

2007 ABS ANNUAL REVIEW



# TABLE OF CONTENTS

vveicome to ABS	I
Chairman's Message	4
Marine Activity	8
Offshore & Energy Activity	16
Government Activity	24
Community Service	28
Fleet Management Systems	32
ABS Class Activity	36
ABS Group Message	42
Energy & Transportation Sector	44
Corporate Sector	52
Public Sector	56
Quality Management Systems	60
Corporate Governance	64



# Welcome to ABS and its Affiliated Companies

Throughout its existence, since its foundation in 1862, ABS has dedicated its activities to promoting the security of life, property and the environment. From the outset, the focus of those activities has been within the marine sector, primarily the provision of classification services to the builders, owners and operators of ships and marine-related facilities. Classification activity continued as the dominant function of ABS in 2007 with the ABS classed fleet reaching record levels and the ABS organization expanding to meet the increased demand for our services.

For more than 30 years ABS has also offered clients a portfolio of related services that fall outside of its traditional core classification activity. In 1990, those services were brought together under a single holding company, ABS Group of Companies, Inc., which is a wholly owned affiliate of ABS, subject to separate Board oversight and management. Since that time, the activities of the ABS Group of Companies have grown significantly, with 2007 being its most successful year of operation.

Headquartered in Houston, ABS and its affiliated companies provide services to clients in all parts of the world through a network of offices in 70 countries. This review of the activities of ABS will focus on the ship, offshore and military classification services it provides as well as ancillary services. The review of affiliated company activity will focus on the four market segments that it serves: Energy & Transportation, the Corporate sector, the Public sector and Quality Management Systems.

1

### **ABS ACTIVITY**



#### MARINE

ABS is the third largest classification society in the world based on the gross tonnage of its fleet. Its classed fleet comprises more than 10,000 vessels of various types, aggregating in excess of 135m gross tons. The ABS classed fleet has shown an unbroken pattern of growth over the last 17 years and a record orderbook at the end of 2007 will mean a continuation of the current high level of activity through the end of the decade.



#### **OFFSHORE & ENERGY**

ABS classes in excess of 70 percent of the global fleet of mobile offshore drilling units and more than 40 percent of all floating production units. 2007 was one of the industry's busiest periods and ABS secured more than 80 percent of all new MODU contracts and a leading share of all new production unit contracts, confirming its position as the preferred provider of classification and related certification services to the offshore industry.



#### **GOVERNMENT**

2007 marked further development of the relationship between ABS and the US Navy based on the ABS *Naval Vessel Rules*. These Rules are the result of a multi-year collaboration between ABS and the US Navy to extend classification beyond the traditional application, limited to military support vessels, to encompass the hull and machinery of combatant vessels. This is expected to be a significant growth area for ABS in the future.

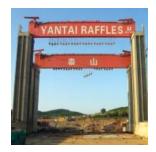
# ABS AFFILIATED COMPANY ACTIVITY



#### FLEET MANAGEMENT SYSTEMS

ABS Nautical Systems LLC, an affiliate of ABS, offers an offthe-shelf suite of software modules that provides a globallystandardized, integrated fleet management solution for shipowners, operators and managers and for the offshore industry. 2007 saw a significant expansion in the ABS Nautical Systems level of activity as it increased its client base across all sectors – commercial, government and offshore.

## ABS GROUP ACTIVITY



#### **ENERGY & TRANSPORTATION**

ABSG Consulting Inc. (ABS Consulting) a subsidiary of ABS Group of Companies, Inc. and an affiliate of ABS, is a leading provider of risk-related services to the international energy and transportation sectors. This activity is a natural outgrowth of the parent organization's classification activity in the marine and offshore industries. 2007 saw sustained growth in the demand for these services.



#### **CORPORATE**

ABS Consulting provides technology-based solutions for managing the financial consequences of natural hazard, operational and security risks. Its engineering capabilities, coupled with the proprietary catastrophe modeling software and alternative risk transfer expertise, provides the foundation for assessing, mitigating, transferring and preparing for risks. Demand for these specialized services remained high in 2007.



#### **PUBLIC**

Governments rely on the sophisticated risk analysis capabilities of ABS Consulting to guide their preparedness strategies for improving security, mitigating natural and man-made hazards and effectively managing the many diverse risks that threaten their nation's citizens, assets and environment. 2007 brought increased demands for services in this area.



#### **QUALITY MANAGEMENT SYSTEMS**

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.



ROBERT D. SOMERVILLE Chairman & Chief Executive Officer ABS

enry David Thoreau wrote that "Success usually comes to those who are too busy to be looking for it." There is perhaps no better description of our activities in 2007 as every person within every office of the entire ABS organization busied themselves meeting the constant inflow of new contracts and work orders. The result of all this activity was the most successful year in the history of ABS, no matter what yardstick is used to measure.

That is not to infer the success was either unforeseen or unwarranted. As that notably successful entrepreneur David Rockefeller once noted "Success in business requires training and discipline and hard work." Our analyses had identified the potential for strong and extended growth in the new construction market some time before. We had prepared to meet the challenge.

But, like virtually every other sector of the marine industry, even our most bullish projections had not identified the remarkable level of activity that continued at the newbuilding and repair yards throughout 2007 as shipowners sought to maximize their participation in one of the shipping industry's most prolonged boom periods.

Our challenge was to manage our success so that we could continue to deliver the superior classification and related services that we pride ourselves on and which our clients have come to expect from us. To do that, we focused intently on staffing. The year marked a continuation of the very active recruitment and training program of the last few years with more than 350 professional staff being brought on-board to supplement our survey and engineering teams. Fortunately the global nature of our business meant that we were able to find and attract appropriately qualified, experienced recruits from across the globe.

New staff placed a heavy responsibility on us to provide the necessary training to make these new recruits familiar with the specific ABS requirements relating to our Rules, process instructions, procedures and, most importantly, our culture. By opening new branches of the ABS Academy in Asia and Europe and expanding both our formal classroom training programs and on-the-job mentoring, we believe we have been successful in maintaining the quality of our World Class Surveyor and World Class Engineer programs.

Training, discipline and hard work, Rockefeller's mantra, have been core elements of our activities. That dedication has paid off with the end-of-year fleet statistics reaching yet another record. The ABS classed fleet stood at almost 10,300 vessels, aggregating 135.4m gross tons. To put that performance in perspective, at the end of the last great shipbuilding boom of the 1970s, the ABS fleet stood at around 113m gt, a figure that was not subsequently surpassed until 2004.

In the past three years, not only has the growth of the fleet been exceptional, the orderbook of vessels to be built to ABS class has surged to levels that have never been seen before. At end-2007, the consolidated orderbook of formal requests for class and contracts pending stood at a remarkable 2,938 vessels aggregating 53.2m gt or 40 percent of our existing fleet.

Not only was this a gratifying measure of our success but also represented a market leading 20.7 percent share of all newbuilding contracts worldwide. This newbuilding orderbook share also stood at 5 percentage points higher than the ABS share of the existing fleet. It secures the immediate future of the organization as orders stretch out until 2012 and beyond, giving us considerable confidence that the current high level of activity will be continued for the foreseeable future, irrespective of the growing turmoil in the financial markets.

In making that prediction we are very aware of the sentiment previously expressed by Bill Gates that "Success is a lousy teacher. It seduces smart people into thinking they can't lose." We know that our current good fortune has been hard won. As a 145 year-old organization, we have tracked the many cycles of the industry over the years and are only too aware that this current bull run will soften and turn in time.

It is for that reason that 2007 also saw us placing increased emphasis on continuing to implement administrative and system efficiencies that allow us to offer superior service based on a highly competitive cost structure. The expansion of our electronic plan review program during the year provided an outstanding example of this. The web-based, client interactive system significantly improves the efficiency of the plan review process, cutting turnround times and improving the level of communication between our staff and the shipyard's design team. The system has been embraced by our shipbuilding partners with some already creating electronic bridges that fully link their internal systems with the ABS program.

We continued to add new functional capabilities to the web-based system that brings together our entire vessel survey database with our global team of field surveyors. Active employee participation in our quality system allowed us to identify areas for continual improvement. And a more rigorous approach to business planning and financial controls helped us constantly adjust both strategy and operations throughout the year to meet the rapidly evolving marketplace demands.

Although the provision of marine classification services remains the dominant activity of the entire ABS organization, it was not the only sector to report record activity and earnings. Each of the affiliated companies, ABS Consulting, ABS Quality Evaluations and ABS Nautical Systems all reported a record level of activity and revenues for the year. On a consolidated basis, the financial performance of the ABS organization was the strongest ever recorded.

Each affiliate closed the year with a solid forward orderbook and aggressive plans in place to continue to further increase staffing to meet projected activity levels. ABS Consulting, which provides risk management and related services to the energy, corporate, public and marine sectors returned a particularly strong performance in 2007, consolidating its position as the leading, US-based, independent provider of such services.

ABS Quality Evaluations added QC 080000 and ISO 22000 certification to its portfolio during the year, opening new markets within Hazardous Substance Process Management (HSPM) and food safety certification respectively.

ABS Nautical Systems cemented its position as one of the leading providers of integrated fleet management software to the international shipping and offshore sectors, winning several notable new contracts. It also completed client testing of a new vetting module that has been developed specifically to meet client needs as expressed at the valuable annual users conference.

A key attribute of a successful organization is the ability to keep the focus, not on where it is but on where it wants and expects to be in the future. This adage is particularly true as we look at the challenges facing the classification sector at the present time. In keeping with this mandate, ABS spent a considerable amount of time and effort throughout the year looking to the future, evaluating the likely political, legal, commercial and technical issues that are either looming or have the potential to impact our operations.

It is unfortunate that political and legal considerations should play such a prominent part. After all, our mission is the promotion of standards for the protection of life, property and the natural environment. Our focus must always be on the contribution that technology can make towards achieving that aim.

Even though we are a not-for-profit organization, we cannot ignore the commercial elements of our activities. We believe that a healthy, open classification market is ultimately to everyone's benefit as it imposes an obligation on us to constantly seek to develop and deliver better products and services as efficiently as possible.

But the reality is that the actions of governments can have a very significant effect on what we do and how we do it. In 2007 ABS and all the IACS members were confronted by an attempt by the European Commission to enforce upon us the mutual recognition of certificates issued for the machinery and equipment that is placed on board a classed ship. The initiative was sponsored by an organization of European-based marine equipment manufacturers and enthusiastically supported by the Commission even though its adoption would lead to an inevitable reduction in maritime safety standards. Despite considerable negotiation, the issue remained unsettled at year's end although talks continued between IACS and the equipment manufacturers to identify a compromise acceptable to both parties that would maintain current safety standards.

Within the legal arena, the year saw several new attempts to place class in the principal position of responsibility for the manner in which a ship is maintained, despite our very limited role as a member of the overall safety regime. Several high profile cases remained on court dockets at the end of the year, promising many more years of expensive litigation which, we remain confident, will ultimately reaffirm existing legal precedent with respect to the liability exposure of class.

Regardless, the continued attacks against the classification system are having a chilling effect on our activities. We believe that much of this can be attributed to a lack of understanding on the part of many within government of the limited role and actual responsibilities of class.

Looking ahead, one of our challenges will be to rectify this by placing a great deal more emphasis on building relationships with the key policy making individuals within the most important political bodies. By spending more time informing these entities of what we do, and how effectively we do it, of cooperating with them in joint and mutually beneficial initiatives to improve maritime safety and provide greater protection to the environment, we hope to nurture a level of trust in class that is reflective of our role as the independent, third-party providing both classification and statutory services to the marine and offshore industries.

Albert Einstein once counseled "Try not to become a man of success but rather to become a man of value." It is my belief that ABS is indeed an organization of value. The more than 3,000 committed and able professionals within the extended ABS worldwide family stand ready to work with you to make this industry and the world a better place.

Robert D. Somerville Chairman and CEO

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MARINE

rom an operational standpoint, 2007 will go on record as the busiest year in the history of ABS. A record fleet size, coupled with a record orderbook, meant that the principal areas of activities – new construction, survey of existing vessels and certification and testing of materials and equipment – all made significant contributions and demanded further increases in staffing. With Type Approval, ISM and environmental auditing, and statutory inspections all subject to a similar upturn in activity, it meant there was little respite for our hardworking survey and engineering teams over the year.

