCA, the Marshall Islands, the Hellenic Republic, Hong Kong and the Republic of Cyprus. The pilot program, also available to qualifying LNG and LPG vessels, imposes strict requirements for eligibility and ongoing maintenance for vessels to be accepted into and retained in the program.

The program is restricted to vessels which are less than five years old and the extension provision expires once the vessel reaches 15 years of age. Other requirements include a guarantee from the manufacturer that the underwater coatings used are designed to last for at least seven-and-a-half years; the implementation of an active condition monitoring and preventative maintenance program; and the application of a structured hull inspection system. ♦

attaining proposed Energy Efficiency Design Index (EEDI) baseline numbers; evaluating the potential for a new energy-saving device to enhance propulsion efficiency; examining hull integrity under ice loads; and applying time-variant approaches to predict the reliability of ship hulls over the course of their lifetime.

ABS places great value on supporting the continued education of the maritime industry. Servicing its customers and the community at-large, the society hosts complimentary seminars, offers an extensive program of training courses and provides contributions to many maritime universities. During 2010, ABS held nearly 100 informational seminars in 23 cities worldwide. Developed for owners, operators, shipyard personnel, designers and other marine industry personnel, the seminars provided environmental and regulatory updates; discussed the challenges of operating in harsh environments; and kept participants advised of the latest design innovations, classification services and offerings.

The seminars also provided a forum for ABS customers to receive the society's latest publications including Rules, Guides, Guidance Notes and its new Advisory series. Released for the first time in 2010, the Advisories give practical information related to key environmental and regulatory issues that impact marine operations. The publications issued in 2010 were the *Ballast Water Treatment Advisory* and the *Fuel Switching Advisory Notice*, each designed to assist the industry in better understanding regulations and to become knowledgeable about the available technologies, designs and operational considerations that may be used in achieving compliance.

Furthering the society's educational initiatives, the ABS Academy boosted its curriculum to include more than 140 marine and offshore-related courses worldwide. Since the inception of its external training program in 2009, ABS has risen to meet global needs by increasing the number of training facilities from two to six – Singapore, Piraeus, Korea, Dubai, Houston and Rio de Janeiro. In 2010, approximately 3,000 people attended an Academy course.

Like most other years, 2010 was fast-paced and yielded many outstanding achievements in the marine sector. Aside from the accomplishments already mentioned, ABS once again remained in the elite tier of class societies within the three jurisdictions for Port State Control.

These accomplishments signal that the society's dedication to continuous improvement and practical solution-driven research efforts are meeting industry expectations and setting the standard for excellence in classification. ⚓



OFFSHORE & ENERGY



The demand for energy, particularly from developing countries, continues to drive offshore exploration and production plans despite the weak economy and the uncertainty surrounding the US regulatory environment in light of the Macondo well incident. Industry outlooks predict that petroleum will represent the majority of the world's primary energy supply for the next 20 years with deepwater developments being an important focus.

ABS supports deepwater exploration and production activities by reviewing and assessing safety issues, analyzing new technologies and expanding service offering. The importance of due diligence and risk mitigation characterized the year as operators proceeded with caution. The role of classification in the successful delivery of a project was evident as industry increased its reliance on ABS.

ABS provided guidance to the US Government, various oversight commissions and industry organizations as the Macondo well incident called into question the offshore regulatory landscape. ABS provided its perspective to the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) as it revised regulatory requirements for offshore operations, particularly in regard to deepwater drilling and workplace safety.

Numerous research and development (R&D) projects and specialized programs were undertaken to further strengthen ABS' offshore leadership position. A new group specializing in subsea, umbilicals, risers and flowlines (SURF) technologies responded to design reviews and surveys for pipelines, pumping and pressure boosting installations, heating and separation units, as well as construction operations. ABS also formed cooperative agreements with industry leaders to strengthen its riser and subsea experience, a key element in ultra deepwater developments.

With a number of offshore Arctic drilling projects expected to move forward, ABS ramped up the activities of three important resources – its Harsh Environment technology program, the Arctic Technical Advisory Committee and the Harsh Environment Technology Center (HETC). The *ABS Guide for Vessels Operating in Low Temperature Environments* was updated with a new subsection regarding specific vessel requirements for drilling units.

In recognition of the growing importance of Brazil's energy developments, ABS established the Brazil Offshore Technology Center in partnership with the Federal University of Rio de Janeiro (COPPE/UFRJ). Although the center's research efforts emphasize facilities intended for use in Brazilian waters, broader challenges associated with offshore energy developments are being addressed, particularly those involving ultra deepwater activity and high temperature and high pressure recovery. The center's first research project is a multi-year study on the application of torpedo piles as an alternative mooring anchor system developed by Petrobras.



Saluting an Offshore Innovator



The ABS-classed *West Juno* was built at the Keppel FELS Shipyard in Singapore for delivery to Seadrill Jack-ups Limited (Seadrill). The jackup drilling rig design is the proprietary KFELS B Class and features offline pipe handling and stand building, enhanced mud systems and, compared to the previous generations, improved deck layout and increased capacities.



The *West Juno*, a sister rig to the ABS-classed *West Callisto*, joins the ranks of 32 other KFELS B Class jackups operating in different parts of the world.

Keppel Offshore & Marine is a global leader in offshore rig design, construction and repair, ship repair and conversion and specialized shipbuilding. For more than three decades, ABS has provided classification support for Keppel FELS on a variety of projects as they have expanded from their home base in Singapore to shipyards throughout the world, including the Netherlands, Brazil, Qatar and the Philippines.

Working with innovative operators like Keppel FELS, ABS is able to gain valuable insight into design and operational issues that assist in the development and evolution of ABS Rules for offshore structures. The leadership position that ABS has in offshore classification is due in part to the proud association it has with industry leaders that are dedicated to quality, safety and innovation. ♦

The Brazil center joins ABS' other R&D centers to provide a global perspective on offshore challenges. The ABS Singapore Offshore Technology Center (SOTC) conducted a number of studies including jackup dynamic analysis, global performance of floating structures and the first principle structural analysis of offshore installations to include fatigue and strength analysis.

ABS continued its leadership as the class society of choice for offshore exploration industry which includes jackups, drillships and semisubmersible units. In 2010, ABS continued to be the leading society in the new construction market. Units delivered to ABS class last year included 20 jackups, seven drillships and nine semisubmersibles. In addition, ABS retained its leading position in the production sector, which includes floating production, storage and offloading (FPSO) units; floating, storage and offloading (FSO) units; semisubmersibles, tension leg platforms (TLPs); and spars.

As the class society at the forefront of setting standards for the transport and storage of gas, ABS released its *Guide for Building and Classing Floating Offshore Liquefied Gas Terminals (FLGTs)*, reflecting the latest structural design and analysis developments in gas handling, storage and transportation. ABS developed proprietary supporting software that provides calculations for evaluating buckling, yielding, ultimate and fatigue strength.

These technology measures, combined with the rapid diversification of Chinese shipyards into the gas and offshore sectors prompted ABS to strengthen and extend its service offerings within China. Throughout the year ABS was active in approximately 140 Chinese shipyards with many of the yards expanding from traditional shipbuilding to the offshore market.

ABS and the China Classification Society (CCS) entered into a new Cooperative Agreement. While the agreement is comprehensive, the offshore industry will be a priority area of focus for the two classification societies. ABS also helped advance China's LNG knowledge with ABS and CCS conducting a joint LNG Forum in Shanghai. Five LNG carriers all built to ABS class were delivered from Hudong-Zhonghua Shipbuilding. An order for a sixth vessel of the 147,000 m³ class was recently placed with Hudong and ABS was selected to class the vessel.

Elsewhere in the world, ABS met the challenges of Brazil's pre-salt exploration and the extensive infrastructure needed to support field development with its experienced country staff. Major ABS awards included a contract for eight FPSO hulls from Petrobras to be employed on pre-salt field developments as well as two major components in Petrobras' Papa Terra field development – the P-61 tension-leg wellhead platform (TLWP) and the P-63, FPSO unit. The P-61 is the first-of-its-kind TLP dry-tree application to be installed offshore Brazil. The FPSO *Cidade de Santos MV20* joined many other FPSOs classed by ABS in Brazil. This FPSO was part of Petrobras' Opportunity Gas development program.



China's Offshore Natural Gas Discovery



As part of China's effort to meet its surging energy demand with domestic resources, China National Offshore Oil Corporation (CNOOC) and Canadian independent Husky Energy announced plans for development project in the Liwan 3-1 gas field in the South China Sea.

Reportedly China's largest offshore natural gas discovery, ABS and China Classification Society (CCS) will provide classification and certification services for the deepwater development.



The plan calls for connecting a subsea system in water depths ranging from approximately 650 ft to 5,000 ft. The gas would be processed at a central platform and then transported to shore for full processing. Production, scheduled to begin in 2013, is projected to be between 6.6 to 8.0 billion cubic meters of gas per year.

The Liwan 3-1 project represents another major cooperative effort between the two class societies. ABS offshore experience, in particular with gas transport, storage and containment, was a significant factor in the award.

