Hallin

HALLIN MARINE SUBSEA INTERNATIONAL PLC

INTERIM RESULTS 2007

CHAIRMAN'S and CHIEF EXECUTIVE'S JOINT REPORT AND INTERIM FIGURES

The half year to 30th June 2007 has seen the profitable fruition of a number of our new business initiatives, underpinned by solid results for our core subsea contracting activities. The fundamental drivers of the business; oil and gas prices and resultant demand for offshore construction, repair and maintenance services, remain strong.

Revenue from our core subsea contracting business rose to $27.73 million in the first half, more than doubling the equivalent figure for 2006 ($13.054 million). Gross margins also improved to 21% versus 12% at mid year 2006. The sale of our Sat02 and ADS04 diving systems announced in February contributed a further $3.033 million nearly equalling a similar sale in 2006. Administrative expenses rose in the period from $2.304 million in 2006 to $4.456 million reflecting the fundamental reorganisation which took place at the end of last year and the opening of the UK based operations. Our profit from operations for the 6 month period was $4.602 million, a rise of 79.7% over 2006. Similarly EBITDA at $5.743 million for the half year was 76.6% up on last year. Finance costs resulting from the Group's continuing significant investment in operating assets rose in the period to $557,000 leaving pre-tax profits ahead by 37.7% at $3.977 million. Earnings per share rose 10.9% to 9.35 cents, after adjusting for the increase in the number of shares arising out of our fund raising in April 2006.

The positive effects of the restructuring that came into effect on 1st January 2007 are now being felt throughout the business, as reflected in the commercial results, impacting particularly on the improved margins. The longer established Eastern operating group remains the largest revenue and profit generator with an increasing number of larger contracts utilising our long term charter vessels contributing most, both to the revenue growth and increased profitability. We have been encouraged by the performance of our Western group, still in its first 12 months of trading which turned over $8.32 million, some 30% of total group turnover.

In July we announced the signing of a contract for the sale of the Subsea Operations Vessel ("SOV") Ullswater the income from which will be booked in 2008. The contract has provided immediate benefit to the business providing $5 million for current ongoing builds of Saturation Diving Systems and Remotely Operated Vessels ("ROV"s), with the potential of a further $5 million should we decide to proceed with the construction of a further similar Subsea Operations Vessel. The SOV Ullswater will be available to the Company under a 10 year charter agreement from its delivery, expected to be in the third quarter of 2008.

We took delivery of the long term charter vessel Sanko Angel in May and she has been engaged on profitable work in Sakhalin Island since that date. As anticipated, we are experiencing high demand for this vessel and the yet to be delivered Ullswater, with solid visibility of potential future contracts up to 3 or 4 years ahead. Phased increases of our vessel fleet with a mix of owned and chartered vessels are important for us to achieve our targeted levels of growth in our core business. We are in active discussion with a number of prospective yards and expect to commit to a further SOV build contract in the second half of this year.

For the last two years, as part of our normal business activities, the Company has maintained a policy of selling our older Saturation Diving Systems and replacing them with new build, class compliant, state of the art portable Saturation Diving Systems. New systems will be built in-house utilising the new cost effective construction facility we set up in Singapore at the beginning of this year. This will enable us to build at a sufficient rate to continue to increase our net annual total inventory of systems and at the same time to address the current growing demand from the industry for the supply of first class systems. This strategy is clearly advantageous for us and enables us to offer to our customers a fleet of state of the art equipment

In our last report we announced the asset delivery operations referred to above would become a separate manufacturing profit centre. We have now formed a new Singapore subsidiary, Hallin Engineering Services Pte Ltd which commenced operations in August. In addition to the ongoing manufacture of equipment for our own use, we are pleased to announce the first contract amounting to at least $6.8 million to build saturation diving equipment for a third party. We anticipate continuing to develop this aspect of the business and see a clear demand for us to build a broader range of subsea equipment in support of our own projects, and for third parties.

Looking ahead we see a strong market, but inevitably at present the Company remains asset focused. Adding quality subsea operations equipment to our inventory remains an important cornerstone of our growth strategy and plans going forward include a net addition of one Saturation Diving System per year, in the medium term, after allowing for any sales of existing equipment. We will also be adding to and diversifying the types of our ROV inventory to achieve a mixed balance of ROV technical capability.

Subsea operating assets remain in short supply worldwide, and our average equipment utilisation rates are above 80%. Charge rates and margins have continued to rise, and there is a clear trend of clients seeking to contract subsea services further in advance and for longer term contracts. This is reflected in our forward order book, which is currently running at more than $40 million for work in the period beyond September 2007 which includes the recently announced letter of intent from Conoco Philips valued at $9.8 million.