As a consequence, the challenge of recruiting, training and retaining professional staff proved to be a core issue, resulting in a net increase of more than 350 employees by year's end. Although staff was added across all three divisions, and within the corporate technology department, the largest number of new recruits was added in China. The continued rapid expansion in Chinese shipbuilding capacity, together with the consolidation of China's newly gained position as the principal ship repair center in the world, resulted in a 42 percent increase in our staff in the country, bringing the total to more than 320 at the close of the year. With no sign of any slackening in the expansionary pace of the nation's maritime industries, comparable increases in staffing were also projected through 2008.

Because of the imperative to maintain the quality of the services provided, this influx of new employees, well-qualified as they were, did impose additional responsibilities on our existing staff for training and mentoring their new colleagues in the standards and practices of ABS. Their unflagging commitment to this challenge was remarkable and the results highly successful.

To put the challenge in perspective, the ABS fleet grew by 9m gt over the course of the year to 135.4m gt, and by almost 500 vessels to 10,300. This was one of the sharpest year-on-year increases ever recorded, outstripping the previous great shipbuilding boom of the late 1970s. The growth trend not only remained unbroken

throughout
the year but
December
represented the
41st consecutive
month in which
the tonnage of
the ABS classed
fleet had finished
at a higher level
than the month
before.

The increases were attributable to the substantial orderbook of vessels contracted to be built to ABS class which continued to reach new records, closing out the year at





With continuing high demand for experienced seagoing staff from all sectors of the industry,

ABS has instituted a comprehensive approach to training designed to quickly familiarize new surveyor recruits with the society's Rules, procedures, process instructions and culture. In 2007, an important new element was added - the New Hire Accelerated Training for Surveyors (NHATS).

Combining nonstop on-the-job training in key newbuilding and repair centers around the world with a cycle of intense classroom studies, NHATS is a one-year program structured to provide the equivalent of two years' experience. It incorporates some elements of the apprenticeship system traditional to the art of surveying, but goes well beyond such a program in the detailed information and field experience the participants are exposed to. Classroom lectures are augmented with workshops, special studies and projects. In the field, trainees are assigned to a variety of shipyards and manufacturing facilities, where they work under experienced surveyors who act as mentors. Initial results have proved highly encouraging leading to an almost immediate expansion of the program.

almost 2,600 aggregating in excess of 39m gt, with a further 341 contracts totaling an additional 14m gt pending. The growth in the ABS orderbook was almost double the rate of growth of the world orderbook and the market share attained by ABS equated to a market leading 20.7 percent as at end-December. The ABS share was maintained above 20 percent throughout the year.

One readily noticeable impact of the sustained ABS success in the new construction market was the steady rejuvenation in the age profile of the fleet. At year's end, more than 58 percent of the tonnage classed with ABS was less than 10 years old whereas the proportion of the fleet in the 20-25 year bracket had dropped to just 9 percent.

Throughout the year, ABS strengthened its position in all the major shipbuilding sectors, moving into the number two position in Korea, retaining its second ranking at Japanese yards, and continuing to dominate the markets in the US, Singapore and China. Orders were placed by shipowners from all parts of the

world, with the society continuing to be favored by Greecedomiciled owners, and with owners based in China, Singapore, Taiwan and the US also demonstrating strong support.

Not surprisingly, the ABS orderbook continued to be dominated by tankers, bulk carriers and containerships in addition to a large number of units for the offshore sector. With owners rushing to order new bulk carriers to cash in on the projected heavy demand for vessels of all size ranges, ABS was



pleased to consolidate its position as the number two society in this sector behind the traditional Japanese powerhouse. That ranking was boosted by a remarkable 51 percent share of the handysized bulk carrier orderbook on the basis of several long, series orders placed with Chinese shipbuilders.

The society maintained its traditional position atop the tanker orderbook with an overall 32 percent share of all tanker orders on record as the year ended. Particular strength was exhibited in the VLCC, aframax, product and chemical tanker sectors, in all of which ABS held the leading share.

Although the containership market continues to be distorted by German fiscal policies, ABS was very pleased to end the year with orders for more than 100 containerships of all sizes, from the largest ships currently in service to small feeders, on its books. The society's experience in classing the largest containerships



Samsung Heavy Industries delivered the first of three Varandey Arctic Shuttle Tankers (VAST) at

the end of 2007 to Russia's state-owned shipping company Sovcomflot. The ice breaking double acting tanker, *Vasily Dinkov*, is dual classed by ABS and the Russian Maritime Register of Shipping (RS), using the ABS newly revised *Ice Class Rules* and RS Rules.

The three tankers will be under time charter to Naryanmarneftegas – a ConocoPhillips/LUKOIL joint venture company. They will trade between the Varandey terminal and Murmansk handling LUKOIL's and ConocoPhillips' crude exports from onshore oil fields in the Russian Arctic.

The 70,000 dwt tanker has an ice breaking bow and a hull design that will allow the vessel to break ice up to 1.7 meters thick when moving either ahead or astern. The vessel is designed to operate independently, without the assistance of an accompanying icebreaker. It is powered by diesel-electric machinery, driving twin 10 MW azipod drives. In addition to the ability to break ice when moving both ahead and astern, the vessel is fitted with extensive heating coils that will allow it to operate in extremely low ambient temperatures of -40 degrees Celsius.

that had yet been delivered was particularly beneficial in promoting ABS's technical understanding of the critical issues affecting these designs.

It was, perhaps, understandable that some industry commentators predicted a reduction in the importance of technology as a classification society differentiator in the aftermath of the introduction of the Common Structural Rules for tankers and bulk carriers by all IACS members in 2006. ABS experience found no evidence

to support this as industry reliance on the technical capabilities of the leading class societies showed no sign of abating. The rush to ultra large containerships with the attendant technical issues associated with factors ranging from springing and whipping to parametric roll and the safety evaluation of containership deck structures provided ample opportunities for ABS to demonstrate its understanding of these and other areas.

Other research projects spanned the gamut from continued detailed research into operating criteria for polar class



vessels, to the application of structural and risk analysis for the development of hull and machinery inspection and maintenance programs, to various joint projects looking into specific issues related to LNG carrier design, conducted in tandem with each of the principal Korean builders of these sophisticated vessels. With a robust charter market keeping many vessels in service past traditional retirement age, particularly bulk carriers, containerships and offshore rigs, research into the structural integrity and fatigue life of aging assets was practically focused on assisting our own surveyors and our clients to more easily identify areas within a structure that could give rise to concern.

On-going subjects such as vibration, stern bearing analysis and goal based standards remained on the agenda. Regulatory initiatives at the IMO also provided a fertile field for research aimed at assisting designers and owners to fully understand the implications of the new requirements and to develop optimum strategies for implementing them. Many of these subjects address environmental concerns and ABS strengthened its environmental capabilities during the year through selective recruitment and coordination of subject matter experts.

The environmental focus remained firmly on developing practical guidance for owners wrestling with subjects as diverse as safe procedures for the change from heavy to distillate fuels when entering emission control areas (ECAs); to reconciling the lack of a single international standard for shoreside electrical connections at a time of growing willingness of port, state and regional authorities

# **SPOTLIGHT**: Ultra Large Containerships



Five more of the largest containerships to have ever been built entered service under ABS

classification in 2007. Members of the *Emma Maersk* series of ultra large containerships, they proved to be the forerunners of what turned into an ordering frenzy by container operators for similarly sized vessels, despite the threat of a global economic slowdown and possible fleet overcapacity.

Lessons learned by ABS during the multi-year project to develop and refine the design for these notable, barrier-breaking vessels positioned the society to offer its unmatched understanding of ultra large containership design to shipyards and owners as orders mounted.

However, ABS was also looking ahead, working with Korean shipbuilders on a 16,000 teu design, evaluating approaches that will optimize a vessel's dimensions and carrying capacity to those of the proposed new, enlarged Panama locks, and laying the groundwork for the next milestone, the 18,000 teu Malaccamax series, should an owner take such a bold step. With the knowledge gained from classing the world's largest containerships, ABS remained in the vanguard of understanding the technical challenges presented.

to introduce unilateral requirements to combat the perceived impact of ship emissions in port; to including protectively located fuel oil tanks in new designs in a way that would meet pending regulations but minimize any reduction in cargo capacity – an issue of particular concern to the designers of large containerships.

To better communicate the results of these various research programs, the Corporate Technology team worked closely with Divisional representatives to develop and run a series of seminars in the major shipbuilding and shipowning centers. The seminars proved to be so well received that the focus was broadened to include more operational topics, such as trading in US waters, carried out with the enthusiastic cooperation of the US Coast Guard.

Improved communication at all levels with our clients – shipyards, shipowners and operators and flag States – was an important agenda item throughout the year. The further implementation of the new web-based plan review program that allows designers to submit, track and receive back all drawings in electronic format provided a significant enhancement to the openness and responsiveness of the plan review process. Additional features of the web-based survey management program also focused on making it easier for owners to order surveys and to track their outcome.

On a more personal level, a new customer response team was formed in Greece whose members were freed from day-to-day obligations to focus their efforts entirely on strengthening our understanding of client needs and providing rapid resolutions to any issues that may arise. An increased share of the Greek

newbuilding orders gave an immediate indication of the success of this initiative in improving the dialogue with clients.

With so much activity, so many new initiatives and a growing client base, maintaining the quality of the ABS services remained of paramount importance throughout the year. ABS has long considered our port state control performance, as reported by the three principal regional authorities – the US Coast Guard, The Paris MOU and the Tokyo MOU, to be the best public accounting of the quality of our survey services. It was particularly heartening to find that, despite all the increased activity, ABS remained in the elite tier of all classification societies within all three jurisdictions.

This outstanding performance confirmed the effectiveness of our training programs at all levels, from new hires to experienced and veteran personnel. Providing new training facilities around the world, an aggressive training schedule, a very effective on-the-job mentoring program and continued emphasis on our technical capabilities meant that ABS could close out an extraordinarily successful 2007 confident that it had lived up to its never ending challenge of setting standards of excellence.





OFFSHORE & ENERGY

orldwide offshore exploration and production activity remained at a very high level throughout 2007, underpinned by a global demand for energy and oil prices that topped \$100 a barrel for the first time. Increased activity on the part of drillers and producers meant strong demand for ABS services, both at the shipyards for the construction of a new generation of offshore units and in the field in support of operators attempting to maximize returns from a robust charter market.

New construction activity was marked by series ordering of new, deep-drilling jackups, increased demand for sophisticated deepwater drillships carrying price

tags upwards of \$750m, and new purpose designed FPSOs, ordered at prices in excess of \$1bn each. As the traditional leader in offshore classification, ABS continued to ramp up its staffing and capability to meet this increased level of demand and maintain its leading position within the sector.

At year's end 76 percent of all mobile offshore drilling units on order at yards around the world, were contracted to be built to ABS class. This included a remarkable 94 percent share of all jackups on order, including many to the account of Scandinavian owners. In the expectation that many of these rigs would find subsequent employment in the Norwegian sector of the North Sea, ABS published its new Guide for Mobile Offshore Units Operating on Norwegian Continental Shelf, N-Notation early in the year. The Guide specifically addresses the technical requirements of the Norwegian Petroleum Safety Authority (PSA) which has supervisory responsibility for safety, emergency preparedness and the working environment in petroleum-related activities in Norwegian waters.

Conformance with the criteria in the Guide, in addition to the relevant ABS Rules, will qualify the unit for the issuance of the new ABS (N) notation. Receiving this notation may

then contribute to the evaluation of the unit by the PSA for the authority's issuance of the Acknowledgement of Compliance (AoC), which is mandatory for operation on the Norwegian Continental Shelf (NCS).



Drillships represented another success sector for ABS. Due to their very high value, the number of drillships ordered is small but ABS was able to secure a 61 percent share of all units on order by the close of the year, including 12 new orders placed in 2007. ABS was also contracted to class more than half of the new construction orders for semisubmersibles, thereby maintaining its share of the market at more than 53 percent. Many of these orders were for higher specification units, rated for operation in water depths of 7,500 feet or greater, with some intended for ultra-deepwater operation at locations approaching 12,000 feet depth. Additionally, ABS was deeply involved in projects to upgrade existing units for service in deeper waters, such as the semisubmersibles *Noble Danny Adkins* and *Noble Jim Day*.



As 2007 came to a close ABS saw a renewed

interest in floating concepts for handling stranded gas around the world. Although natural gas is abundant, more than one-third of global gas reserves are said to be stranded by their location or field size without commercially viable access to world markets. Estimates place these stranded gas reserves at more than 3,000 trillion cubic feet.