Recently ABS and CCS worked together on the construction of the first liquefied natural gas (LNG) carriers built in Hudong Shipyard in China as well as the largest semisubmersible drilling unit, the *Hai Yang Shi You 981*, built at Waigaoqiao. Both projects were dual-classed by ABS and CCS. ♦

Highlights of ABS' work in the Gulf of Mexico (GOM) include two major awards from Chevron: the design review for the extended tension-leg platform (ETLP) slated for its deepwater Big Foot development and the contract to be the certified verification agent (CVA) for its Jack and St. Malo field development in the challenging Lower Tertiary area. Shell also named ABS its design, fabrication and installation CVA for its *Olympus TLP* on the Mars B field. It will be Shell's largest and the first platform of its type installed in the GOM since the 1990s. This first four-column TLP will be built under new storm criteria implemented after hurricanes Rita and Katrina.

ABS was called upon to assist with high specification jackups with the delivery of an ABS-classed EXL jackup design. This design is capable of drilling to a depth of 40,000 ft and was the third of four newbuild EXL rigs for Rowan.

Other ABS classed projects of note included the delivery of MODEC's *Jubilee FPSO* slated for offshore West Africa and two United Arab Emirates-based Maritime Industrial Services rigs, the *KS-Endeavor* and the *MENAdriI*. Lamprell's *Offshore Mischief* jackup joined ABS class and Gulf Piping Company/IMAC delivered the semisubmersibles *Lone Star* and *Norbe VI*. When the *ATP Octabuoy* semisubmersible, intended for installation on the Cheviot field is completed it will be the first project with ABS conducting full regulatory compliance services to the UK-HSE scheme for the North Sea.

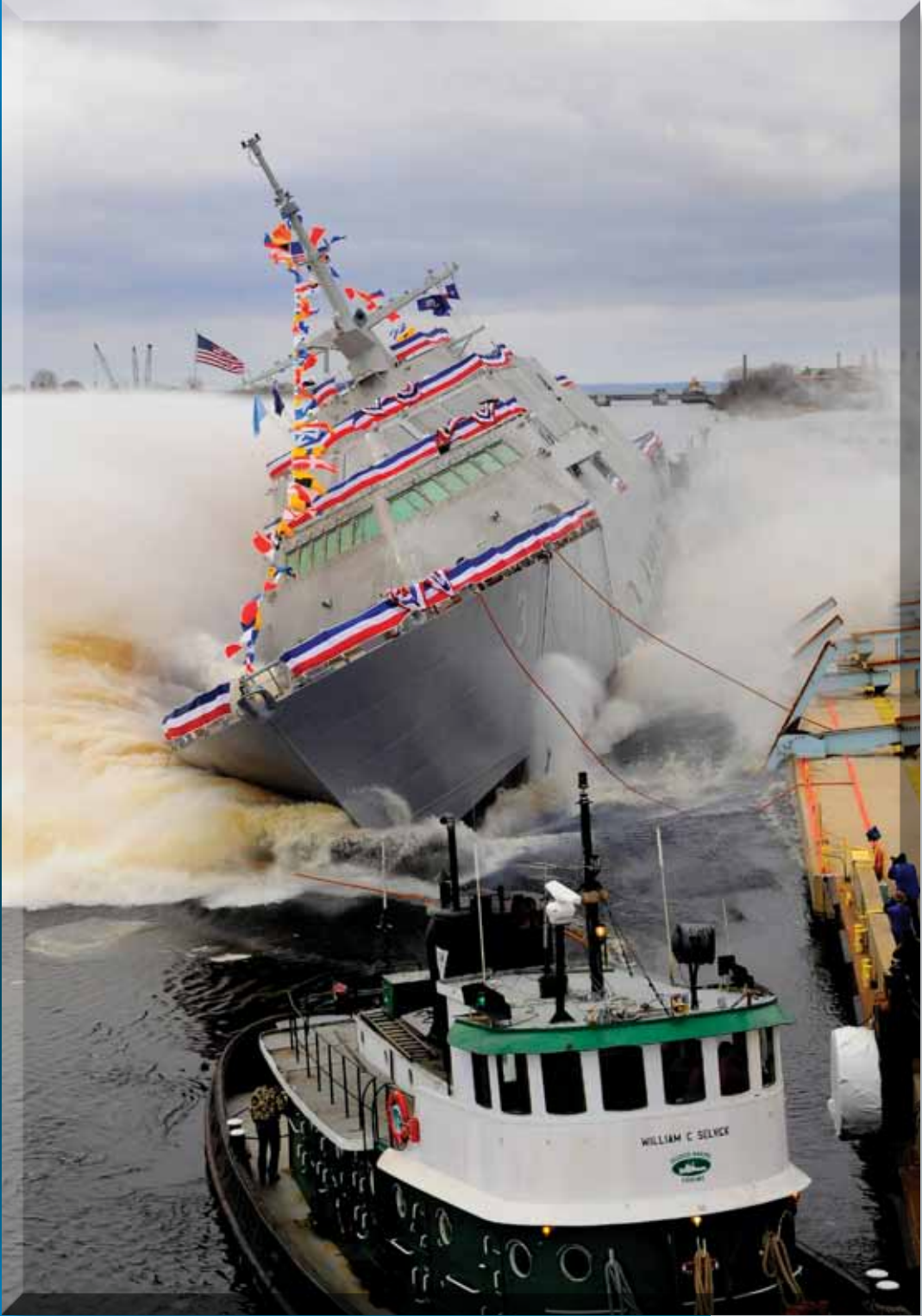
Many of the world's high specification drillships rated for ultra deepwater operations are classed by ABS. As 2010 came to a close, 26 drillships were on order. The Samsung 1000 designed *Pacific Bora* is the first of four drillships in the series for Pacific Drilling Ltd. Seadrill's 96,000 dwt drillship *West Gemini* is slated to be located offshore Angola for Total. The second in Noble Drilling's Globetrotter-class drillship is being built to ABS class. The *Noble Globetrotter II* is a dynamically-positioned ultra-deepwater drillship featuring the compact Huisman drilling design package.

Recognizing the increasing importance of offshore wind energy, ABS released its *Guide for Building and Classing Offshore Wind Turbine Installations* in 2010. This is the first Guide to address design considerations of offshore wind turbines situated in the US Outer Continental Shelf (OCS). Guides developed to-date have been primarily based on experience from European coastal waters. However, ABS' Guide is the first to specifically consider the conditions these structures may encounter in the Gulf of Mexico's tropical storm-prone waters. ABS representatives also participated in a newly-formed US national committee working to identify offshore wind turbine design requirements. Guidelines from the committee are expected to be available for public comment by late 2011.

The efforts undertaken throughout the year were focused on further strengthening our offshore Rules, responding to industry need for guidance for new and novel concepts and maintaining an active R&D program in order to anticipate the challenges facing operators in the years ahead. ☞



GOVERNMENT



In 2010, ABS continued its focus of strengthening its relationship with the US Navy and the US Coast Guard as they advanced efforts to modernize their respective fleets. Leadership from both services, as well as other government entities, recognized the benefits classification provides in the building practices and life cycle maintenance of government and military vessels. In addition, the US Congress took steps to formalize the role of ABS in designated ship acquisition programs.

Naval combatants are continuously being modernized with new technology systems and innovations to handle specific missions. Given the US Navy's newbuilding activity level, there is a strong demand for ABS' naval construction experience and its survey capabilities.

ABS and the Naval Sea Systems Command (NAVSEA) strengthened their relationship by entering into an agreement to collaborate in new areas including initiatives to incorporate research and development into the standards development process and joint training programs focused on enhancing naval surveyors' skills.

The agreement also expanded the ABS Achieving Service Life Program (ASLP) which was launched as a pilot program in 2009. ASLP uses risk-based survey programs developed for commercial ships and tailors them to the specific needs of Navy vessels. Due to the success of the pilot program, ten naval vessels entered into ASLP in 2010 and another 16 are slated for 2011. The Navy's long-term goal is for all non-nuclear surface combatants to enter ASLP in order to achieve maximum service life and mission-readiness of its fleet.

The ABS-classed *USS Independence* (LCS 2) built by Austal USA became fully-operational in 2010. The 417-foot high speed aluminum trimaran, along with the *USS Freedom* (LCS 1) built by Marinette Marine (commissioned in 2008), are among the first US Navy vessels to be designed, constructed and operated under the ABS *Rules for Building and Classing Naval Vessels*. During 2010, the *Freedom* deployed and participated in several operations including the pursuit and arrest of drug smugglers off the US coastline. Throughout their operations, ABS engineers and surveyors successfully supported the *Freedom* in forward deployment areas.

Under construction at the Bath Iron Works (BIW), three Zumwalt class destroyers (DDG 1000) will become ABS-classed once completed. ABS engineers and surveyors have been regularly recognized by Navy leaders and BIW management for their involvement in developing effective platforms for the US Navy.



Risk-based Survey Programs Tailored for Navy



"We will take steps to ensure our ships and aircraft reach their expected service life, which is essential to our future force capacity."

*– Admiral Gary Roughhead,
Chief of Naval Operations*

The collaboration between the US Navy and ABS took another major step forward as a pilot program directed at the risk-based inspections of vessels transitioned into a full scale program. The Achieve Service Life Assessment Program (ASLP) takes risk-based survey programs developed for commercial ships and tailors them to the specialized needs of Navy ships. ASLP determines areas where ABS can assist the Navy in identifying maintenance action that is most needed on vessels with the ultimate goal of maximizing mission readiness.