Your board is currently seeking ways to diversify the business further in order to maintain our record of successful growth in revenue and margin. Increasing the number and type of Subsea equipment, particularly of SOVs remains key to this strategy. In addition we are also developing plans to add other profitable business lines, which can broaden Hallin's scope of services and thereby add value to the whole.

We trust you will share our pleasure in the progress of the business in the first half of 2007. It is an exciting time to be in our industry and we have positive expectations for the rest of 2007 and beyond. We look forward to being able to report further continued progress again at the year end.

Tony Ebel
Chairman

John Giddens
Chief Executive

18th September 2007

UNAUDITED INTERIM CONSOLIDATED INCOME STATEMENTS

For the six months ended 30th June, 2007

	6 months ended 30th June, 2007 (Unaudited) USD'000	*6 months ended 30th June, 2006 (Unaudited) USD'000*	*12 months ended 31st December, 2006 (Audited) USD'000*
Revenue	**27,730**	13,054	38,865
Less :- Cost of sales	**(21,853)**	(11,493)	(32,989)
Gross profit	**5,877**	1,561	5,876
Other income	**3,181**	3,304	3,507
	9,058	4,865	9,383
Administrative expenses	**(4,456)**	(2,304)	(5,606)
Profit from operations	**4,602**	2,561	3,777
Finance costs	**(557)**	(25)	(43)
Exchange (loss)/gain	**(68)**	352	440
Profit before taxation	**3,977**	2,888	4,174
Taxation	**(236)**	(24)	(278)
Net profit for period/year	**3,741**	**2,864**	**3,896**
EBITDA	**5,743**	**3,252**	**5,470**
Earnings per share (cent)			
– Basic	**9.35 c**	**8.43 c**	**10.53 c**
– Diluted	**9.35 c**	**8.42 c**	**10.52 c**

UNAUDITED INTERIM CONSOLIDATED BALANCE SHEETS

As at 30th June, 2007

	30th June, 2007 (Unaudited) USD'000	*30th June, 2006 (Unaudited) USD'000*	*31st December, 2006 (Audited) USD'000*
Non-current assets			
Plant and equipment	**43,030**	15,043	31,185
Current assets			
Assets classified as held for sale	–	–	1,541
Contract work-in-progress	–	–	913
Trade and other receivables	**12,941**	12,754	15,047
Related parties	–	145	19
Cash and cash equivalents	**3,507**	7,266	2,350
	16,448	20,165	19,870
Total assets	**59,478**	35,208	51,055
Equity attributable to equity holders of the parent			
Share capital	**672**	672	672
Share premium	**17,314**	17,234	17,314
Reserves	**9,358**	5,283	6,285
Total equity	**27,344**	23,189	24,271
Non-current liabilities			
Long term loans	**16,880**	318	12,147
Deferred taxation	**38**	7	38
	16,918	325	12,185
Current liabilities			
Trade and other payables	**11,996**	11,571	10,651
Short term loans	**2,916**	56	3,769
Related parties	–	–	19
Current tax payable	**304**	67	160
	15,216	11,694	14,599
Total liabilities	**32,134**	12,019	26,784
Total equity and liabilities	**59,478**	35,208	51,055

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30th June, 2007

	6 months ended 30th June, 2007 (Unaudited) USD'000	*6 months ended 30th June, 2006 (Unaudited) USD'000*	*12 months ended 31st December, 2006 (Audited) USD'000*
Cash flows from operating activities			
Profit before taxation	**3,977**	2,888	4,174
Adjustments for:-			
Exchange alignment	**(20)**	(18)	22
Interest expense	**557**	25	301
Interest received	**(72)**	(114)	(198)
Value of employee services received for issue of share options	**100**	10	32
Depreciation	**1,209**	339	1,253
Gain on sale of plant and equipment	**(2,982)**	(3,449)	(3,447)
Operating profit/(loss) before working capital changes	**2,769**	(319)	2,137
Changes in working capital :-			
Trade and other receivables	**2,106**	(5,475)	(7,768)
Contract work-in-progress	**913**	–	(913)
Amounts owing by related parties	**1**	(145)	(1)
Trade and other payables	**1,344**	5,357	4,438
Amount owing to a shareholder	**–**	(275)	–
Cash deposit pledged	**455**	(2,580)	(472)
Borrowings – for factoring of receivables	**(59)**	–	1,712
Cash from/(used in) operations	**7,529**	(3,437)	(867)
Income taxes paid	**(93)**	(10)	(141)
Cash flows from / (used in) operating operations	**7,436**	(3,447)	(1,008)
Investing activities			
Purchase of plant and equipment	**(12,908)**	(9,728)	(27,983)
Proceeds from sales of plant and equipment	**4,550**	5,250	5,250
Interest income	**72**	114	198
Cash flows from investing activities	**(8,286)**	(4,364)	(22,535)