ABS reviewed an LNG FPSO design by SBM and German engineering firm Linde as a solution for capturing stranded gas reserves. The self-supporting, prismatic, IMO Type B (SPB) LNG tank technology developed by IHI of Japan is specified for the storage of the liquefied gas. The Linde Multi-stage Mixed Refrigerant (LiMuM) process has been selected for the liquefaction system. The FPSO facility will be able to treat, fractionate, liquefy, store and export the LNG as well as any by-products from the gas field production such as LPG and condensates.

ABS has extensive experience with all types of liquid gas containment systems, including the IHI tank system (SPB) having classed the only LNG carriers to use the SPB containment system. In addition, the world's first newbuild liquefied petroleum gas FPSO, Sanha LPG FPSO, was fitted with SPB tanks and classed by ABS.

Classification of production units tends to be skewed by national considerations, particularly with respect to FPSOs. Yet ABS continued to maintain its overall market leadership in this sector with a 43 percent share of the existing fleet, almost 20 points ahead of the nearest competitor, and a similar share of the newbuilding orderbook at year's end. Within that orderbook, ABS maintained a strong presence in the TLP, spar, semisubmersible and FSO sectors and maintained the second position within the steadily expanding FPSO market with an additional 16 new

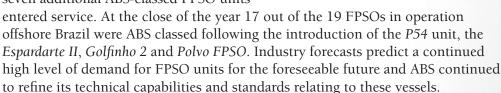
units slated to join the 50-strong ABS classed

FPSO fleet.

The largest, most sophisticated and most expensive FPSO ever constructed, the Agbami FPSO, was delivered into ABS class by Daewoo Shipbuilding & Marine Engineering (DSME) in Koje, South Korea late in the year for installation offshore Nigeria. The unit will operate for Star Deep Water Petroleum Ltd. (an affiliate of Chevron Corporation).

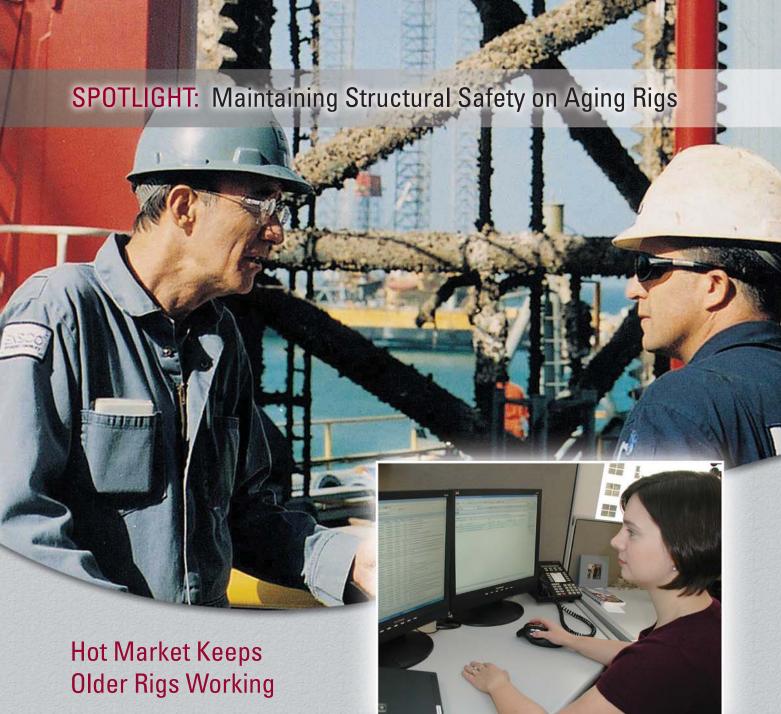
ABS classification of this unit included review of the FPSO hull structure, topsides, processing equipment, mooring systems, utility and safety systems as well as accommodations and the offloading systems. ABS has developed proprietary tools to evaluate dynamic load components, hull strength and site-specific fatigue assessments for FPSOs. In its class review of the Agbami, ABS employed a risk-based approach to the topside processing systems. The integration of the topside structure with the hull structure was a critical element of the overall evaluation as the 13 topsides modules totaled around 35,000 tons, requiring close review of the loads as well as detailed calculations relating to hull strength and fatigue assessment.

A regional FPSO success story for ABS was recorded in South America where, in 2007, seven additional ABS-classed FPSO units



The global offshore support vessel (OSV) fleet is an essential component of the offshore energy industry, with the number and sophistication of these vessels continuing to increase. In 2007, analysts forecast the global OSV fleet would see steady growth through 2020, part of which can be attributed to the expanded definition of what used to be simply called an offshore supply vessel. Today's support vessels include traditional supply boats, anchor-handling tug/supply vessels (AHTS), platform supply vessels (PSV), pipe laying/support vessels, diving support and construction vessels and well work-over units among others.





A booming market for mobile offshore drilling units (MODUs) is expected to keep many aging

rigs in employment for years to come. With an estimated 85 percent of the MODU fleet already 20 years of age or older, ABS has developed an Enhanced Monitoring System that gives owners, and the society's own surveyors, a clearer assessment of the structure of the most common jackup and semisubmersible standard designs. Many older rigs have been subject to structural repairs and equipment changeouts over the years that have updated their capabilities and extended their lives. This is especially true in the semisubmersible fleet, where first or second generation floaters designed in the 1970s and 1980s for service in 1,000 ft water depths have been transformed to work in deepwater of up to 10,000 ft.

The Enhanced Monitoring System offers operators a new way of looking at the maintenance of their older assets. The program can be integrated into an operator's electronic work tracking system and used to develop asset-specific hull integrity management plans. A pilot study focused on a selection of jackups and semisubmersibles that comprise the majority of the aging drilling fleet. Detailed analysis of accumulated data, coupled with the collective insights of a pool of the society's veteran rig surveyors, have created a customized rig inspection planning tool for each type of structure.

With a classed fleet of OSVs of over 1,200 vessels, ABS handles a significant proportion of the world's existing OSV fleet. At the close of the year, the active interest in these vessels was reflected by an ABS orderbook for a further 466 support vessels on order at yards around the world, with new yards in the Middle East and Asia entering the market for the first time.

With the revision to MARPOL Annex II and the IBC Code that took effect 1 January 2007, the reclassification of chemicals by IMO also impacted the carriage of specified liquid chemicals by OSVs. Designers and operators turned to ABS to assist them in clarifying the impact that the changes, originally driven by factors affecting the carriage of these substances in commercial tankers, would have on their niche activities.

A separate initiative relating to these vessels was undertaken by ABS in 2007 in partnership with the OSV community and the Institute of Sound and Vibration Research at the University of Southampton in England. The intent of the project was to calibrate and develop practical and achievable criteria to improve the operational and living conditions aboard these industry workhorses. It sprang from approaches to ABS by some of the leading operators of OSVs wanting to

apply the ABS crew habitability notation (HAB or HAB+) to their vessels. The study has included analysis of vessels from several **OSV** operators including Tidewater, Otto Candies, Edison Chouest and Rigdon Marine. ABS **Human Factors** Engineering (HFE) staff have gone onboard a range of vessels and taken measurements during both



transit and dynamic positioning (DP) operation modes to compare the data with current habitability criteria.

The year was also marked by the first award of the HAB+ notation to an ABS-classed mobile offshore drilling unit. The distinction went to the jackup *Soehanah*, one of a series of super premium jackups worldwide built to PPL Shipyard's proprietary Baker Marine Pacific 375 design. The rig entered service offshore Indonesia for its owner, PT Apexindo Pratama Duta Tbk.

Activity related to the production and carriage of gas remained at a high level throughout 2007 as the new generation of very large LNG carriers began delivery from Korean shipyards. The pace of ordering for these vessels declined, however, due to slippage in the schedules of some of the projected new LNG production





Orders for advanced capability jackups continued to flow into yards in Singapore, China

and the US throughout 2007. One of many operators placing orders and taking delivery of these much-needed units was Scorpion Offshore which had placed an order for a series of five LeTourneau Super 116 design rigs to ABS class from the Keppel AmFELS yard in Brownsville, Texas.

The first in the series, the *Scorpion Offshore Courageous*, was delivered in mid-year. The rigs have leg lengths of 477 ft. and can drill wells down to 30,000 feet in water depths of 350 feet. The other four Scorpion rigs being built to ABS Rules and standards are: *Scorpion Offshore Defender, Resolute, Vigilant* and *Intrepid* with the last scheduled for delivery during 2008.

The project was one of the first to use the new ABS web-based electronic plan review program. Declared a resounding success, it allowed six ABS engineers to simultaneously work on the review, each considering different elements of the design, while maintaining real time communication with the client to jointly view and discuss issues that arose.

trains. This softening was partially offset by continued owner interest in LPG carriers of all sizes such that ABS closed out the year with an orderbook of 35 gas carriers contracted to our standards, representing a 21 percent share of the market.

A notable milestone was the steel cutting for one of the first LNG carriers designed to receive ice-class notations. Hyundai Merchant Marine's 150,000 m³ LNG carrier, *Hyundai Ecopia*, dual classed by ABS and the Korean Registry (KR), is slated to serve Russia's Sakhalin Island project on delivery from Hyundai Heavy Industries (HHI) Shipyard in Ulsan, Korea.

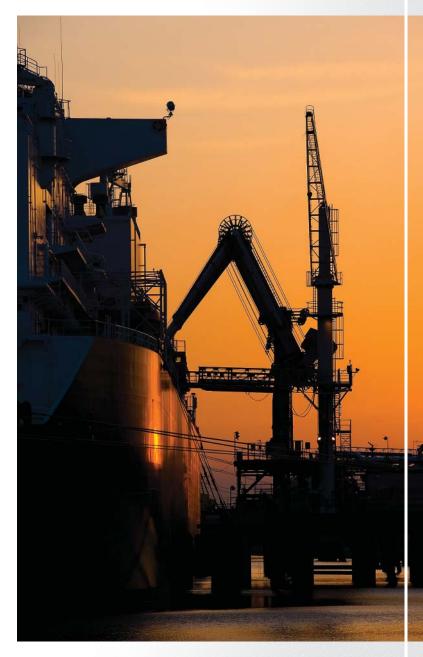
With vast reserves of oil and gas awaiting development in the Russian Arctic, ABS also focused a great deal of research effort on expanding its technical capabilities related to polar operations. A cooperative agreement with the Russian Maritime Register of Shipping (RS), signed in 2007, has created opportunities for the future dual classing of specialized, polar LNG and tanker tonnage.

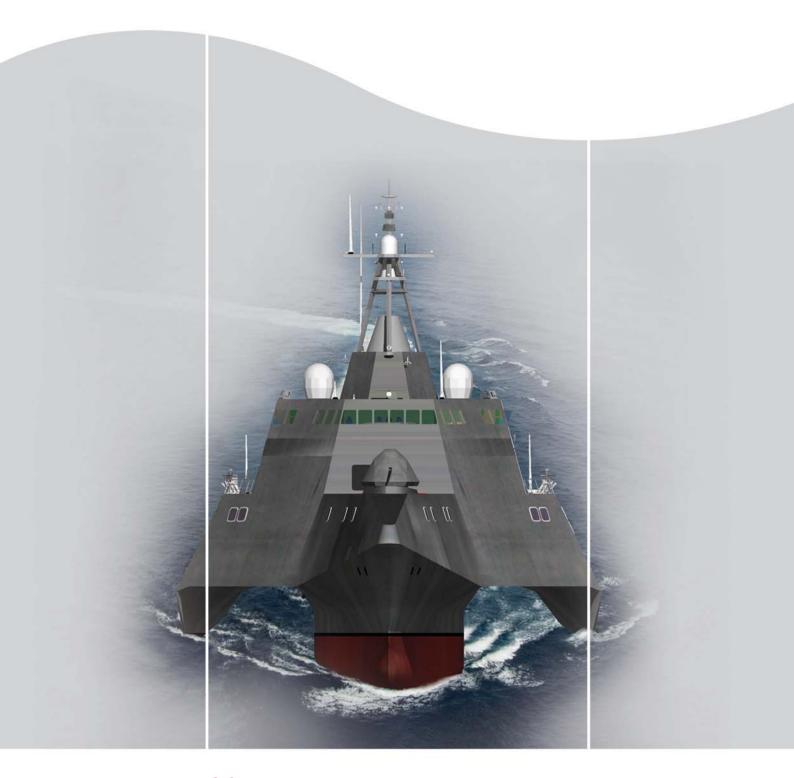
Despite continued interest in alternative gas transportation systems including compressed natural gas (CNG) and compressed gas liquid (CGL) for monetizing

smaller offshore fields of stranded gas, no orders for these specialized vessels materialized. With approvalin-principle already granted to all the leading competing technologies, ABS continued to assist these projects as detailed design work continued.