Ten Naval vessels entered into ASLP in 2010 with another 16 slated for 2011. The long-term goal of the Navy is for all non-nuclear surface combatants to enter ASLP in order to achieve the maximum service life and mission-readiness of the existing Naval fleet. ♦

Construction continues at Austal USA on the *USAV Spearhead* (JHSV 1), a high speed, shallow draft vessel intended for rapid intra-theater transport of medium-sized cargo payloads. The *Spearhead* is the first joint high speed vessel (JHSV) being developed by the US Navy and US Army. The Navy has exercised options for an additional two JHSVs and is expected to contract for an additional seven in the future. The JHSV class vessels are to be designed, constructed and maintained in accordance with the *ABS Guide for Building and Classing High Speed Naval Craft*.

ABS supported the Navy's deployment of the submarine rescue and diving recompression system (SRDRS), the quick deployment replacement for the current aging submarine rescue submersible. Successful involvement in this program is leading to increased ABS support for Navy submersibles.

ABS continues its work in support of the USCG acquisition of its National Security Cutter, considered the flagship of the fleet which is designed for maritime homeland security. In addition, ABS began to assist the USCG with the forthcoming Offshore Patrol Cutter, the latest class of vessels that will modernize and expand the USCG mission capabilities. The fast response cutters and offshore patrol cutters are to complete the USCG Deepwater Program and will be ABS-classed. Construction has begun on five fast response cutters, known as the Sentinel class, with the first-in-class *USCGC Bernard C. Webber* nearing completion at Bollinger Shipyards.

The US Military Sealift Command (MSC) and the Maritime Administration Ready Reserve Force (RRF) provide important support to the US military across the globe. The ships provide fuel, food, ordnance and other necessary supplies to military personnel wherever they are deployed. In 2010, the MSC had 161 vessels in ABS class and the Maritime Administration RRF had 50 vessels in ABS class.

The US Congress took steps to formalize the role of ABS and classification in the acquisition of new USCG vessels. Under the recently passed Coast Guard Authorization Act of 2010 and 2011, all new USCG vessels are to be built to ABS class requirements. Members of Congress and the leadership of the USCG recognize the benefits of ABS engagement in the acquisition process. Per the legislation, Congress encourages the USCG to retain the vessels in class.

On the international front, ABS continues to work with interested navies and government maritime agencies from several foreign nations that want to design, construct and maintain new patrol craft under the *ABS Guide for Building and Classing High Speed Naval Craft*. These entities have also expressed interest in identifying appropriate Rules that can be utilized for larger vessels. ☞



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FLEET MANAGEMENT SYSTEMS



For ABS Nautical Systems (ABS NS), 2010 was a year that not only surpassed the achievements of the previous year, it established a new record for the entire fleet management software industry. At year-end, the Nautical Systems division of ABS added 83 new clients to its customer base. This represents an expansion 40 percent greater than that which had been achieved in the 12 years since ABS NS began its affiliation with the society.

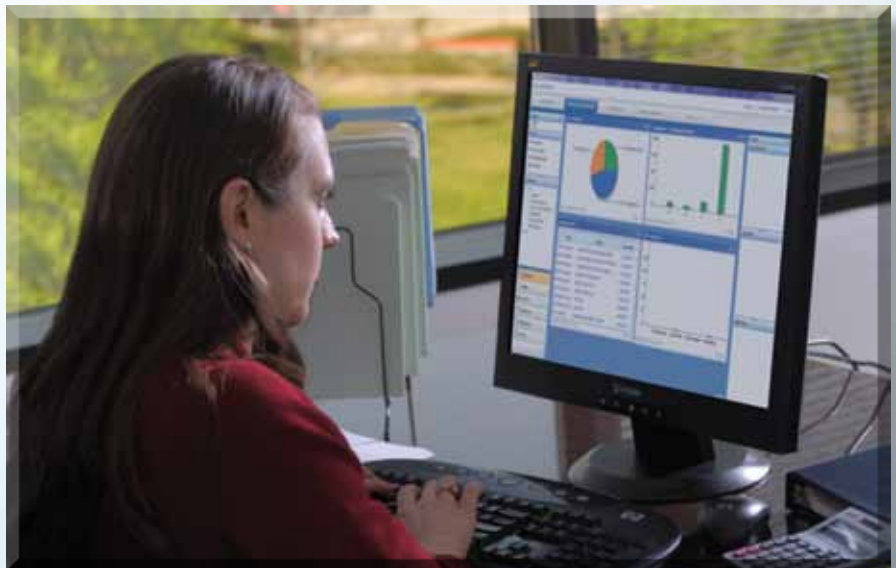
Paramount to this accomplishment was the newbuilding initiative launched in mid-2009. This program makes essential maintenance management software available to owners of every newbuilding delivered or in-service vessel transferred into ABS class for no cost. The sophisticated software suite offers owners tools to streamline maintenance procedures for a vessel's structure, principal machinery and equipment.

This revolutionary program attracted several well-known marine and offshore operators that were looking to capitalize on the software's capabilities including Chevron, Hapag-Lloyd, Donnelly Tankers Management, Navios Shipmanagement Inc., Nereus Shipping, Fleet Management Ltd., NAVSEA and Arab Maritime Petroleum Transport Company.

The newbuild program, which accounted for about half of the new business gained by ABS NS during 2010, augmented the traditional sales activities of the division. The further integration of ABS NS' software products with classification activities, as well as enhancements developed directly from user feedback offered ship operators an unparalleled set of tools for managing their maintenance, hull integrity, survey and certificate requirements.

Working in close collaboration with ABS and ABS NS customers throughout the year, a new survey planning tool was developed to provide owners' superintendents the capability to pre-plan their ABS surveys based on the ship and survey-specific checklists used by the class society's surveyors. Synchronized with the ABS Eagle Survey Manager software which manages the status of customers' surveys, users can order survey requests, download pre-survey work packs and create work orders or service purchase orders. This new tool streamlines the class process and offers operators the opportunity to minimize survey findings and unscheduled maintenance.

Additional product development efforts during 2010 placed significant emphasis on business intelligence. The NS5.5.0 version released early in the year provided users with practical tools for managing their daily operations including generating vetting inspection forms and incorporating the use of handheld scanners in inventory management.



Pre-Survey Checklists Added to M&R Module



In 2010, ABS Nautical Systems' customers experienced yet another benefit of selecting a fleet management software solution managed by a classification society. A survey planning tool integrated into the NS5 Maintenance & Repair module gives operators the ability to pre-plan their ABS surveys based on the ship and survey-specific checklists used by ABS surveyors.



The only fully-integrated maintenance and survey planning tool of its kind, users are able to synchronize the NS5 Maintenance & Repair module on board their vessels with the ABS Eagle Survey Manager software used by the society to manage survey status. Once synchronized, users can order survey requests, download pre-survey work packs and create work orders or service purchase orders as necessary.

The pre-survey work packs include interactive PDF documents that list the items to be surveyed together with their applicable Rule references. Superintendents or engineers on board can then provide comments on the PDF document, save it to the work order and return the completed PDF to ABS through the ABS Eagle Survey Manager program.

Built-in security measures allow ship operators to control which personnel have the ability to conduct survey planning and request surveys from ABS. Additionally, optional subscription services can send users email notifications of surveys coming due.

Once surveys have been completed and the ABS surveyor has entered the findings into ABS Eagle Survey Manager, NS5 users receive an email notification to synchronize this information into NS5. This keeps records up-to-date in one database shared by the office and the vessels. ♦

A job safety analysis tool was also incorporated into the software. This user-friendly feature gives operators the ability to analyze the risks associated with standard jobs, work orders and service requests. Future planned integration with other NS5 modules will give vessel owners and operators flexible options to streamline their efforts to manage operational risks across their business units.

The NS5 software was also expanded to include a new document management system. Browser-based and fully-integrated with the other modules in the NS5 suite, the new program provides a repository for documents that align with customers' business models. The flexible structure classifies documents, drawings and images related to the equipment hierarchy, inventory and safety management system.

Expansion within ABS NS was not limited to software development. Responding to customer needs for support in regional areas, new offices were opened in Shanghai, China and Vancouver, Canada and three more openings are planned for early 2011. New staff members with rich maritime experience were added to enhance service delivery and to offer insights into the anticipated needs of the users based on regulatory and environmental changes within the maritime and offshore industries.

ABS NS also entered the Vietnam market in 2010 with two new contracts – Vietnam Petroleum Transportation Joint Stock Company and PVTrans Oilfield Services. ABS NS experienced a pronounced international shift in its customer demographics in 2010 with 75 percent of its contracts coming from companies based outside the US.

Servicing its broader customer base included not only the opening of new office locations but improved channels of communication. Dedicated account managers were assigned to each ABS NS customer, acting as the 'go-to' person for support, add-on sales and development requests. In addition, intensive four-day boot camp sessions focused on specific operational areas were offered to customers to augment the traditional onsite training provided by ABS NS' consulting group.

Long considered by ABS NS to spearhead product development and improve customer service initiatives, the annual user conference held in Vancouver was heralded by attendees as a great success. Hosting approximately 150 industry professionals from more than 50 maritime companies, participants were able to directly impact the direction of the NS5 software suite. They provided valuable insight through their real-life experiences with the technology and discussed their current and longer-term business needs.