The accompanying notes are an integral part of these financial statements

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the six months ended 30th June, 2007

	6 months ended 30th June, 2007 (Unaudited) USD'000	*6 months ended 30th June, 2006 (Unaudited) USD'000*	*12 months ended 31st December, 2006 (Audited) USD'000*
Financing activities			
Interest paid	**(557)**	(25)	(301)
Repayment of finance leases	**(48)**	(17)	(113)
Issue of shares	**–**	11,707	12,257
Issue costs	**–**	–	(550)
Repayment of shareholder loan	**–**	(501)	(275)
Repayment of debenture loan notes	**–**	–	(501)
Dividends paid	**(800)**	(580)	(580)
Proceeds from borrowings	**3,626**	–	13,570
Proceeds from finance leases	**7**	–	–
Repayment of borrowings	**(972)**	–	–
Cash flows from financing activities	**1,256**	10,584	23,507
Net increase/(decrease) in cash and cash equivalents	**406**	2,773	(36)
Cash and cash equivalents			
At beginning of financial period/year	**1,377**	1,913	1,413
At end of financial period/year	**1,783**	4,686	1,377

The accompanying notes are an integral part of these financial statements

NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

1 **BASIS OF PRESENTATION OF INTERIM FINANCIAL STATEMENTS**

The interim financial information for the six months ended 30th June 2007 and 2006 is neither audited nor reviewed, but has been prepared in accordance with accounting policies set out in the annual report and accounts for the year ended 31st December 2006. This interim financial information does not constitute statutory accounts within the meaning of section 240 of Companies Act 1985.

The figures for the year ended 31st December 2006 have been extracted from the annual audit report and accounts. The audit report on that report and accounts was unqualified.

2 **EQUIPMENT PURCHASES**

During the six months ended 30th June 2007, the Group acquired plant and equipment with an aggregate cost of US$12,908,000 (June 2006: US$9,728,000), of which US$ 7,000 (June 2006: US$ Nil) was acquired by means of finance leases. Cash payments of US$ 12,901,000 (June 2006: US$9,728,000) were made to purchase plant and equipment.

During the year ended 31st December 2006, the Group acquired plant and equipment with an aggregate cost of US$28,373,000, of which US$ 390,000 was acquired by means of finance leases. Cash payments of US$ 27,983,000 were made to purchase plant and equipment.

3 **EARNINGS PER SHARE**

The earnings per share has been calculated on the profit for the period ($3,741,000) and the weighted average number of shares in issue during the period (40,025,000 shares).

4 **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS**

	6 months ended 30th June, 2007 (Unaudited) USD'000	*6 months ended 30th June, 2006 (Unaudited) USD'000*	*12 months ended 31st December, 2006 (Audited) USD'000*
Profit for the period/year	**3,741**	2,864	3,896
New shares issued	–	170	170
Premium on new share capital subscribed	–	11,537	11,617
Currency translation differences	**32**	–	28
Value of Employee Services	**100**	10	(47)
Dividend Payments	**(800)**	(579)	(580)
Opening shareholders funds	**24,271**	9,187	9,187
Closing shareholders funds	**27,344**	23,189	24,271

5 **CONTINGENCIES**

The Group has a potential liability amounting to approximately US$744,000 arising on the charter of a vessel. The case is currently in arbitration and no provision has been made in the these financial statements based on legal advice.

6 **CASH FLOW**

For the purposes of the consolidated statements of cash flow, the consolidated cash and cash equivalents comprised the following:

	6 months ended 30th June, 2007 (Unaudited) USD'000	*6 months ended 30th June, 2006 (Unaudited) USD'000*	*12 months ended 31st December, 2006 (Audited) USD'000*
Cash and bank balances	**3,507**	7,266	2,350
Less: bank overdrafts	**(1,206)**	–	–
Less: fixed deposits pledged	**(518)**	(2,580)	(973)
Cash and cash equivalents as per Consolidated statements of cash flow	**1,783**	4,686	1,377

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