ABS also continued to play a role in bringing clean burning natural gas to the US, acting as the third-party Certifying Entity (CE) on behalf of the United States Coast Guard (USCG) for the Northeast Gateway Energy Bridge™ deepwater port in Massachusetts Bay. This was the first project for which the USCG designated ABS as a CE. In the role, ABS reviews the design, surveys fabrication and witnesses offshore installation of all components of the deepwater port.

With industry drilling in deeper water, and producing in harsher environments, the need for responsive, technical support is on an unbroken upward curve. Enhanced efforts to meet these industry needs left ABS well positioned to maintain its position as the leading provider of classification services to the offshore industry as 2007 closed on a bullish and optimistic note.





GOVERNMENT

he growing acceptance of ship classification within the naval ship engineering community reached a major milestone in 2007 when the US Navy announced it would keep its littoral combat ships (LCS) in classification after delivery, thereby signaling a new maintenance philosophy for naval vessels. The vessels will be maintained to the standards contained in a new section of the ABS *Rules for Building and Classing Naval Vessels* (NVR), jointly developed by the US Naval Sea Systems Command (NAVSEA) and ABS in a multi-year project. The Rules provide the technical basis and authorization for ABS classification of combatant ships and the certification for selected ship systems.

With more Naval vessels either under or nearing construction to ABS standards, and following the decision by the Navy to retain the LCS vessels in class, ABS appointed a veteran surveyor to the new post of Assistant Chief Surveyor for Naval Programs. The new position is responsible for coordinating the provision of all world-wide survey services to naval vessels, developing additional Rule requirements and notations and orchestrating the training of the ABS surveyor workforce in naval procedures and survey techniques.

Although ABS issues the relevant certificates under the *Naval Vessel Rules*, the US Navy retains its role as the ultimate technical authority. ABS functions as an independent certification agent and executes surveys in an autonomous manner. In light of the reduction of retained resources within most governments and navies, ABS is able to provide continuity regarding the engineering and survey aspects of certification. The objective is that the design, construction and installation of systems, equipment and components meet the performance requirements.

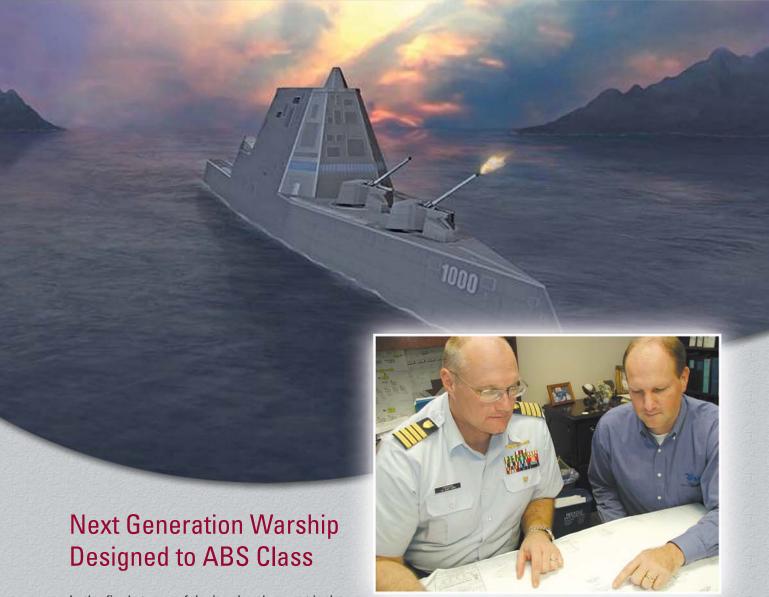
Other naval vessel types, such as high speed vessels based on designs originally developed by entities such as Austal and Incat, are built to the relevant criteria contained in the ABS *Guide for Building and Classing High Speed Naval Craft* (HSNC). ABS provided preliminary review services using the HSNC Guide for the

US Navy and Army Joint High Speed Vessel (JHSV). The program is expected to go to contract in early 2008. The vessel is a multipurpose highspeed naval support vessel with some similarities to recent commercial ferry designs.

For the United States Coast Guard (USCG), ABS continued to provide



# SPOTLIGHT: DDG-1000



In the final stages of design development is the new US Navy Land Attack Destroyer Zumwalt

Class (DDG 1000) which will be built to the ABS Rules for Building and Classing Naval Vessels.

The DDG 1000 is the first in a class of the US Navy's multi-mission surface combatants tailored for littoral, air and sub-surface warfare. It is the foundation warship for the Navy's surface combatants to be built in the 21st century. Current plans call for eight DDG 1000 destroyers to be built to ABS class.

Employing a dual lead-ship strategy, two shipyards, Northrop Grumman Ship Systems and General Dynamics, are concurrently each building a DDG 1000. The Navy's long lead time contract with both shipyards has ABS providing technical support and certification of key elements of the new design and systems.

ABS engineers in Houston and Washington DC within the Naval Engineering department provided on-going support throughout the year.

support services for its Integrated Deepwater Program, a 25-year, multi-billion dollar program designed to replace aging ships, aircraft and communication systems. The National Security Cutter (NSC) *USCGC Bertholf* (WMSL 750) was the first-in-class of these cutters built within the program. ABS is also providing certification for the remaining two Deepwater platforms, the Offshore Patrol Cutter (OPC) and the Fast Response Cutter (FRC).

The US Navy's Maritime Preposition Force future (MPFf) project continued to develop in 2007 as part of the Navy's seabase concept for the transfer at sea of military cargo. This is a new approach toward deploying forces that demands an assortment of military craft and equipment. ABS assisted the Navy with technical reviews of the various vessel types.

In support of the growing volume of military-related activity in 2007, ABS increased its staff in the Naval Engineering department, so that, by year's-end, more than 40 engineers were dedicated to naval projects at the Houston headquarters with additional engineers specializing in naval vessel design review assigned to the ABS offices in Washington DC and Sydney, Australia. These engineers were involved with a variety of projects for the US and other governments' navies, as well as programs for the delivery of more traditional noncombatant support vessels to various US agencies.

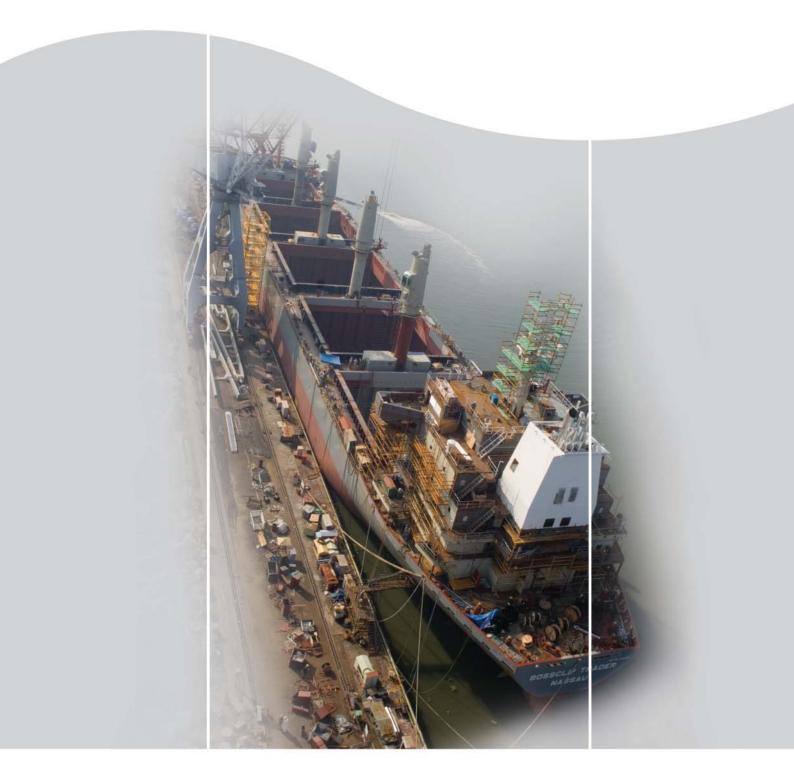
ABS continued to work with other navies from across the globe, with projects involving fast missile ships and patrol boats a particular focus. As part of this international outreach, ABS met with the officials from the Vietnam Register,

Vietnam Shipbuilders and Vietnam Defense Department to discuss the application of ABS **HSNC** Guide standards to the construction of patrol boats in Vietnamese shipyards.

ABS' experience with naval vessels was also used in support of the North Atlantic



Treaty Organization (NATO) during the year. As a member of the Naval Ship Classification Association (NSCA), ABS participated in the development of the Naval Safety Code which addresses naval ship safety in a manner that is similar to the International Maritime Organization's Safety of Life at Sea (SOLAS) requirements. The Code is expected to be published in 2008.



CLASS ACTIVITY

emand for new ships of all types and sizes in 2007 continued at historically high levels, raising the ABS orderbook to a new year-end record of 2,938 vessels aggregating 53.2m gross tons representing a market leading 20.7 percent share of the worldwide orderbook. This was complemented by a steady stream of deliveries that boosted the ABS-classed fleet to a new record of 135.4m gt.

ABS maintained its traditional leadership in the oil tanker sector, holding an overall 32 percent share of the orderbook at year's end. This strength was evident across all size ranges including a remarkable 47 percent share of all aframax tankers and a 35 percent share of all product tankers on order.

The year also marked a continuation of owners' interest in chemical carriers as a result of the re-categorization of many cargoes, previously capable of being carried in product tankers. As the year came to a close, the ABS chemical carrier orderbook had reached 282 vessels aggregating 4.4m gt.

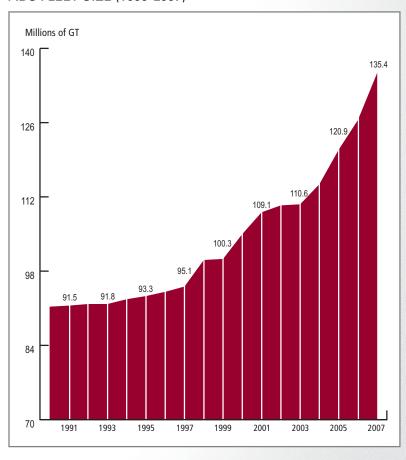
The bulk carrier sector was subject to heavy ordering during the year in response to strong current and projected charter rates. ABS performed extremely well in this sector, closing out the year with an orderbook of 398 vessels aggregating 15.5m gt, representing a 23 percent share of the worldwide bulk carrier orderbook.

Concerns about overcapacity were ignored by containership owners who continued to place orders at a steady pace throughout the year. Long-standing ABS containership clients continued their support bringing the orderbook for these vessels to 102 vessels.

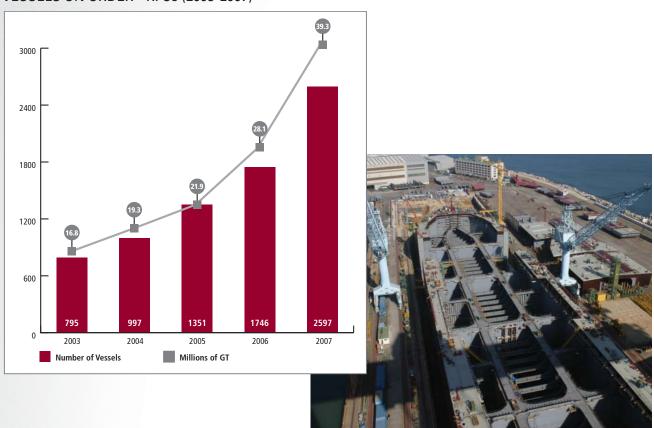
Global oil and gas exploration and production activity also continued at sustained high levels in 2007 resulting in new orders for units of all types, particularly jackups, drillships and FPSOs. ABS maintained its position within this sector with a 76 percent share of all MODUs on order. including a 94 percent share of the jackup orderbook, and a 42 percent share of global production unit orders.

Scrapping remained slow due to the robust charter markets for all the principal ship types, contributing to the unbroken upward climb in the total ABS-classed fleet throughout the year.