Looking forward to 2011, ABS NS is preparing for the release of an advanced version of its NS5 software suite, NS5 Enterprise, which will offer highly-developed usability, reporting, speed, overall performance and two additional deployment options. ☺



ABS GROUP OPERATIONS REPORT



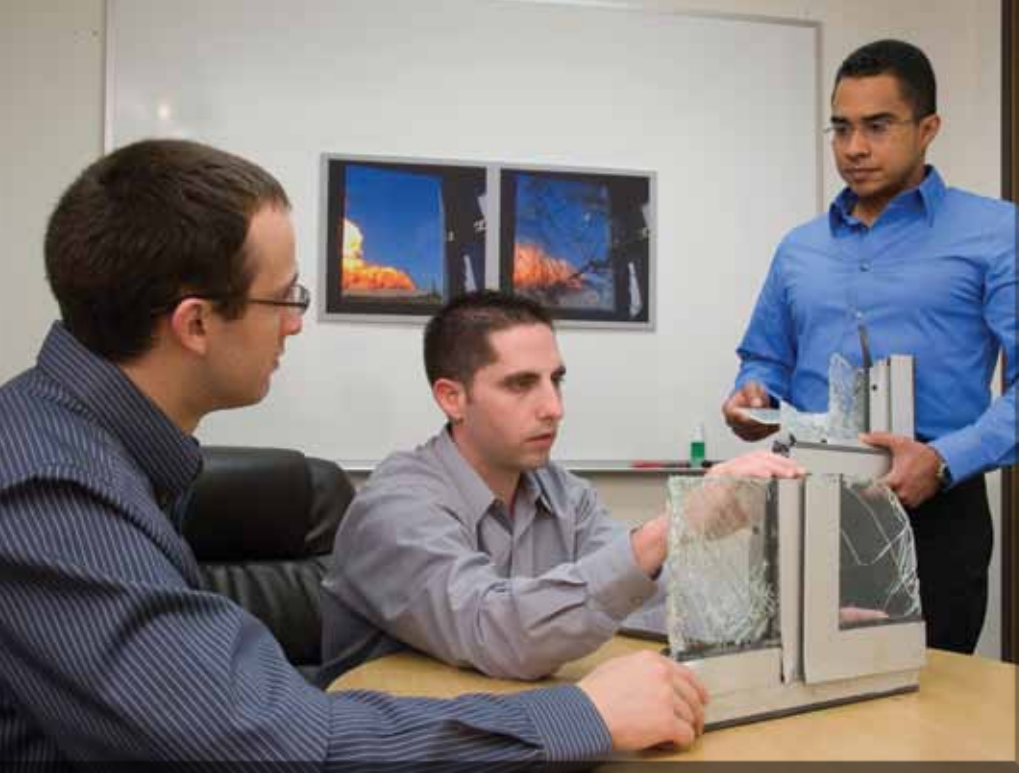
Tony Nassif
ABS Group of Companies, Inc.
President & CEO

Despite continued uncertainty in global economic markets throughout 2010, operating entities within the ABS Group of Companies delivered another year of revenue growth and continued profitability. Although results were softened by ongoing delays in major projects across all of our market sectors, we were able to secure a record volume of new contract orders placing us in a solid position for 2011.

As a global provider of safety, risk, integrity and quality management services, our growth is tied directly to our ability to expand our workforce. Since 2006, ABS Group has grown its global workforce by 86 percent and continues to aggressively recruit and attract new talent to the organization. Part of our objective is to build a global network of prequalified resources in areas for procurement and in-service inspection services that can be called on for specific assignments as they occur. This gives us the flexibility to adapt and respond to market opportunities without unnecessary delays. These project personnel add another important dimension to our resource pool of full-time engineers and consultants.

As a result of our global expansion, 2010 was the first year in which ABS Group received more than half of its revenues from outside of the United States. Given the global nature of our clients and changes affecting business in the US Gulf of Mexico, we expect to see this trend continue for at least the near-term. While our opportunities for growth in the US depend to a large extent on the pace of economic recovery, we are moving aggressively to bring to the US from our geographic centers in the Middle East and Asia-Pacific, capabilities in areas like inspection services.





Project quality management and procurement inspection services have been a cornerstone for the growth we have seen in these regions over the last several years and demand for these services continues to increase. In addition, we are also taking capabilities in traditionally US-based services like safety management, to other areas in Latin America and the Middle East. In doing so, ABS Group intends to

broaden and diversify each geographic center to build overall business volume and, at the same time, reduce its exposure to market downturns.

This was a year of alignment in all ABS Group businesses along key market sectors, products and services. For ABS Consulting, we implemented specific initiatives and global market strategies for sustained growth as we continued to invest in new resources and specific market sector programs.

The business was realigned along key global market sectors – process industries including oil and gas, government, nuclear, renewable energy and maritime services. This customer focus combined with our geographic reach allows ABS Consulting to be at the right place at the right time in order to capitalize on project opportunities. These investments have already begun to deliver results in several new areas including renewable energy and international government services.

Our newly-established Renewable Energy sector is well-positioned with both the onshore and offshore wind farm developers and operators and is already capitalizing on their need for full project life cycle services. Initial success in leveraging our experience in a range of security consulting services has led to contracts in Abu Dhabi with prospects for additional projects in the United Arab Emirates and Latin America.

ABS Consulting also continued to see solid growth in core services including safety, risk and inspections in the Middle East, Asia-Pacific and Latin America. While we have seen a softening of demand in the US for some of our public training offerings, we are working to offset this with larger training program opportunities for both the government and private sectors. In particular, we completed development and delivery of a Risk-Based Process Safety Training Program for Maersk Oil for their onshore and offshore operations in the UK, Denmark and the Middle East. This program included both formal training sessions and a custom video that was distributed to all employees in the company. This training program was based on the industry best practice included in a textbook that ABS Consulting co-authored for the Center for Chemical Process Safety (CCPS).

ABS Quality Evaluations (ABS QE) delivered a solid performance in 2010, continuing to build an effective global sales infrastructure and refine its service delivery model. Several key investments were identified last year designed to increase ABS

QE's market penetration and overall sales volume. Many of these are focused on enhanced marketing support and promotions to generate new opportunities and client acquisitions. A new ABS QE website will be launched in early 2011 with a customer market sector focus with an emphasis on oil and gas, aerospace, manufacturing and healthcare for each of their respective management system certifications and compliance audits.

In 2010, EQECAT worked diligently to retain its market share as it continued to face challenges presented by the global financial industry crisis. Serving global insurance and reinsurance providers, EQECAT customers have been directly impacted by the challenging market conditions. Throughout the year, EQECAT continued to focus on completing the major rearchitecture of its primary software product, **WORLDCATenterprise™** and was able to secure several key accounts adding to its annuity revenue stream. The investment in **WORLDCATenterprise** should strongly position EQECAT to grow its market share as the economy continues its recovery in 2011 and beyond.

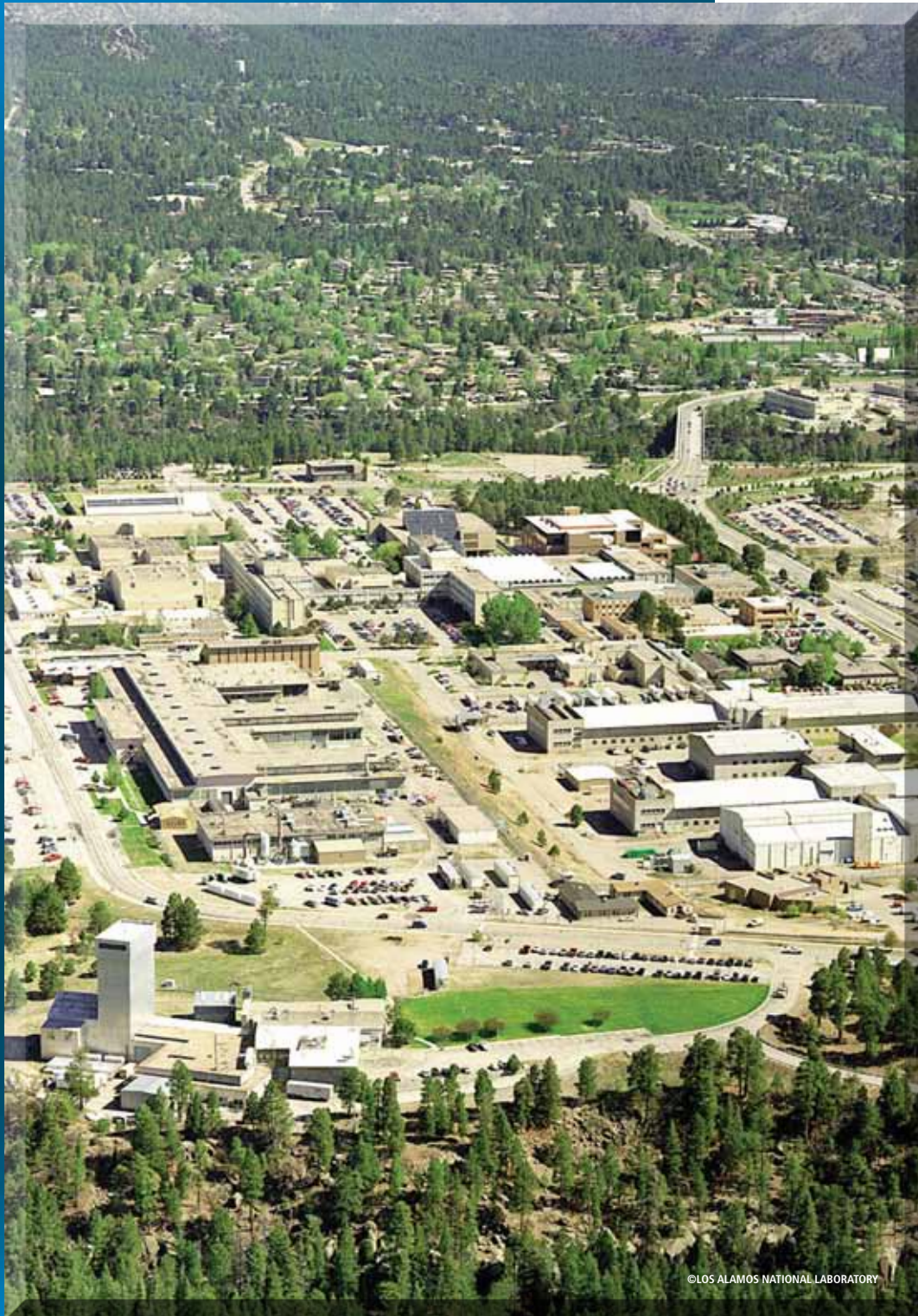
Because ABS Group entities operate in a range of market sectors, we continue to see strong opportunities for growth even though many industries and segments have not fully-recovered from the recent global recession. This diversity will allow us to continue to capitalize on our global presence and solid reputation as a leading US-based provider of safety, risk and integrity management services.