#### ABS FLEET SIZE (1990-2007)

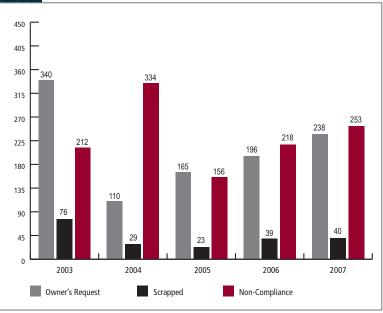


# VESSELS ON ORDER - RFCs (2003-2007)

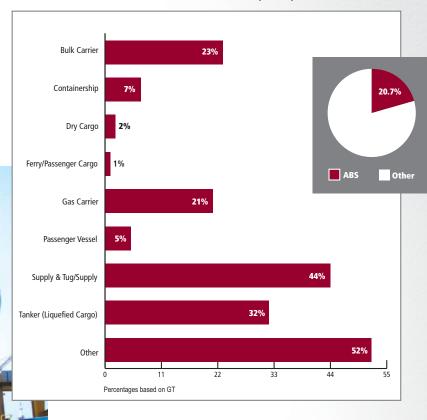




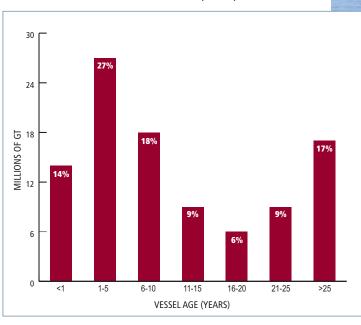
# VESSELS REMOVED (2003-2007)



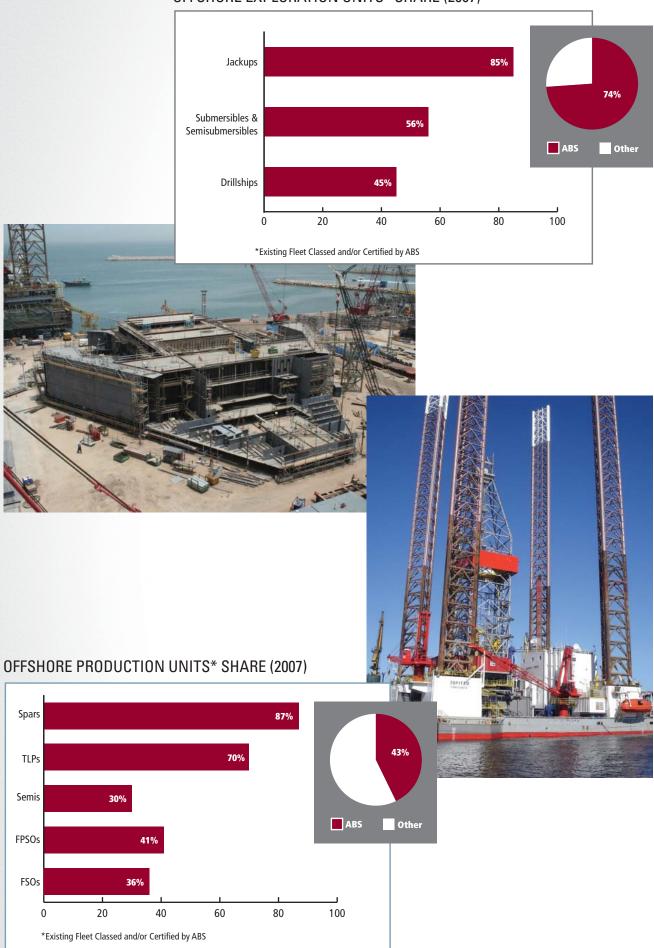
# SHARE OF WORLDWIDE ORDERBOOK (2007)



# EXISTING FLEET AGE PROFILE (2007)



# OFFSHORE EXPLORATION UNITS\* SHARE (2007)



# **CLASS ACTIVITY SUMMARY**

	Vessels in Class 31 Dec 2007		Vessels on Order 31 Dec 2007		New Vessels Classed in 2007	
VESSEL TYPE	NO.	<b>GROSS TONS</b>	NO.	GROSS TONS	NO.	<b>GROSS TONS</b>
Barge	2,660	7,958,906	464	1,591,959	228	820,634
Barge Carrier	7	261,780	0	0		
Barge Type Unit	34	115,705	3	26,600		
Bulk Carrier	712	24,957,080	299	10,600,176	46	2,123,991
Bulk Liquid Carrier	8	35,999	1	3,000		
Chemical Carrier	252	4,653,212	172	2,495,091	45	853,271
Column Stabilized Unit	150	2,245,613	23	0	3	14,018
Container Carrier	490	19,869,611	76	2,821,260	38	2,140,953
Dredge	25	105,467	0	0	3	11,755
Drillship	22	579,033	4	222,722		
Ferry	81	879,087	11	11,379		
Fishing Vessel	22	38,304	2	2,646		
Fixed Platform	169	28,269	30	16	18	0
Floating Dry Dock	18	188,328	2	3,808	1	0
FPSO/FSO	68	6,876,547	2	163,000	2	32,318
Gas Carrier	82	4,311,786	24	2,510,122	9	679,863
General Cargo Carrier	308	2,754,336	17	146,382	2	47,291
Heavy Lift Ship	11	319,669	1	12,000		
High Speed Craft	194	61,989	101	21,471	34	9,904
Ice Breaker	0	0	1	49,600		
Offshore Supply Vessel	958	982,689	151	245,945	27	62,997
Offshore Support Vessel	280	460,071	314	586,484	4	6,886
Oil Carrier	854	46,270,967	333	17,249,964	66	3,872,966
Passenger Vessel	42	456,936	37	207,645	2	695
Refrigerated Cargo Carrier	29	312,274	0	0		
Self Elevating Unit	402	2,312,729	76	9,255	16	130,605
Ship Type Unit (excl. FPSO/FSO)	21	1,589,619	1	59,000		
Single Point Mooring	48	1,119	19	0	1	0
Spar	13	121,771	1	0		
Special Purpose Vessel	512	1,225,709	29	73,367	7	10,421
Subsea Pipeline	9	0	2	0		
Swath Vessel	8	24,972	1	800		
Tension Leg Platform	8	14,480	2	0		
Tug/Towboat	1,155	503,492	224	158,569	126	127,378
Underwater System	57	93,863	13	4,206		
Vehicle Carrier	116	4,620,982	2	10,910	1	5,488
Yacht	471	147,803	159	45,219	45	16,144
TOTALS	10,296	135,380,197	2,597	39,332,596	784	10,967,578



FLEET MANAGEMENT SYSTEMS
AN AFFILIATED ACTIVITY

BS Nautical Systems LLC (ABS NS), an affiliate of ABS, returned another year of strong, sustained growth in 2007. Adjusting business practices to better serve its client base, ABS NS delivered breakthrough product enhancements, improved client communication channels, and achieved record revenues in both software and consulting services.

A leading provider of fleet management software, ABS NS offers the industry fully integrated modular programs designed to improve efficiencies across key operational areas such as maintenance, procurement, human resources and quality system management. Designed on the basis of input from a strong user group community, the ABS NS 5 software targets the key operational elements of an effective ship and fleet management program.

A major enhancement of the system occurred in 2007 with the development of a new vetting module. It is believed that this represents the first offering of a comprehensive, fully integrated fleet management software system that specifically addresses the vetting function to which all tankers and tanker operators are subject.



Designed in concert with leading tanker operator OSG Ship Management,

the vetting module assists tanker operators to improve the timeliness and accuracy of their responses to observations that are made during a vetting inspection. Anticipating similar vetting practices affecting the bulk carrier market in the near future, flexibility was a key factor in the design, which is sufficiently nimble that users can include any new vetting guideline documents as they enter into force.

This type of product development is driven by the feedback received at the annual ABS Nautical Systems Users Conference. A record number of participants gathered in Charleston, South Carolina in late 2007 to engage in more than 20 workshops to share best practices, learn new system features and define future enhancements. Feedback during these sessions indicated that the wealth of regulations and industry guidelines coming into force are making the proper documentation and administration of operations a critical business element.

In direct response to this information, ABS NS expanded the root cause analysis functionality within the system, integrating the Root Cause Map originally published by ABS, with the corrective action documents, allowing users to record multiple causes in their incident investigations. Other product enhancements included significant upgrades to the payroll module, incorporating features to facilitate the administration of Greek payroll taxes and US 401k deductions. Working closely with operators around the globe, ABS NS also released a comprehensive Master's General Accounting system to manage all cash transactions onboard.

### **SPOTLIGHT**: Supporting Fleet Growth



Seaspan Ship Management Ltd. (SSML) had five

ships when it selected the Maintenance & Repair module offered by ABS Nautical Systems (ABS NS), an affiliate of ABS, to facilitate their maintenance management. Five years later, at the end of 2007, they were operating 29 ships. The rapid growth proved to SSML that they required not only a software vendor, but a provider that would support the changing needs of the organization. Throughout the year, SSML and ABS NS came together as a team to address usage of the NS 5 Fleet Management Software. Nautical Systems' staff familiarized themselves with business processes and suggested ways to better incorporate NS 5 software to achieve desired results. As a result, SSML expanded their use of modules in the NS 5 products to include Purchasing and Inventory, Quality and Compliance, Crew Management and Crew Payroll.

Now utilized by SSML in nearly every operational department, the NS 5 suite of software is an integral component in its objective to be the best at what they do. As the provider of financial, technical, administrative and strategic services to Seaspan Corporation, one of the largest independent containership owners in the world, SSML challenges itself to be the most efficient while maintaining a high level of safety and quality. Based on current fleet expansion plans, by 2010 Seaspan will have more than 100 vessels in operation, making efficiencies both more critical and difficult to obtain.

By introducing web seminars during the year, ABS NS created a forum for clients to see product enhancements as they become available, allowing them to better evaluate the impact on their organization prior to implementation. Client communication was further enhanced through smaller user group meetings that focused on specific upgrades. These new discussion channels increased client awareness, shortened development cycles and improved product quality.

The company's consulting activities also grew encouragingly during the year. The growth was attributable to several factors including a new client support structure that allocates senior consultant resources to clients, the inclusion of operations staff in the sales discovery process, and significant expansion in support activities worldwide.

In 2007, ABS NS increased field support in areas with significant client presence. The Hamburg office was also expanded with additional consulting and support staff. Support staff in the Houston corporate office doubled by year's end.

Increased demand from clients for turnkey solutions resulted in ABS NS providing more than double the number of consultants embedded at clients' offices than in 2006. Assisting companies with database hierarchies, training and support, these entrenched consultants are well positioned to align the software use with business objectives, increasing efficiencies and the return on product investment.

New additions to the ABS NS network in 2007 included Maersk Marine Services (UK), Oceaneering International, Seabulk Towing, Sapura Acergy, Algoma Central Marine, Atwood Oceanics and Essar Offshore Services, bringing the total number of NS 5 installations to almost 4,000 worldwide.

Recognizing the significant costs incurred when acquiring and training new cadets, ABS NS has donated the fleet management software to maritime educational facilities around

the world, often working with clients to identify new institutions. In 2007 the opportunity arose to extend this pro bono work when, for the first time, ABS NS found itself in a position to donate the software and associated consulting services to a museum vessel. The recipient was the historic *S.S.* American Victory museum ship, one of only four remaining WWII Merchant Ships still sailing under the US flag.





Tony Nassif President & Chief Executive Officer ABS Group of Companies, Inc.

ontinued strong demand across all of our business sectors propelled the operating entities within the ABS Group of Companies to new highs in 2007. We experienced increased client demand for every element within our portfolio of core products and services. This resulted in a 30 percent year-on-year revenue growth and a strong upturn in profitability, comfortably exceeding prior year performances.

The year offered an opportunity for the continued development of our services which remain focused on assisting our clients to increase the safety of their operations, protect the integrity of their assets and improve the quality of their services. For ABS Consulting, the principal operating entity, the clients are mainly grouped within the public, energy, marine and corporate sectors. Through careful targeting and close client interaction, we were able to assist them to better manage their operational risks, reduce their exposure to natural hazards and, in a world still subject to random acts of terrorism, to mitigate those risks entirely attributable to the actions of individuals and groups.

Much of our growth can be attributed to the remarkable cadre of professionals who collectively compose ABS Consulting and ABS Quality Evaluations. These individuals provide us with a clear differentiator in what remains a highly competitive market. Their skills have led to the development of unique and market-leading products. And their professionalism and dedication to providing the highest possible levels of service continues to strengthen our relationships with clients in each sector of our activities. With the provision of practical life cycle management services as a key element of our activities, these growing relationships hold great promise for further expanding our activities in the future.

The entrepreneurial spirit of our staff has also been instrumental in our being able to expand the geographical reach of our activities, with the Middle East a particular area of development in 2007. Our activities in the Asia-Pacific theatre, in the UK and Latin America also were characterized by a sustained level of growth as new clients were introduced to the various product offerings of ABS Consulting and ABS Quality Evaluations.

This expansion of our activities has encouraged an aggressive recruitment program that will see our global workforce expand by more than 20 percent in the two year period through 2008. Fortunately, our exemplary reputation and strong name recognition have meant we continue to be in a position to attract outstanding talent to our team.

The coming year promises a continuation of this strong upward trend to our activities. A healthy year-end orderbook, an increase in annuity-style life cycle contracts and the pending release of several innovative new products, developed in close cooperation with our clients, are projected to more than off-set the projected softening of the global economy.

We are proud of our position as the leading US-based provider of global risk and integrity management solutions. Through developing and delivering superior products and services, we are determined that we will continue to exceed our clients' expectations in 2008 and the years to come.

Tony Nassif

President and Chief Executive Officer



**ENERGY & TRANSPORTATION** 

Responding to the needs of industry, ABS Consulting's Energy & Transportation division experienced another exceptionally busy year in all service areas. Its core product offerings of project management services, process safety performance review and structural analysis remained in demand for the oil and gas industry and for transportation systems.

During 2007, the division's nuclear services were expanded in safety and engineering services area with the addition of an Electrical, Control and Instrumentation (EC&I) capability. ABS Consulting provided safety support to the US Nuclear Submarine Program by performing impact assessments for nuclear waste storage packages used in nuclear clean up; seismic assessments, safety and EC&I support to existing power generation sites;

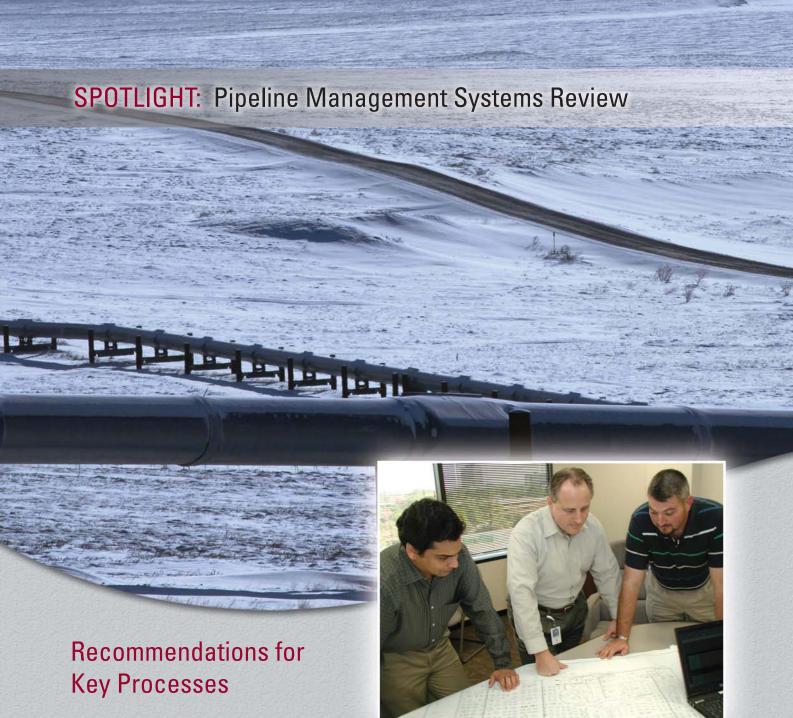


design justifications for high integrity nuclear lifting equipment; and extreme environmental loads for weapon production facilities.

Major commercial risk projects included a portfolio review of worldwide assets for a major mining company, seismic risk assessments for key production facilities of a leading European pharmaceutical company and for major oil and gas production sites in the Middle East. Other projects included a safety risk evaluation of oil production platforms in Central America.

The primary focus of the division continued to be in the oil and gas area, both onshore and offshore. As regional demand for liquefied natural gas (LNG) increased, ABS Consulting leveraged strong marine capability into siting studies, risk integration of consequence efforts and other risk assessment consulting. The division participated in projects in two plants in Brazil and two potential sites being evaluated in Chile.

In a world of increasing demand for energy, the search for reliable and safe alternative sources is imperative. The use of liquefied natural gas for certain applications has proven to be viable from both a technical and economic standpoint. However, LNG is still perceived as a high risk commodity by the public in general and by some of the personnel in regulatory agencies around the world. To help address and understand the real risks associated with LNG operations, in 2007 Petrobras called on ABS Consulting to perform risk assessments of proposed LNG projects in Brazil.



ABS Consulting was selected by Alyeska Pipeline Service Company (Alyeska), the operator of

the Trans-Alaska Pipeline System (TAPS), to help in a broad-based review of Alyeska's management systems (AMS). The intent was to verify that Alyeska was positioned to continue achieving stated goals related to safety, integrity management, compliance and reliability, and to identify opportunities for improvements in these areas.

The ABS Consulting team was comprised of individuals with extensive experience in process safety, risk-informed decision-making, and management system audit and evaluation. The team evaluated more than 30 documented processes and systems and other major programs. The tasks varied from a broad evaluation of overall management systems and processes, to detailed review of focused management system activities and examinations of specific maintenance and project activities. The division also provided recommended improvements as part of the review. A total of 69 such items were documented in the eight assessment task reports. Alyeska then proceeded to develop Management Action Plans (MAPs) to address the recommendations together with other work remaining under their overall Unified Plan for improvement.

Due to increasing consumption of natural gas in Brazil and supply reliability issues, Petrobras is developing two LNG import terminals with planned start-up operations in 2008. One of the terminals will be in Guanabara Bay and the other at the port of Pecem, on Brazil's northeast coast. Regulatory agencies in Brazil required that a risk assessment be performed and approved for the conceptual design and the subsequent basic design, prior to allowing Petrobras to obtain the preliminary license to start the project.

The proposed LNG terminals incorporate an innovative concept by bringing together two vessels, one a traditional LNG carrier and the other a carrier modified to serve as a floating storage and regasification unit (FSRU). The FSRUs are anchored at piers in sheltered locations. The vaporized natural gas is moved onshore by a submarine pipeline, which connects to the Petrobras network of natural gas pipelines. The terminals will only be used when required by low water levels in hydroelectric power plant reservoirs (80 percent of Brazil's power generation capacity is hydro-based). When not in use, the FSRUs can be disconnected and used as regular carriers.

ABS Consulting's studies considered: the LNG carrier entry into the port; the regasification process; and the natural gas pipeline. The work focused on development of accident scenarios and their probable consequences in order to assess the potential impact of the proposed LNG activities on the environment,

population and surrounding facilities. The studies were needed to demonstrate that the terminals would meet specific requirements of the pertinent Brazilian regulatory agencies. ABS Consulting provided recommendations for the mitigation of identified risks to Petrobras. Based on presentations of the studies by ABS Consulting to the Brazilian regulatory agencies and subsequent review of study results, both studies were approved by the government as part of the terminal licensing process.

In support of clients' needs with respect to networks of aging pipelines and related infrastructure assets, ABS Consulting developed and implemented a pipeline integrity management framework to verify that these assets are suitable for continued safe, environmentally-responsible service minimizing unplanned downtime. Additionally, the division





RTM STAR Center's Tankship Liquefied Gases

course was certified by ABS Consulting as fulfilling the requirements of the Society of International Gas Tanker & Terminal Operators, Ltd. (SIGTTO), LNG Shipping Suggested Competency Standards. This certification makes RTM STAR Center the first and only training organization in the US and one of only eight organizations in the world thus far accredited or certified as meeting the SIGTTO standards.

The certification process by ABS Consulting included a gap analysis and in-depth review of all student and instructor training materials followed by a rigorous two-day onsite audit by a team of auditors from ABS Consulting that included experienced LNG personnel. The RTM STAR Center program is certified by ABS Consulting as meeting the SIGTTO LNG Shipping Suggested Competency Standards for all officer ratings. Officers with SIGTTO certified training meet stringent industry guidelines and standards as well as owner, operator and charterer requirements in the LNG sector.

RTM STAR Center, with locations in Fort Lauderdale, Florida and Toledo, Ohio, is recognized internationally as a leading maritime training and simulation center, and is the primary training provider to American Maritime Officers (AMO) union members.

conducted work related to design certification for subsea pipelines and associated structures as well as gap analysis, development of procedures and training with several customers in Brazil.

In the offshore sector, ABS Consulting worked closely with Petrobras in addressing life cycle asset management to maintain structural and operational integrity. Unplanned or increased downtime for FPSO assets can have significant financial impact, particularly at current hydrocarbons prices. To this end, the division continued work in asset integrity, reliability, risk-based inspection and numerical modeling techniques in the GIEN (integrated naval engineering management) project for Petrobras. 2007 marked ABS Consulting's fifth year of work on this project. It also successfully reached agreement on a five-year extension. For work with FPSOs, the division worked closely with Petrobras in coordination of all class maintenance-related activities for assets in the Albacora and Marlim fields in the Campos Basin. Another major project was with Bergesen, assisting Pemex' first FPSO to be located in the Gulf of Mexico with regulatory compliance and permitting support.

Throughout 2007, the Energy and Transportation team performed work highlighting the importance of risk-based process safety. ABS Consulting supported BP Corporation North America in their efforts to identify opportunities to improve process safety within their refineries, and continues to assist BP in this endeavor and in other areas of risk-based process safety and safety culture awareness. Supporting BP's efforts, ABS Consulting provided technical, project management, training and logistical support to improve process safety management effectiveness at its five US refineries.





ABS Consulting conducted an initial hazard

identification (HAZID) study for Repsol's established oil field in the TSP block, offshore Trinidad, relating to the safety systems on all assets across three offshore fields. Proactively, Repsol initiated an upgrade program for the protection of people, the quantitative risk assessment being one initiative in recommending further risk reduction measures. ABS Consulting continued with the assessment, by considering one of the three fields in the TSP block to act as an initial benchmark.

The work involved quantitative assessments for the consequence of fire and explosion, evaluating the acceptability of the safety systems. This project comprised three studies – fire and explosion risk analysis, escape and evacuation risk assessment and a final cost benefit and risk reduction report to assist stakeholders in making a qualified judgment on the effectiveness of remedial measures including recommendations that are designated high, medium or low priority. The upgrade program continues into 2008 with renewed emphasis on the implementation of the risk reduction measures.

In the discipline of risk-based process safety, ABS Consulting has earned a reputation for its ability to help organizations implement process safety programs. Companies such as BP Refining US Operations, Maersk Oil and others have contracted with ABS Consulting to perform process safety studies. The scope of these contracts has taken the organization inside domestic refineries and offshore oil platforms in Qatar, Denmark and the United Kingdom. The reviews evaluate the effectiveness of process safety management activities, assess the existing process safety culture of each region, and determine ways to achieve sustainable improvement of process safety.

In another instance, ABS Consulting undertook a periodic safety review (PSR) of a number of a client's facility sites. Initially, ABS Consulting was engaged to review the client's proposed plan for this work and to suggest areas for improvement. As a result of this review, ABS Consulting provided a methodology for streamlining the process. The second phase of the work required the team to develop a specific PSR plan for a decontamination and waste treatment plant at the site, and also to provide training for the site personnel involved in the process. The final phase of this work is to provide support to the PSR program for the site facilities.

Confirming its reputation as a leading provider of hazard and risk analysis and management, ABS Consulting released version 5.0 of its THESIS BowTie<sup>TM</sup> software. This software graphically displays the relationship between hazards, controls, risk reduction measures and business activities. The software works within a company's business model to point out hazards in categories such as safety, health, environment,

business and security.
The market-leading software's approach to risk management is highly visual, allowing the management process and interlinking of elements to be readily understood at all levels within the business.

The Marine Services group within the division completed 70 condition assessments of older tankers and bulk carriers. This was the highest number of assessments completed in a one-year period since the Condition Assessment Program (CAP) began. In addition, ABS Consulting



was approved by leading ship vetting specialist RightShip to act as a recognized supplier to conduct condition assessments for capesize bulk carriers.

As the division continues to work steadfastly on the various projects, in the coming year ABS Consulting will be placing more emphasis on developing services that address the life cycle maintenance of marine assets including hull and machinery management programs, environmental management services and training.



CORPORATE

BS Consulting's Corporate division helps clients understand and more effectively manage natural hazard and man-made catastrophe threats affecting property, business continuity, safety and the environmental impact of business activities. Coupling the group's engineering capabilities with EQECAT's catastrophe modeling software, the division can help improve clients' operational and financial performance by providing technology-based solutions for managing the financial consequences of natural hazard, operational and security risks.