While the coming year will bring its own set of challenges, strategic changes to each of our businesses in 2010 have made us more agile and better-positioned to capitalize on future market opportunities. I take this opportunity to extend my gratitude to the men and women of ABS Group for their dedication and efforts during this past year. We have an exceptional team of talented professionals that clearly understands the mission and is excited about the organization's future.

Finally, and most importantly, I would like to thank our clients for their continued support and reliance on the ABS Group of Companies. ☺



ABS CONSULTING



©LOS ALAMOS NATIONAL LABORATORY

ABS Consulting Inc. (ABS Consulting) realigned along its five global market sectors and focused on expanding its geographic presence in key areas including the US, Europe, Middle East, Asia-Pacific and Latin America in 2010. The company continued to provide a range of safety, risk, integrity and quality management services to clients in key markets around the globe.

ABS Consulting's Government sector provided solutions for managing risks for local, state, national and international government agencies. Working on behalf of the New York, New Jersey, Connecticut, Pennsylvania Regional Catastrophic Planning team, members of the Government sector produced adaptable and robust regional catastrophic preparedness plans. The group also worked with the US Department of Energy and colleagues from the ABS Consulting's Nuclear sector to perform inspections of pressurized systems for the Los Alamos National Laboratory (New Mexico) and to identify nonconformances to code and areas of safety concern.

The Government sector supported the US Coast Guard (USCG) in a study to determine the effectiveness of safety management systems, such as the International Safety Management Code and the Responsible Carrier Program, in reducing the rate of towing vessel incidents. The USCG also awarded the team a contract to provide support in determining the effectiveness of USCG enforcement techniques on fisheries laws and regulations.

ABS Consulting's Maritime sector team of experienced consultants helps clients achieve quality performance and maximize their return on investments. The Maritime sector's Condition Assessment Program (CAP) provides shipowners, ship managers, charterers and vetting entities with a detailed technical evaluation that determines if an older vessel may have been maintained to a standard that should minimize the possibility of a casualty, structural and/or principal machinery failure. CAP includes a comprehensive onboard close-up survey of the vessel's structural condition, as well as extensive testing of the vessel's principal machinery, equipment and cargo systems. CAP engineering includes the as-gauged structural evaluation and a fatigue analysis of the vessel's critical structural components. In 2010, 32 vessels successfully completed CAP surveys and were awarded ABS Consulting certificates.

In the US, during 2010, the Maritime sector continued to certify casino vessels and conducted 42 casino safety inspections. ABS Consulting is an authorized representative in Illinois, Indiana, Louisiana, Mississippi



Moving Wind Farm Safely Toward Operations



Belwind Offshore Energy operates the Belwind offshore wind farm, a 17 km² wind farm located on the Bligh Bank, 46-52 km off the coast of Zeebrugge, Belgium. The company needed to create a safety culture that permeated the organization. ABS Consulting implemented a quality, health, safety, security and environmental (QHSE) solution that helped the client establish, manage and monitor activities.

Belwind is expected to provide 175,000 households in Belgium with green power over 20 years, avoiding 270,000 tons of carbon dioxide (CO₂) per year. Representing an investment of over 600 million Euros (approximately \$832 million), the wind farm was developed in a record time of 3.5 years and built in only 15 months.

Created so the project would comply with industry best practices and Belgian statutory requirements, the QHSE system was used to identify and proactively mitigate the potential effect of any deterioration of performance indicators and nonconformance. The system also enabled Belwind to oversee a high quality and a safe project execution, closely monitoring the performance of contractors and subcontractors.

The practical QHSE system enabled the project to obtain and maintain a high level of performance resulting in zero serious accidents or nonconformances. Team efforts helped the project to continue with a safe operation and optimize the lifetime revenue produced by the wind farm. ABS Consulting is now organizing the transition from construction to the production phase of the project. ♦

and Missouri. ABS Consulting is the only approved company to conduct annual examinations of the hulls and topsides of casino vessels for the gaming commissions in Indiana, Louisiana and Missouri. The group's work included engineering reviews and inspections of newbuilds and modifications of existing casino vessels.

In the Asia-Pacific region, the Maritime team carried out projects that included a computational fluid dynamics-based study for a ship's maneuverability through the Sabine-Neches Ship Channel and third-party engineering reviews and analyses for a variety of vessels and structures. Work included site-specific scantling re-assessments for FPSOs and FSOs; fatigue analysis for FPSO topside module stools; design reviews for newbuild jackup rigs; full-length strength assessments for offshore windmill installation vessels; and vortex-induced vibrations (VIV) analyses for flare boom.

Within the Nuclear sector of ABS Consulting, the team focused on providing clients with pragmatic solutions to add value to each client's bottom line. At the Gösgen Nuclear Power Plant in northern Switzerland, ABS Consulting and Kernkraftwerk Gösgen-Däniken AG (KKG) developed a new probabilistic safety assessment (PSA) model. The model for plant operational modes was completed in 2008 with ABS Consulting's RISKMAN® software environment. The continuing annual work scope is designed to address plant modifications and data updates, thereby minimizing additional work required for a new PSA release. The project also includes improvements to the RISKMAN software to supply special utilities to KKG and improve the speed of PSA evaluations.

At the Windscale Advanced Gas-cooled Reactor (WAGR) in Cumbria, UK, the Nuclear team performed an impact assessment of a reinforced concrete waste box under drop load conditions. The report provided the Nuclear Decommissioning Authority with an estimate on the amount of content that could be released from the WAGR waste boxes for various impact scenarios. ABS Consulting determined that the waste package finite element model is a reasonable representation of the container and can be used in the application analyses. This work by the Nuclear sector is being used in the regulatory compliance process.

From risk analyses that aided the Chilean mine rescue to operation and emergency manual development and inspection services, ABS Consulting's Process Industries sector team worked to enhance safety and mitigate risks for clients worldwide. In October, the Chilean office celebrated the rescue of 33 men from the San Jose Mine. The team's risk assessment verified the safety of the capsules used to bring the men out of the collapsed mine 2,300 ft below ground. Following the rescue, the Chilean Government established a special safety review committee to develop a proposal for safety practice improvement. ABS Consulting presented to the committee its capabilities in safety management systems for mining as well as those for ship management, port operations and oil and gas production.

In Brazil, the Process Industries sector continued its engineering project to integrate management of marine engineering activities for 21 offshore Petrobras units including ten FPSOs, six semisubmersible units, five



Inspecting Unique Singapore Bridge



The Urban Redevelopment Authority (URA), Singapore's national land use planning and conservation agency, underwent an ambitious campaign to revitalize its marina bay front area, which included the construction of the world's first duplex stainless steel, double-helix bridge. ABS Consulting was contracted to provide inspection and technical consultancy during the fabrication in Malaysia and installation in Singapore.

Due to its ability to withstand corrosion and its high tensile strength, duplex stainless steel was chosen to form this distinctive structure. The duplex stainless steel was delivered

from the supplier in Europe to Singapore and inspected before being sent to a workshop in Johor, Malaysia for fabrication. Prefabricated pieces of the helix were transported back to Singapore, then welded together to form the double helix structure. The structural design comprises two spiraling duplex stainless steel members held together by connecting struts to form a tubular structure, providing an inherent strength, ideal for the curved form.