In 2007, ABS Consulting began focusing its business development efforts in two designated areas of the market – the insurance/financial markets and the corporate risk management segment. The insurance and financial markets continue to emerge with future growth opportunities in software products, especially in the crossover of these two segments related to quantifying and managing catastrophe risk. The corporate risk management area continues to expand, offering additional software and consulting growth for the division. This segment continues to look beyond traditional risk transfer to solve its risk management needs. Three key consulting product offerings were identified including: global portfolio risk screening supported by EQECAT software for property and business continuity needs; site-specific risk assessments for natural and man-made hazards; and

supply chain and business continuity risk assessments.

**ABS** Consulting achieved notable success with the development of its new EQECAT Gulf of Mexico US Offshore Energy model, which helps underwriters and operators better evaluate their risk exposure to hurricanes in the Gulf. This model is used in underwriting primary and/or reinsurance contracts for property damage, business interruption and contingent business interruption for offshore energy clients with Gulf of



Mexico exposed assets. The division awarded software license agreements to key reinsurance companies, including Lancashire Insurance (a Bermuda-based primary specialty insurer specializing in aviation, energy, marine and property insurance), Validus Holdings (a Bermudian reinsurance company specializing in property catastrophe, marine and energy), and Flagstone Re and Citadel/CIG Re (a Chicagobased hedge fund and their wholly-owned, Bermudian reinsurance subsidiary). These multiyear contracts were in place to support these clients in managing their 2007 renewal season.

The division embarked on a new focus for developing risk management consulting business in several key segments outside of the traditional insurance markets

## SPOTLIGHT: Gulf of Mexico US Offshore Energy Model



# A Better Tool to Manage and Quantify Risk

Hurricanes Katrina and Rita churned through the Gulf of Mexico in 2005 destroying 115 platforms,

severely damaging another 52 and disrupting at least 650 pipelines. The resulting multibillion dollar losses rekindled the anxiety for insurers, reinsurers, risk managers and energy companies as to the potential for future damages in the Gulf.

Using the catastrophe modeling software of its subsidiary EQECAT, ABS Consulting designed a model to quantify offshore energy risk and enable underwriters to write business interruption coverage with greater confidence than before. The goal was to provide a model that took into consideration the highly specialized needs of the offshore energy industry, information relating to pipeline fragility, reliability and repair time to estimate efficiently both business interruption and contingent business interruption.

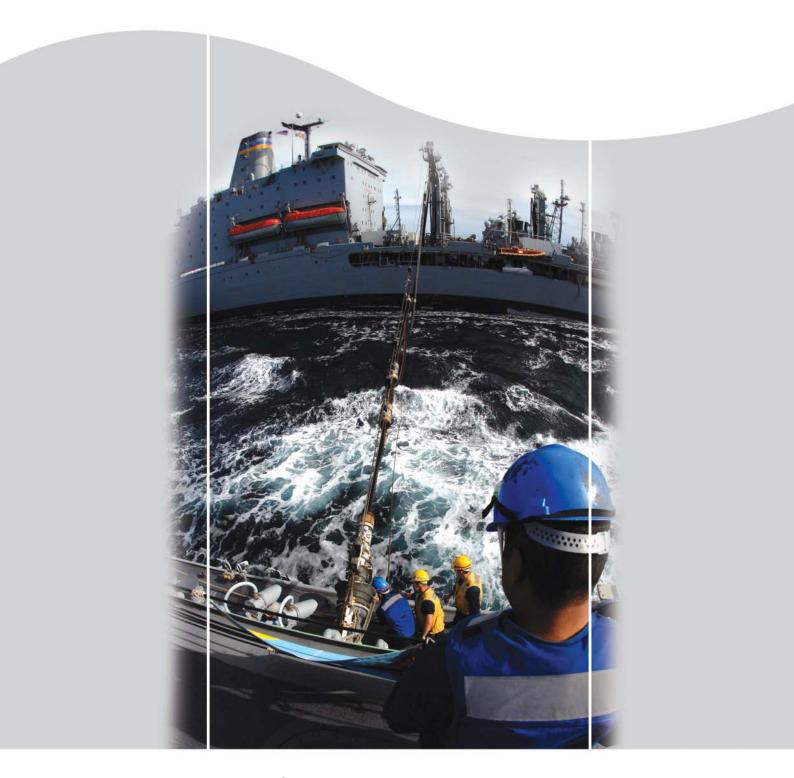
For a model to be useful it must simulate the principal agents of damage — wind, wave and current — and the vulnerability functions should reflect the performance of the structures, machinery and equipment in the Gulf. This is the first probabilistic model providing a specialized capability to assess hurricane risk in the Gulf and to estimate the risk taking into account the different insurance coverages and practices.

including manufacturing, pharmaceuticals, logistics, food and beverage processing, banking and mortgage lending, resorts and large retail. This focus comprised a concerted effort to coordinate the division's varied consulting capabilities into a few packaged offerings addressing critical business issues in these segments. This enabled the division to win some unique consulting projects in Europe and North America including global risk assessment modeling for firms such as Sanofi Aventis and Rhodia, Inc. as well as natural hazard site risk assessments for groupings of critical assets exposed to business continuity risk for Fresenius, Cadbury Schweppes, Natexis and Citigroup.

For Sanofi Aventis, the project had a unique two-fold approach. ABS Consulting screened Sanofi Aventis' global property asset and production portfolio exposed to natural hazards, identifying those facilities that presented the highest level of risk to business interruption potential and impact to continuity of operations. This phase was supported by a more detailed assessment of the highest risk contributing sites. The focus was placed on risk management approaches and options that could reduce business continuity and supply chain risk that best suit the firm's short and longer term growth and performance objectives.

The division was restructured to better serve its designated market segments beyond the traditional insurance market and to improve its ability to service and support its important software licensing business in a changing risk management marketplace. The restructuring has enabled the division to establish account management positions that better utilize domain expertise on the client's business operations and assure a high level of service delivery and support.





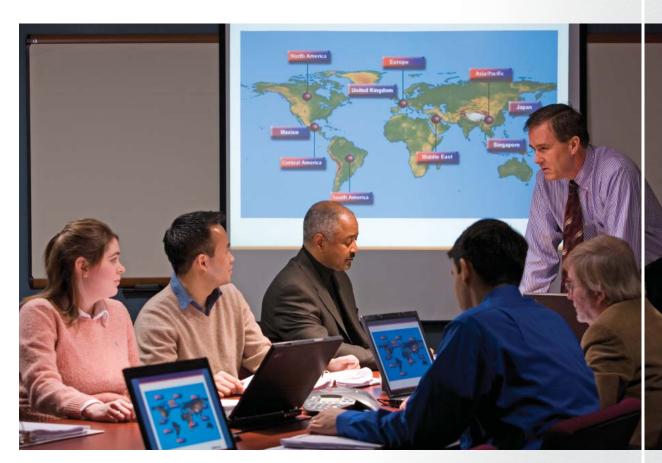
PUBLIC

n view of the increasingly diverse risks that threaten the assets and overall performance of agencies within federal, state and local governments, ABS Consulting's Public division expanded its portfolio of related services with additional capabilities. The division leveraged its heritage as an independent third-party validator and source for providing analytical alternatives for the many challenges that face the US federal government.

For example, the Transportation Security Administration within the Department of Homeland Security retained the Public division to conduct an analysis of the entire United States aviation domain. This work, predicated by Homeland Security Presidential Directive-16, is both progressive and groundbreaking as it completes the division's suite of capabilities within the entirety of the transportation sector – maritime, mass transit, rail, highway, pipeline and aviation.

The year saw the division continuing to work with the United States Coast Guard (USCG). A particular focus was an alternatives analysis of the possible ways to satisfy the Coast Guard Integrated Deepwater System mission needs. The USCG's IDS Program is the largest and most innovative acquisition in the Coast Guard's history. At full implementation, the Integrated Deepwater System comprises three classes of new cutters and their associated small boats, a new fixed-wing manned aircraft fleet, a combination of new and upgraded helicopters and both cutter-based and land-based unmanned air vehicles. Since its inception, the Deepwater program has undergone several major changes. Alternatives analysis is conducted whenever significant changes occur in requirements, life cycle cost estimates or return on investment assessments.

For the alternatives analysis study, ABS Consulting conducted a targeted market survey of 50 companies that could potentially have candidates for surface and air platforms and that could meet the IDS performance requirements. Overall 23





raised the level of awareness regarding terrorist attacks on public buildings. The General Services

Administration (GSA), landlord for most US federal buildings, instituted a program to mitigate the risk of vehicle bomb attacks for key facilities.

ABS Consulting played a leading role in determining the potential consequences of a terrorist attack and in developing cost effective solutions. The project included assessment of glass hazards and progressive collapse potential for more than 100 facilities across the US. Each project included an inspection of the building construction, structural drawings and key security features. Modeling of glass and structural performance for specified threats were developed to determine the extent of structural damage that would produce unacceptable risks. Retrofit strategies to address these predicted hazards were developed and the analyses were run again with the modifications in place to verify the risk mitigation criteria were met. Cost estimates for the building modifications were generated together with conceptual drawings.

ABS Consulting developed specialized software tools to increase efficiency and improve the technical accuracy of the analysis. These efforts resulted in a unique analysis capability, which led to project scope expansion to address additional facilities.

companies provided data on 44 surface and air platforms, or C4ISR programs, through the initial outreach. The team used a three-step approach in conducting the technical analysis, which included: preliminary screening – comparing each of the platforms/systems against the USCG's performance requirements in their Mission Needs Statement; secondary screening – evaluating additional performance parameters; and detailed analysis – ranking the most efficient platforms based upon performance, cost, schedule and logistics.

Other USCG work included tasks under its blanket purchase agreement for enterprise leadership architecture. Teaming with strategic partners, the ABS Consulting team assisted the USCG with maritime security plan review and management; policy, plans and program development associated with maritime transportation security; ferry/terminal security policy; state and local interface with the area maritime security committees; port closures and subsequent recovery activity. Additional tasks included technical advice, assistance and

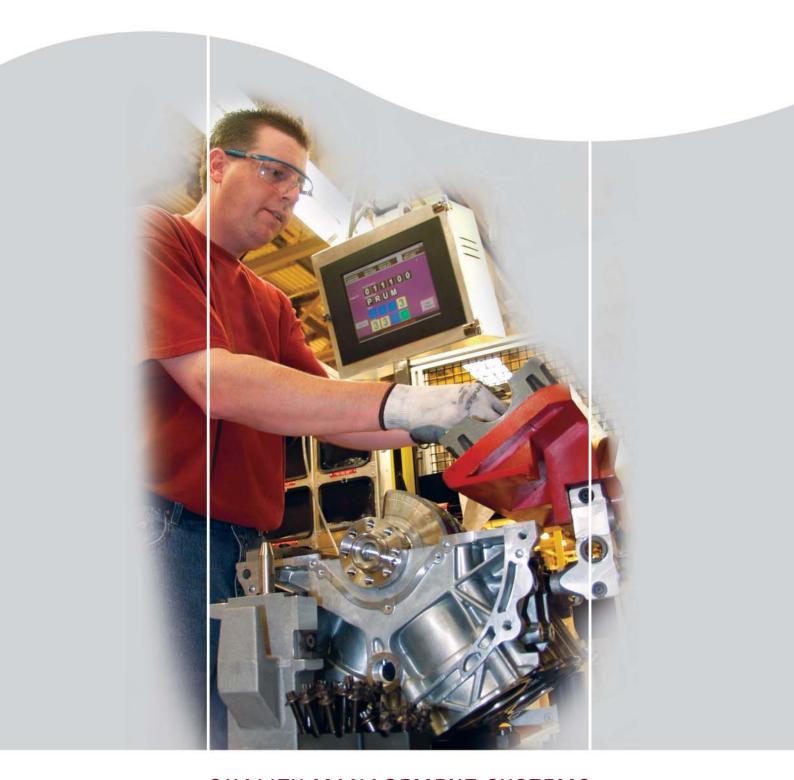
facilitation services in support of development and implementation of an organizational doctrine, methodology, and tools for managing risk, readiness and resources across the US Coast Guard.

For the US Navy, ABS Consulting led the analysis of the Navy Warfare Development Command's maritime domain awareness experimentation. This experimentation systematically assesses the performance and key uncertainties associated with technologies, organizational aspects and policies and procedures used by the Department of Defense (DoD), the Department of Homeland Security and the intelligence community for gaining insights into vessel and commercial maritime operations. The division provided doctrine development including extending the Maritime Headquarters with Maritime Operations Center doctrine, experiment design and analysis, including a major exercise involving collaboration among a variety of DoD, intelligence and related entities for a European Command.