Construction of the Marina Bay Pedestrian Bridge was completed in March 2010. The bridge measures 280 meters long, 6 meters wide and links the bay front area to Marina Centre. It forms part of a 3.5 km walking route which brings visitors to major bayside attractions. The unique design represents the structure of DNA and symbolizes life, renewal, everlasting abundance and continuity. Four viewing platforms extend over the water for pedestrians to take in the views of the city skyline and watch events taking place within the Bay. Its completion marks a historical first in architectural and engineering bridge design. ♦

jackups and seven offshore barges. The team developed operating and emergency manuals, updated critical piping and instrumentation drawings and other diagrams and provided related-awareness training. In addition, the group developed and maintained an electronic document control system with management of change controls; maintained the related databases and documents updated on a regular basis; and performed additional tasks as needed.

Saudi Aramco awarded the local ABS Consulting office, ABS Group Saudi Arabia Company Ltd., with three quality management inspection services contracts for new construction projects within the Kingdom of Saudi Arabia. These included an onshore and offshore Karan Gas Project with three gas processing trains, associated offshore platforms, subsea pipelines and a supporting sulfur, cogeneration and utilities package. A separate effort involves the Utilities, Residence and Community and Communication packages at the King Abdullah Petroleum Studies and Research Center (KAPSARC).

During 2010, ABS Consulting initiated a Renewable Energy sector focusing on the US, India, China, Brazil and Europe regions to respond quickly to the global market demands. One early success for the team resulted from a risk evaluation of Principle Power's *WindFloat*, a floating support structure for large offshore wind turbines in depths greater than 50 meters. The team performed a hazard identification study (HAZID) that determined Principle Power could operate *WindFloat* with increased uptime and reduced high-cost corrective maintenance.

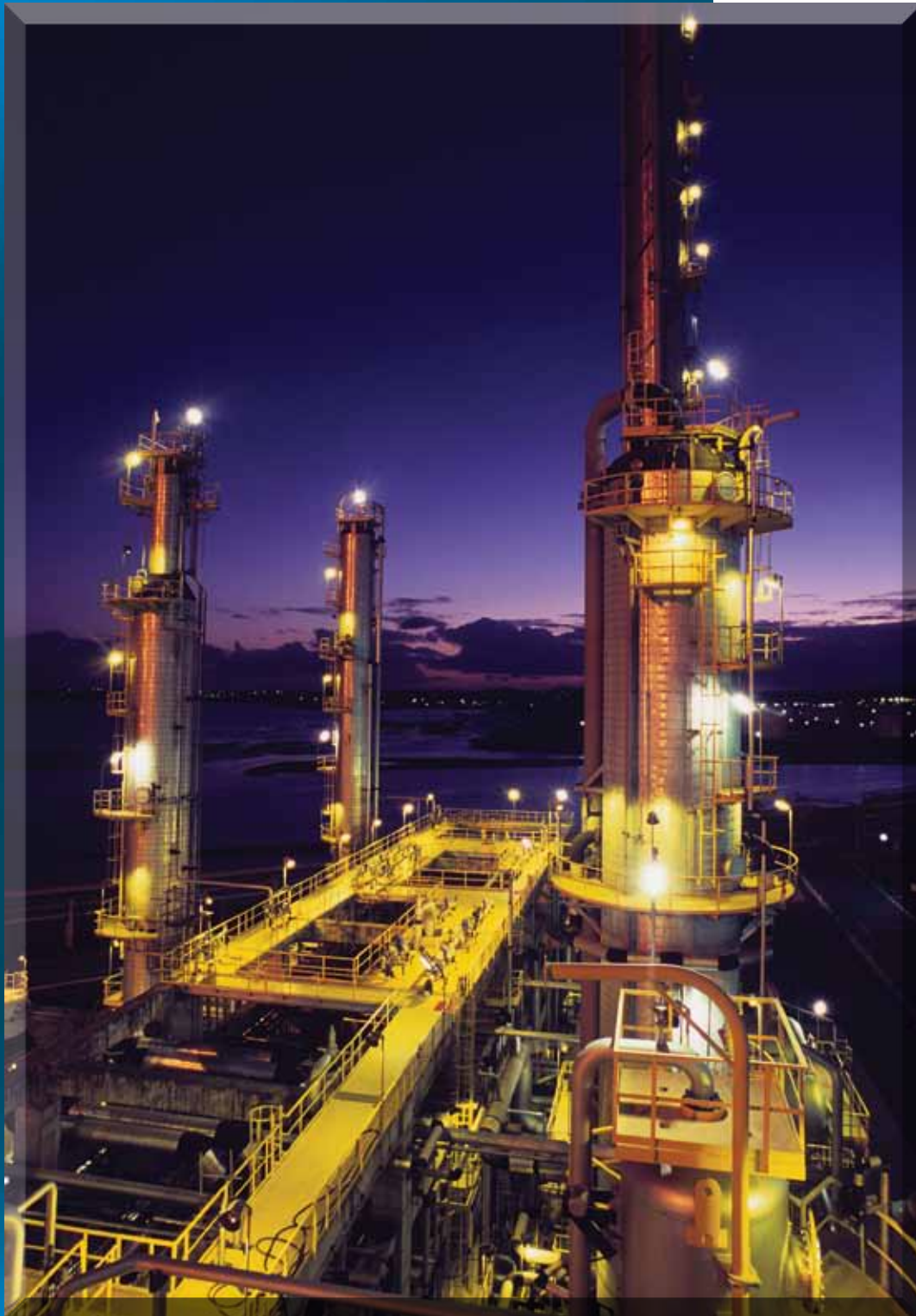
For Vattenfall, ABS Consulting reviewed historical information to determine if monopile foundation structures at its Yttre Stengrund offshore wind farm in Sweden were reusable; this was the first repowering of an offshore wind farm. The study enabled Vattenfall to reuse its current foundation structures, saving time and money in upgrading the facility and extending the life of the wind farm.

ABS Consulting also conducted a seismic risk study using EQECAT's JapanQuake™ earthquake model for the Eurys Energy Soya misaki wind farm, located on the northernmost part of the Japan Archipelago. Through the state-of-the-art catastrophe risk modeling, the client was able to assess and mitigate its earthquake property risk and minimize business interruption. In Bulgaria, ABS Consulting evaluated AES Geo Energy OOD's St. Nikola wind farm to secure safe design and construction of the development. The study helped the organization develop a foundation of operational and environmental safety, while determining that the project conformed to the European Union directive and Kyoto Protocol for reduction of harmful emissions.

To close the year, ABS Consulting introduced version 6 of its THESIS BowTie™ risk management software that helps organizations logically map health, safety and environmental (HSE) management. Moving forward, the sectors within ABS Consulting are well-positioned to provide clients with specialized recommendations that help mitigate hazards, maintain operations, promote safe practices and sustain business performance. ☞



ABS QUALITY EVALUATIONS



During 2010, ABS Quality Evaluations, Inc. (ABS QE) built upon its reputation as a global leader in certification, auditing and training with a strategic goal to be recognized as one of the most customer-oriented and responsive management system services organizations in the industry. This commitment and a highly-experienced and capable staff enabled ABS QE to develop and strengthen relationships with clients in all of their key operating regions – the Americas, Asia-Pacific, Europe and the Middle East.

As one of the top registrars in the world, ABS QE is an ongoing contributor to the development of new industry and global standards. A recent example of this role is the new International Standards Organization (ISO) standard related to social responsibility which focuses on seven key aspects – organizational governance, community involvement and development, environment, fair operating practices, consumer issues, labor practices and human rights. ABS QE was actively involved with the Technical Advisory Group of Social Responsibility for the American Society for Quality which contributed to the development of the new standard (ISO 26000:2010) released in November 2010.

New standards provide ABS QE the opportunity to expand its portfolio of certification offerings, which in turn opens up new market segments and increases its customer base. In 2010, ABS QE added two new standards to its portfolio for the medical device and health care industries. ISO 13485:2003 specifies requirements for a quality management system (QMS) that demonstrates the organization's ability to provide medical devices and related services that meet customer expectations and regulatory requirements. On the service provider side, ISO/IEC 20000-1:2005 defines the requirements to deliver managed services. The market segments opened up by both of these standards are attractive because they are generally less sensitive to economic downturns.

ABS QE also continues to build market share in key industries such as aerospace. Standards for this industry including AS 9003, AS 9100, AS 9110 and AS 9120 provide international credibility that an organization adheres to the strictest quality standards required for aircraft, aircraft parts and aircraft repair. ABS QE's network of aerospace industry qualified auditors has assisted some of the most prestigious names in aerospace and aircraft manufacturing.

As for regional operations, the Americas was the most active during 2010 with ABS QE teams performing supply chain and certification audits and training for the offshore drilling, energy, automotive supply and military industry segments. Global specialty chemical manufacturer Stepan expanded its responsible care management system (RCMS) contract, while the Northeast Power Alliance (NEPA) requested an integrated ISO 9001, ISO 14001 and ISO 18001 audit.



Building Relationships with China



As a global leader in certification and auditing, ABS QE routinely collaborates with other organizations on issues of mutual interest. During the first half of 2010, ABS QE met a delegation from the China Certification and Accreditation Association (CCAA) which manages the certification, training and approval of auditors in China. The primary objective of the meeting was to exchange ideas regarding the future of the certification and

verification market in the Greater China region. The two organizations discussed technical regulations, standard and quality issues for specific industries.

The Chinese delegation included the administrative vice chairman of the CCAA, deputy-director of the Administration Office for the Director of International Cooperation for the CCAA; director of the China Aero-Polytechnology Establishment and administrator of the Certification and Accreditation Administration.

Founded in 2005, CCAA is a nonprofit national industry organization composed of accreditation institutions, certification institutions, certification training institutions, certification consulting institutions, laboratories, inspection institutions, certified organizations, entrepreneurs and corporations. Founded with the purpose to advance the development of the certification and accreditation industry, CCAA provides relevant services for government, industry, and society. CCAA focuses on communication and coordination among industry, corporations and the government; fostering international cooperation; and promoting the China certification and accreditation industry. The relationship with CCAA is extremely important, as operations in China are key to ABS QE's overall growth. ♦



ISO 9001 registration continues to be in high demand across industries as ABS QE performed certifications for clients ranging from insurance giant AIG and to the US Navy Military Sealift Fleet Support Command (MSFSC) site. ABS QE was also the first registrar to receive accreditation by ANSI-RAB and ACC to certify the management systems of chemical companies to the Responsible Care (RC) 14001 technical specification. This standard addresses health, safety and environmental compliance and is important to many customers including Johnson Matthey Pharmaceutical and Honeywell.

ABS QE professionals were also active in numerous countries in Latin America. In Brazil, ABS QE provided integrated ISO 9001, ISO 14001 and OHSAS 18001 certification for Saint-Gobain do Brasil Ltda., Gutierrez Empreendimentos e Participações Ltda. and Noble do Brasil Ltda. The Brazil office certified the Sonangol Refinaria de Luanda for ISO 9001 and ISO 14001 and V&M Florestal for GAP/OHSAS 18001. In addition, the company began three-year contracts with Aceros Arequipa and Essa for management system certification (ISO 14001 and OHSAS 18001). Setin Construtora S/A contracted with ABS QE Brazil to provide first-party audits in its Sao Paulo headquarters and in other buildings according to PBQP-H (Brazilian Program for Civil Construction).

With the large number of automotive supplier manufacturers in Mexico, ABS QE began work on multi-year contracts for ISO/TS 16949 and ISO 14001 certification for clients including Lagermex, the sole producer of steel blanks for the VW Beetle. Vista-Pro Automotive, LLC, a manufacturer of aftermarket automotive products turned to ABS QE for certification of the management systems for its independent manufacturing sites in Nuevo Laredo, Estado de Mexico and Reynosa. These contracts also include ISO 9001 and ISO/TS 16949 certification of the Nuevo Laredo facility beginning in 2011.

Recent surveys for ISO certification and other standards continue to indicate strong demand growth in the other key regions where ABS QE operates including Asia-Pacific and the Middle East. This demand is driven by regional ties to large global projects for oil and gas, shipping and retail industries. Because Asia is such an integral part of the supply chain for many of these projects and their owners, there is a growing demand for quality assurance provided by certification to ISO and other standards like OHSAS 18001 and social responsibility.

A new three-year integrated ISO 9001 and OHSAS 18001 management system certification for Shanghai Changjiang Shipping Corporation in China and social responsibility reporting for Sandingan Ship Services, Inc. in Singapore are just two examples of the increasing demand for ABS QE services in Asia. In India, Kirloskar Oil Engines Ltd. selected ABS QE to audit 90 service dealers to ISO 9001 and ISO/TS 16949 over a three-year period.

As for other key projects, ABS QE completed quality, health, safety and environmental (QHSE) audits for Topaz Engineering and its affiliated companies in the United Arab Emirates. In Spain, the company performed second-party and supply chain audits in accordance with the Business Social Compliance Initiative for El Corte Ingles at its worldwide facilities.

As for 2011, ABS QE plans to expand its global presence while continuing to improve and benchmark its competencies in certification, auditing and training in order to deliver market leading services. This commitment to its customers, employees, consultants and accrediting bodies is a cornerstone for success when the business is quality. ☺



EQECAT



EQECAT, Inc. (EQECAT) continued its transformation in 2010, with investments in people, processes and technology. As a trusted advisor to its insurance, reinsurance and financial clients, EQECAT is committed to providing practical, state-of-the-art catastrophe risk modeling products and services.

EQECAT made strides in its core value of transparency by investing in content management software and the appropriate professional staff to enable production of consistent and comprehensive technical documentation for its software and models. EQECAT initiated an integrated release planning (IRP) process, involving a cross-functional team of individuals from across the organization. This process allows visibility into and accountability for all areas involved in and affected by product releases.

2010 was a year of innovation for EQECAT with the July release of its new basin-wide Asian typhoon model and updated USQuake™ model. The Asia Typhoon model was the first catastrophe risk model to provide a holistic view of risks across the entire western Pacific basin (including Japan, China, Taiwan, South Korea, the Philippines, Thailand and Malaysia). The model factors in the direct effects of wind, storm surge and typhoon rainfall-induced flooding and also considers the variations in local building practices, designs and building codes.

EQECAT's USQuake model implemented the 2008 US Geological Survey earthquake model and features the innovations of soil-based attenuation (SBA) and three-dimensional vulnerability to accurately capture physical phenomena while eliminating bias. SBA is a unique formulation of the next-generation attenuation (NGA) relationships, assuming soil as the reference site condition. An SBA-approach necessitates far less adjustment for site conditions, thus minimizing uncertainty introduced by soil amplification factors. To capture the increased susceptibility of a once-damaged building, USQuake represents vulnerability for wood-framed residential structures using a three-dimensional surface, rather than the conventional two-dimensional curve.



Understanding the Risk Correlation in Asia



The western Pacific basin is known for producing some of the world's most intense tropical cyclones. The combination of regional economic growth and underlying risks have created an increased risk profile that has profound implications for the global insurance and reinsurance industry. Recent notable events include Asian typhoons Morakot (2009), Hagupit (2008), Krosa (2007) and Saomai (2006), each of which resulted in more than \$1 billion in damage.

In July 2010, EQECAT released the first basin-wide Asian typhoon model featuring the widest available geographic coverage of the western Pacific basin – more than 12 million square miles covering Japan, China, Hong Kong, Taiwan, South Korea, the Philippines, Thailand and Malaysia. EQECAT recognized its clients' needs for a robust and transparent model that appropriately characterizes risks for this area and helped its clients set rational expectations to mitigate their risks.



The model provides a holistic view of risks featuring event clustering, which translates into better loss estimates for annual aggregate risks, and enables reinsurers to explicitly understand the correlation of risk differentiation and pricing, risk aggregation and portfolio risk management across this enormous region. The model also provides a comprehensive view of typhoon hazards including the effects of wind damage, storm surges and rainfall-induced flooding.

EQECAT's Asia Typhoon model was named "Innovation of the Year" at the 14th Asia Insurance Industry Awards ceremony held in Bali, Indonesia. This award honors the organization that generated the most innovative approach to a significant business area for the year. ♦

During 2010, EQECAT also released the first delivery of its three-year rearchitecture initiative with WORLDCATenterprise™ version 3.14, a global, multiperil, catastrophe risk modeling software platform. Version 3.14 (and subsequent releases) use the structured query language (SQL) server relational database (RDBMS) to enable better run-time performance by giving clients the ability to add more hardware into the WORLDCATenterprise analysis cluster.