Additionally for the US Navy, the division developed a prediction method that provided rationale

US, COAST GUARD

for management of the inspection intervals for weight handling crane hooks. The project required experimental fatigue testing, appropriate non-destructive testing (NDT) theory, fracture analysis and crack growth modeling – all incorporated into a structural reliability framework.



QUALITY MANAGEMENT SYSTEMS

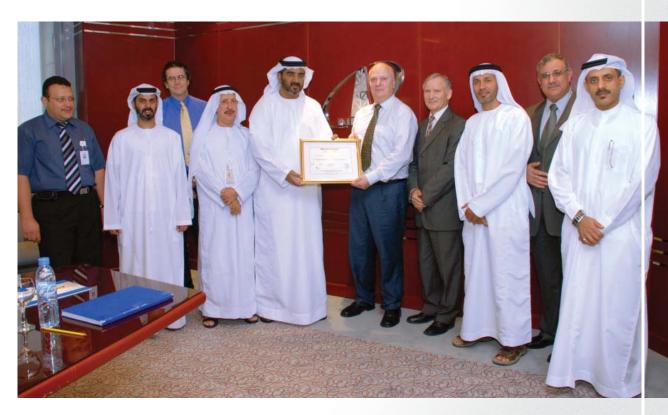
ocusing on expanding its activities by targeting specific regions within the US, China, India and the Middle East, ABS Quality Evaluations, Inc. (ABS QE), a subsidiary of ABS Group of Companies, marked another successful year in 2007. ABS QE continues to provide certification of accredited quality management systems to various industries by offering new certifications to meet the needs of companies worldwide. ABS QE also migrated into the training arena as an emerging service to complement certification and audits.

In addition to being an established and respected third-party auditor, ABS QE uses its experience in certification programs, which meet or exceed international accreditation requirements and the rigid standards of the industry, to work with organizations to understand their needs and develop and implement a qualification and development program that achieves stated goals.

ABS QE's second-party services employ auditors who possess extensive work experience in relevant industries as well as management system audits. Using this experience to assess an organization's suppliers' capabilities can help verify that the suppliers meet their customer's requirements and organizational goals.

ABS QE's client listing continues to diversify and grow around the world. ABS QE provided second-party audits for the Coca-Cola Company worldwide utilizing Coca-Cola's *Supplier Guiding Principles*. The Coca-Cola Company's *Supplier Guiding Principles* (SGP) emphasize the importance of responsible environmental and workplace policies and practices that comply, at a minimum, with applicable local laws and regulations, fair labor practices, provisions for a safe and healthy workplace and protection of the environment. For Whirlpool Corporation, ABS QE performed second-party audits in Brazil to 600 suppliers.

MODEC International, a procurement, engineering and project management services company, utilized the services of ABS QE for second-party audits, gap analyses and management system training for its international operations including locations in the US, Mexico, Brazil, Singapore, Japan, Europe and Africa.







## QE Expands Safety Certification Offerings

In 2007, ABS QE achieved IECQ HSPM QC 080000

accreditation and expanded its wide range of quality, safety and environmental standards by developing programs that focus on hazardous substances and food safety. With recent concerns for the safety of items produced with hazardous substances such as lead, the QC 080000 standard helps organizations and manufacturers manage hazardous substances by implementing a Hazardous Substance Process Management (HSPM) system. ABS QE is approved to operate as a Supervising Inspectorate for the QC 080000 program in the Asia-Pacific and Americas regions.

In the area of food safety, ABS QE began offering ISO 22000:2005 certification. ISO 22000 is designed to allow all types of organization within the food chain to implement a food safety management system. Organizations range from feed producers, primary producers, food manufacturers, transport and storage operators and subcontractors to retail and food service outlets. ISO 22000 addresses the significant increase in illnesses caused by infected food. ABS QE issued its first certificate to ISO 22000 to National Dairy Joint Stock Company located in Vietnam. ABS QE was able to expand its success with the QC 080000 and ISO 22000 by providing related training. ABS QE offered QC 080000 Lead Auditor courses in Singapore and the Philippines and three IRCA Registered ISO 22000 Lead Auditor conversion courses in Vietnam.



With regard to ABS QE's mainstay of quality and environmental management system certifications, ABS QE certified the Prison Industry Authority (PIA), headquartered in Folsom, California, to ISO 9001:2000 quality standards. PIA is an inmate work program that provides productive job opportunities for inmates in the California correctional institutions. The scope of certification covers the design and manufacture of modular metal furniture. As the first of its type for ABS QE, the PIA certification scope expanded to cover products and activities at Folsom and other PIA locations.

Tapping into another area for certification services, the offshore drilling market, ABS QE certified the management system of National Drilling Company (NDC), a subsidiary of Abu Dhabi-based ADNOC, to ISO 14001:2004 environmental standards. The certification covered the company's head office as well as 26 offshore and land drilling rigs. ABS QE also provided first-party audits to Nabors Drilling International on its drill rigs located across the world.

To help Vietnamese companies join the global market, ABS QE partnered with Vietnam-based Vinacert Conformity Assessment Limited Company (Vinacert), which will act as the local representative of ABS QE in Vietnam in the provision of services related to certification and certain management systems. Under the agreement, Vinacert and ABS QE formed an alliance to provide certification services for local organizations that will be recognized worldwide.

ABS QE's global resources provide industry expertise and an unmatched knowledge of certification processes in the areas of quality, the environment, safety and social accountability. Unrelenting customer focus and commitment allows ABS QE to serve customers worldwide with expert management system certifications.



COMMUNITY SERVICE

nvolvement in the community is simply a natural extension of the ABS mission. Our staff of more than 3,000 employees around the world is involved in the communities we serve. Not many organizations have the global reach to touch the lives of people in more than 70 countries.

Since ABS' operational policies are audited by IACS, various flag States, EMSA, SGS and other agencies, a culture of quality and safety permeates everything we do. Concern for the environment is a primary concern as our engineers and surveyors carry out their daily tasks, always mindful of the role class plays in the shipping safety regime.

The commitment to ABS' work and mission combined with an awareness of social responsibility led employees worldwide to participate in many local events and fundraising activities.

At a corporate level, ABS continued its longstanding tradition of supporting scholarships and internships at major maritime colleges and universities worldwide. The commitment was further strengthened in 2007 with ABS reactivating its board level executive committee dedicated to supporting maritime education. The committee reviews and approves the growing number of opportunities for making financial commitments to maritime education.

An example of this type of commitment was the memorandum of understanding (MOU) ABS signed with the Centre for Offshore Research and Engineering (CORE) at the National University of Singapore (NUS) during the year. The MOU further extends the ABS commitment to marine and offshore education and research in the Republic. The three year MOU addresses offshore technology research with ABS in addition to establishing and funding a research scholarship at





Dawn, 7 December 2007. On the stormy waters off Korea's west coast two tugs struggled to

control their tow, a large crane barge. When one of the tow lines parted, the barge drifted into the anchored, laden VLCC, the Chinese-owned *Hebei Spirit*, puncturing three of its cargo tanks.

The resulting spill, estimated at more than 10,000 tons of crude oil, was the worst in Korea's history. More than 375 km of coastline, mainly in Chungchongnam-Do province was affected. The response of the Korean people was immediate and amazing. More than one million citizens were estimated to have descended on the beaches and rocky shores of the coast, volunteering to help clean up the oil and minimize its impact on the local fishing and tourist industries.

That volunteer army included surveyors from the ABS office in Koje who joined a larger team from the Samsung shipyard to mop up the mess. Pictured above are ABS surveyors Kil-Bong Baek, Young-Ho Jang and Yong-Koo Lee, appropriately dressed in protective gear for the grimy task. The clean up is estimated to have cost the government around Won 110bn (\$115m) and the total compensation claims are expected to exceed Won 400bn.

NUS. It is hoped that this collaboration will foster the next generation of technical talent, committed to maritime excellence.

These activities are in parallel with ABS' recently established Singapore Offshore Technology Center (SOTC) supporting offshore developments in Southeast Asia. Highly qualified engineers staff the Center which has the mission to form partnerships with universities, shipyards, design agencies and other organizations to advance offshore technology innovation.

Other efforts are more personal and stem from the willingness of ABS staff members to contribute their own talents and time to community service. For example, ABS was again invited by valued client BG to participate in its BG US Challenge. This is a multi-faceted competition designed to raise money for St. Jude Children's Research Hospital. The ABS team members biked, canoed and problem-solved as part of this adventure team raising several thousands of dollars.

Another team of bikers from ABS headquarters once again gathered sponsorship for their participation in the BP MS 150 race, raising awareness and money for curing the disease Multiple Sclerosis. And also within the US, ABS continued its support of the Texas Gulf Coast United Way campaign with employees joining together to make a record contribution to the charity.

In Europe, staff members spent a damp weekend taking part in the charity cycle tour Tour Pour La Mer to raise money and awareness for the Mission to Seafarers and other causes.

Although dealing with an unprecedented amount of work throughout the year, ABS Pacific Division employees found time to make a difference in their

communities. ABS Senior Surveyor Paul Riley from the Koje office in Korea took time out to lend a hand harvesting radishes for locals that are disabled and unable to tend to their gardens. Riley participated in the event organized by Samsung's Design Division.

New hire surveyor Kevin Martel, also in Korea, found time within his busy schedule at the DSME Shipyard to teach conversational English to a youth class at Jangsanpo



Presbyterian Church. Students between the ages of eight to 14 enjoyed this opportunity with Martel teaching them everything from dates and times, to tongue twisters, introductions, birthdays, adjectives and popular American phrases. And, when the ABS Koje Soccer Team won the Geoje Mini World Cup, a popular local recreational soccer team event, the group donated its cash prize to a local charity the Geoje Sarang Eui Gip (The House of Love), an assisted living facility for the elderly.

Whether organized philanthropy, or just employees giving of their time, anywhere in the world ABS employees feel they can make a difference.



CORPORATE GOVERNANCE

#### ABS BOARD OF DIRECTORS

#### The mission of ABS

is to serve the public interest as well as the needs of our clients by promoting the security of life, property and the natural environment primarily through the development and verification of standards for the design, construction and operational maintenance of marine-related facilities.



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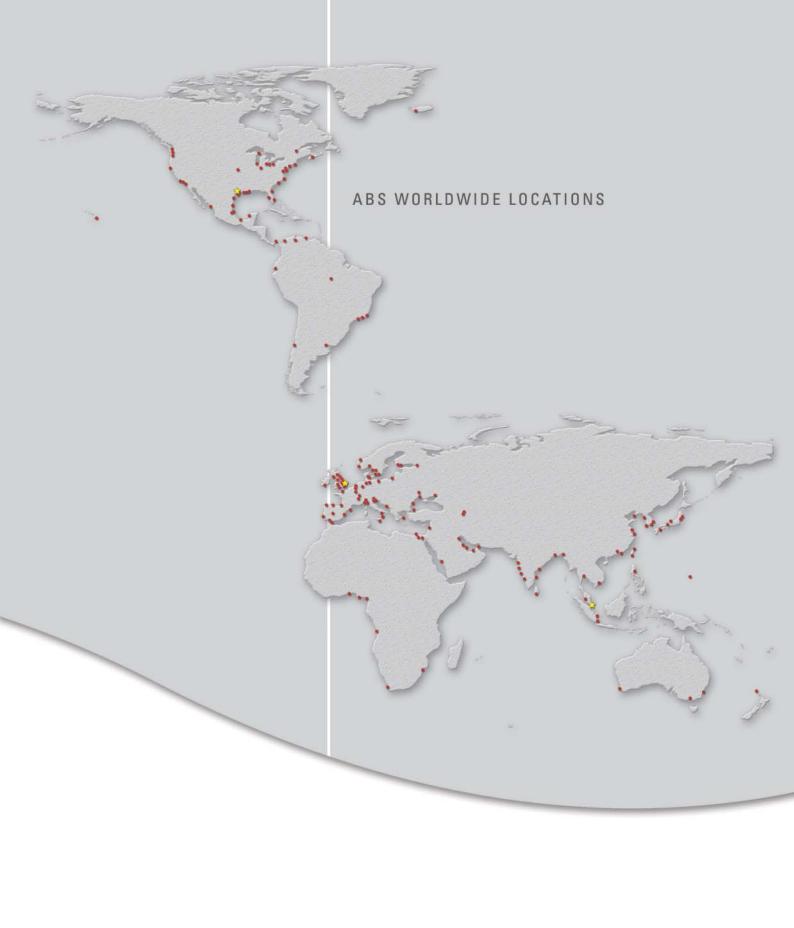
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