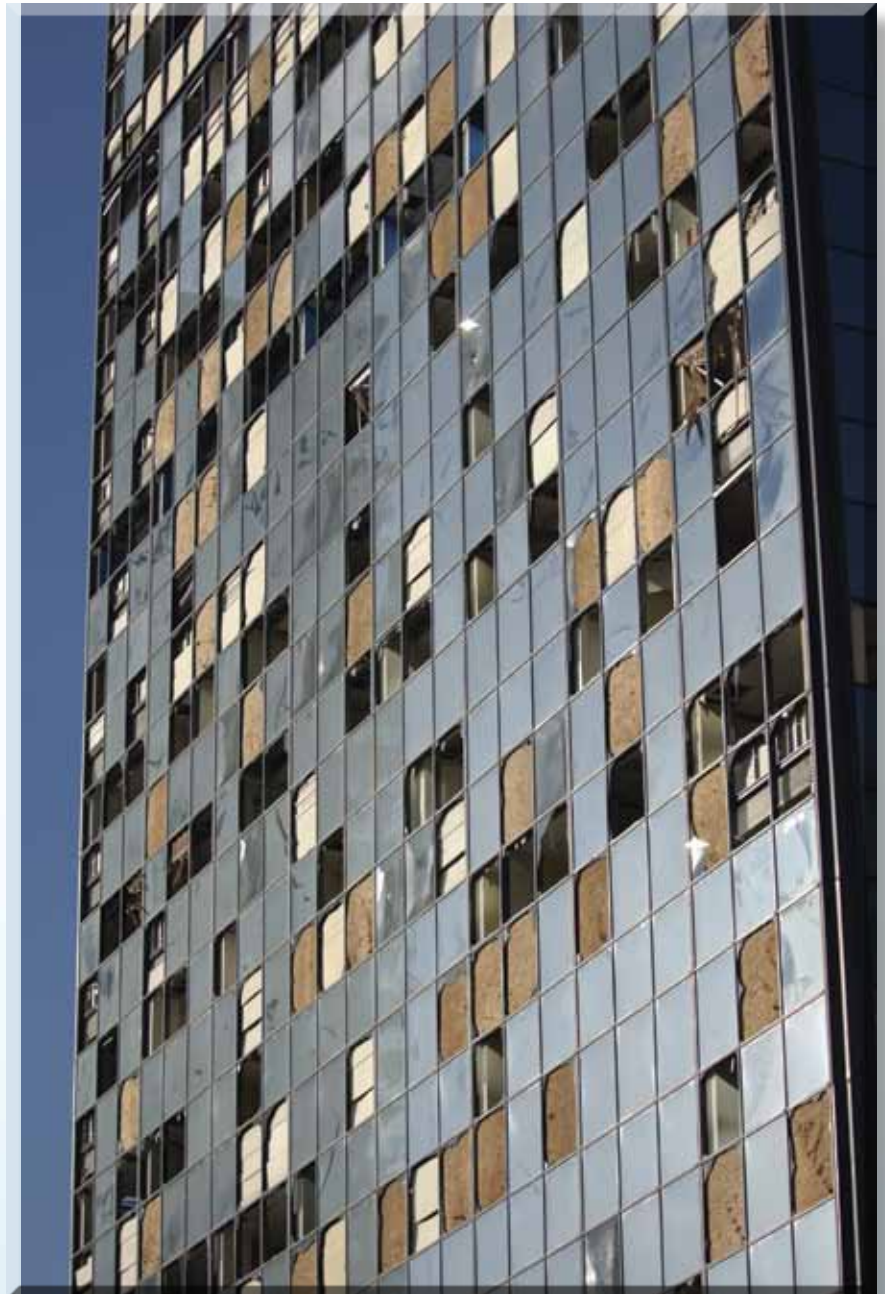
Clients that have upgraded to versions 3.14 as well as 3.15, have experienced improved performance, scalability and transparency, allowing them to meet their needs to further integrate EQECAT models into their business processes. In turn, the upgrade helps EQECAT achieve increased visibility throughout the organization.

In 2010, a US-based, nationwide, personal lines property and casualty carrier upgraded its hardware and upgraded to WORLDCATenterprise 3.15. Its northeast hurricane portfolio ran in three hours as opposed to three days, saving nearly 70 hours of analysis time.

The company now has the ability to run its portfolio at least once a week instead of once a quarter, making EQECAT's models more widely and regularly used in the organization.

A global reinsurance intermediary regularly analyzed a portfolio for one of its clients using the old Sybase WORLDCATenterprise platform. The non-quake portfolio included nationwide locations for all wind perils. After upgrading hardware and moving to WORLDCATenterprise 3.15, the portfolio ran nearly 12 times faster. The intermediary previously provided its client with a portfolio analysis once a quarter and is now able to improve service to the client by providing the analysis once a month.

Looking ahead, EQECAT will maintain its commitment to provide clients with products that quantify and manage the potential financial impact of natural hazards and services that solve catastrophic risk business problems and deliver innovative and customized solutions. ☺



COMMUNITY INVOLVEMENT



Similar to ABS' operations, the society's community and education initiatives in 2010 spanned the globe. Employees contributed both physically and monetarily to a wide variety of initiatives in their communities while ABS strengthened its deeply-rooted commitment to maritime education through targeted grants and a broad scholarship program. The phrase "think globally, act locally" was never more pronounced than in 2010.

A variety of charitable events inspired ABS and ABS Group employees to action. This was the year that employees bicycled their way through the wind, rain, heat and cold to raise money for charitable causes. The ABS Screamin' Eagles cycling team joined thousands of other bicyclists in the annual 150-mile race from Houston to Austin to raise funds for the Multiple Sclerosis Society. While across the pond on the UK Isle of Wight, an ABS cycling team joined other riders for the inaugural Flying Angel Ride which benefited The Mission to Seafarers. The organization, which ABS provides funds to directly, provides support and assistance to seafarers in over 230 ports around the world.

Employee involvement in the United Way of Greater Houston continued with renewed conviction as employees recognized the strong demand for the organization's services. The United Way organization oversees and funds 67 agencies which address a host of needs in the community including children and youth education, unemployment, homelessness and health-related issues.

Helping students set out on a path for success, ABS Group employees participated in Junior Achievement's Success Skill program. The employees worked with more than 100 students at Houston's Aldine Ninth Grade Center Campus and provided them engaging and academically-enriching sessions that fostered career development ideas. Employees taught courses on topics such as job interviewing, marketing, conflict resolution and effective teamwork.

It was a natural fit for ABS Group to partner with ABS in contributing to the 51st Annual Science Engineering Fair of Houston (SEFH). ABS Group provided fair sponsorship and employees contributed hours of volunteer service to judge the science fair entries and make scholarship and fellowship award decisions.

With the pursuit of academic excellence a long-standing interest for ABS, the torch was handed to employees to keep the spark for maritime education alive. Employees in various locations regularly spoke at secondary school Career Days and students were invited to visit ABS offices in Houston and Singapore to get a firsthand look at marine and offshore engineering as well as the responsibilities of a marine surveyor.

ABS made commitments in 2010 to provide funding to several maritime universities. Among these awards was the multiyear grant to establish an endowed ABS Chair in Naval Engineering at Massachusetts Institute of Technology (MIT). The endowment supports an



Aiding Local Conservation Efforts



"If there are no mangroves, then the sea will have no meaning. It is like having a tree without roots, for the mangroves are the roots of the sea..."
– Words of a Thai fisherman from the Andaman Coast

Decades ago, vast areas of Thailand's mangrove forest in Khlong Khon were cleared to make way for shrimp farms, a move that seemed to promise economic success, but instead led to destruction of the local marine life, the economy and villagers' livelihoods.

The area had been surrounded by more than 32,000 acres of mangroves, but by 1984, less than 400 acres remained. Unfortunately the shrimp farming ventures failed due to an outbreak of disease and pollution of local canals. Furthermore, given the loss of habitat, the once abundant stock of marine life – fish, shrimp, shellfish and crabs – was severely-depleted leaving families who depended on fishing without a means to support themselves.

Initiatives implemented during the past decades to address the environmental and ecological destructions have begun to bear fruit. In 2010, a team of ABS employees provided their support to the endeavor. Led by ABS Country Manager Chatree Choeysaard, 42 ABS Thailand employees and family members joined other volunteers in the reforestation effort. The group traveled from Bangkok to Khlong Khon by traditional long-tail boats and planted 200 mangroves.

In the last 20 years, about 2,500 acres of mangrove forest have been recovered through volunteers' efforts like those provided by ABS. Marine life has reappeared and villagers have started to rebuild their lives as renewed fishing and ecotourism restores the local economy. ♦

outstanding junior faculty member with a focus or specialization in naval architecture and ship design in the school's Center for Ocean Engineering. The faculty member will be instructing US Navy and US Coast Guard active duty officers participating in the Naval Construction and Engineering Program.

The ABS Scholarship Committee also provided support for two named ABS academic chairs at the State University of New York (SUNY) Maritime College – the first in Naval Architecture and Marine Engineering and the second in Marine Transportation. This endowment from ABS is the largest gift in the college's 136-year history.

The California Maritime Academy was also the recipient of major funding from ABS. Plans for the ABS School of Maritime Policy and Management have progressed and a new building to house the school will be ready for the start of class in the fall of 2011.

At the University of Michigan, ABS funds will be used to create a laboratory that will provide freshman engineering students with hands-on experience in marine systems engineering. The Engineering 100 Design-Build-Test Laboratory introduces students from all disciplines to practical marine-system engineering processes through the design, building, testing and operation of simple underwater exploration vehicles.

The University of California, Berkeley continued to receive support from ABS to fund graduate fellowships in its Ocean Engineering department. The prestigious and highly-competitive fellowships support students pursuing careers in ocean engineering.

ABS maintained its active and ongoing scholarship program with maritime academic centers around the world. ABS' global initiative is developed in consultation with the leadership of the operating divisions. In the US, scholarship recipients attended such prestigious schools as Columbia University, Texas A&M University at Galveston and the US Merchant Marine Academy in Kings Point. In Europe and the Middle East, scholarships were given to students at Portugal's Instituto Superior Technico, the UK's University of Newcastle and University of Southampton, Oman University and Sweden's World Maritime University, just to name a few.

Throughout the Asia-Pacific region, ABS scholarship funding was evident at schools in Japan, Indonesia, Korea, Malaysia, Singapore and Vietnam. In China, undergraduate and postgraduate scholarships were awarded through six universities: Shanghai Jiao Tong University, Shanghai Maritime University, Dalian Maritime University, Dalian University of Technology, Wuhan University of Technology and Ximen Jimei University.

Working together ABS and its employees continue to pursue opportunities to make a difference in people's lives and support the education of future generations that will join the offshore and maritime industries it so proudly serves. ☺



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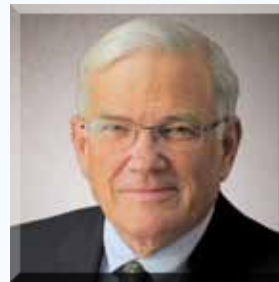
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