



HALLIN MARINE INTERNATIONAL PLC AND ITS SUBSIDIARIES

INTERIM RESULTS 2009



HALLIN MARINE SUBSEA INTERNATIONAL PLC

("Hallin" or the "Company" and, together with its subsidiaries, the "Group")

Chairman's and Chief Executive's Report



Tony Ebel - Chairman



John Giddens - Chief Executive

We are pleased to report that, despite the challenging economic climate, the Group has achieved first half revenues in line with the corresponding period last year, when the market was especially buoyant. The Group's first half revenues were US\$60.27 million, versus US\$59.58 million in 2008. As previously announced, margins have come under pressure, but we expect them to be sustainable at the current levels. The Group achieved a gross margin of 29.1% in the period, down from 31.8% in the first half of 2008. Together with a higher level of overhead expenditure, primarily relating to the acquisition of Prospect Flow Solutions Limited in August 2008, this has resulted in a lower EBITDA of US\$14.24 million (23.63%) against US\$16.66 million (27.96%) in the first half of 2008. Earnings per share expressed in our reporting currency were 20.2 cents compared to 28.0 cents in the same period last year.

The highly volatile oil price of late 2008 and early 2009 has created considerable uncertainty in the industry. Whilst bidding activity remained high at the beginning of 2009, we witnessed a diminished level of actual contract awards, leading to increased competition and higher price sensitivity. In recent months confidence appears to be slowly returning to the oil and gas services market, following a period of more stable prices. It should be noted, however, that a number of factors remain which have the potential to prolong the uncertainty in the market. Oil prices, whilst currently at US\$70 per barrel and slowly rising, remain well below the level that generated the hyperactive market of last year. Maintaining confidence depends on price stability which creates revenue certainty for operators and any significant short-term oil price fluctuation in either direction has the ability to erode confidence again after the experience of the last twelve months. Overall, the industry is dependent on the sustained availability of investment and project finance. The longer-term picture of worldwide demand outpacing supply is clear and a significant number of projects are in the pipeline to help address this. However, the continuity of projects and the predictability of start dates are dependent on the reliability and availability of lines of finance. It is this, together with the drive from oil majors for cost savings, which is having a significant impact on our industry at the present time.

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

(CONTINUED)

Contracting Divisions

The subsea contracting picture is at its most complex for several years with marked geographical variations. Our East Division, trading in the Asia Pacific region, generated revenues of US\$36.4 million in the first half of 2009, representing 60% of Group revenues. However, it did so in the face of increased regional competition that impacted margins. West Division, trading mainly in the European and Mediterranean region, reported revenues of US\$18.5 million or 31% of Group revenue. The margin pressures have been less on the West Division but demand has been lower, resulting in lower utilisation of their Remote Operating Vehicle equipment, particularly the smaller inspection vehicles. The results of our West Division have also been particularly affected by the adverse movement of over 30% in dollar / sterling exchange rates. Overall, however, returning confidence in the market is generating a more robust pattern of demand which is reflected in our rising forward order book which now stands at US\$55.3 million, an increase over US\$53 million, the last figure disclosed by the Company in March this year at the time of the 2008 annual results announcement.

Prospect

Our Engineering Division, Prospect, experienced a significantly lower level of business in the first half but, encouragingly, is now seeing signs of a recovery. A new subsidiary, Prospect Asia, was formed in February, co-located with Hallin in Singapore. This entity has already won interesting new work in both oil and gas and renewable energy fields and further new opportunities have been identified. A decision was made to close the loss making Prospect office in Norway. The engineering focus is now on the profitable sectors of Prospect's operations, particularly those in Asia and the more established Prospect markets in the UK and Houston. The closure of the Norway office involves a non-recurring write-off of US\$448,000, which has been provided for in full in the first half 2009.

“ The more competitive market place created by the economic conditions this year has validated the Group's long-term strategy for developing state of the art, cost effective and fit for purpose equipment to enable us to bid competitively for work whilst still achieving healthy profit levels. ”

Marine Division

The Ullswater, Hallin's first Subsea Operations Vessel, has performed well since delivery in February 2009, achieving utilisation of 88% to the end of June. The sale and leaseback of this vessel was successfully completed in February, contributing over US\$3 million to earnings and enabling the repayment of the loan drawn to finance the construction of the vessel. As announced on 11 September 2009, the vessel has been immediately contracted from late September for inspection, repair and maintenance work in Indonesia, with a contract value of US\$20 million, and which will utilise the Ullswater through to January 2010, with further contracted work to be carried out in mid 2010.

The build of our second Subsea Operations Vessel, the Windermere, is progressing well at the Drydocks World shipyard in Singapore, and delivery is scheduled for the second quarter of 2010. Based on enquiries currently being received, we remain confident about the ongoing demand for our specialist vessels and also for the long-term charter vessel, the Sanko Angel, which achieved 83% utilisation in the first half of the year.

CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

(CONTINUED)

Manufacturing Division

The Company is continuing with the development of new operating assets and, in addition to the Ullswater, the first half has seen delivery of a new portable saturation diving system, three work class Remote Operating Vehicles (two built by our Manufacturing Division) and two inspection class Remote Operating Vehicles. The value of operational equipment on the balance sheet has risen to US\$51.85 million from US\$31.89 million at the beginning of the year. The value of equipment under construction has fallen to US\$28.09 million after the US\$45 million disposal of the Ullswater and US\$14.70 million additions to the Windermere under build. Prudently, the Group has hedged a substantial proportion of the foreign currency exposure related to the Windermere construction contract.

Financial

The cash position of the Group remains strong, with cash balances reported of US\$18.6 million at 30 June 2009 (US\$23.0 million at 31 December 2008). Borrowings, the majority of which are long term loans to purchase operating assets, fell to US\$38.2 million at 30 June 2009 from US\$42.6 million at 31 December 2008, resulting in a gearing ratio of 26.1%, down from 30.8% at December 2008. We will continue to draw on facilities already in place to complete the construction of the Windermere.

Summary and Outlook

The more competitive market place created by the economic conditions this year has validated the Group's long-term strategy for developing state of the art, cost effective and fit for purpose equipment to enable us to bid competitively for work whilst still achieving healthy profit levels. Our core Subsea Operations Vessels, Diving and Remote Operating Vehicle assets have performed well and continue to experience high utilisation. However, an older vessel that Hallin had taken on charter at 2007 rates to meet the demand levels of 2008 proved hard to place with clients in the 2009 market. Consequently, the vessel was significantly under utilised in the early part of the year and the Board took the decision to negotiate early release of this vessel, which involved a termination payment of US\$720,000, the cost of which is included in these results.

We continue to expand the fleet of operating assets and currently have under construction two further work class Remote Operating Vehicles and a modular Saturation Diving System. We are also in an advanced stage of negotiation to enter into a long-term charter for a new-build specialist Remote Operating Vehicle support vessel to supplement our West Division's contracting activities. If this project proceeds as expected, this vessel would be available in the second half of 2011. We continue to look for other opportunities to further expand our range of assets.

Whilst a high level of economic uncertainty remains, there are recent indications of potential improvements. Our industry has reverted to a more normal pattern of order lead time compared to 2008 and the financial performance of the Company for the year will, in part, depend on the success we achieve in winning business during the traditionally quieter final quarter of the year as well as completing the sale of one of our older Saturation Diving Systems before the year end.

Overall, we remain confident in the outlook for the business and the current climate contains as many opportunities as challenges. Our management team has focused on tight control of our key operations so as to ensure that we are in an excellent position to take maximum advantage of the recovery when it comes. We continue actively to develop the Company and its revenue generating assets, seeking to deliver the best possible performance and growth in a difficult environment.

Tony Ebel - Chairman**John Giddens - Chief Executive****Windermere takes shape**

12/08/2009 Singapore

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2009

		6 months ended 30 June 2009 (Unaudited) USD'000	6 months ended 30 June 2008 (Unaudited) USD'000	12 months ended 31 December 2008 (Audited) USD'000
	Note			
REVENUE		60,266	59,581	139,898
Cost of sales		(42,722)	(40,615)	(92,159)
GROSS PROFIT		17,544	18,966	47,739
Other gains and losses	3	3,308	2,940	7,148
Administrative expenses		(9,847)	(7,461)	(17,993)
Finance costs		(871)	(638)	(1,496)
Profit before taxation		10,134	13,807	35,398
Taxation		(1,777)	(2,568)	(3,922)
Net profit for period		8,357	11,239	31,476
Other comprehensive income				
Exchange differences on translating foreign operations		4,132	52	(4,058)
Total comprehensive income for the period, net of tax		12,489	11,291	27,418
EBITDA		14,241	16,659	41,202
Earnings per share (cents)	4			
- Basic		20.22	28.02	77.61
- Diluted		18.75	26.46	72.23

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2009

	Note	30 June 2009 (Unaudited) USD'000	30 June 2008 (Unaudited) USD'000	31 December 2008 (Audited) USD'000
NON-CURRENT ASSETS				
Plant and equipment	5	82,909	79,531	97,585
Goodwill		7,583	-	7,583
Investments		1,299	-	361
CURRENT ASSETS				
Contract work-in-progress		(1,857)	2,446	(2,166)
Trade and other receivables		30,851	33,869	32,235
Related parties		12	13	12
Cash and cash equivalents		18,635	12,357	23,012
		47,641	48,685	53,093
TOTAL ASSETS		139,432	128,216	158,622
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT				
Share capital		698	678	696
Share premium		20,663	17,675	20,540
Reserves		53,679	26,274	42,419
TOTAL EQUITY		75,040	44,627	63,655
NON-CURRENT LIABILITIES				
Long term loans		31,546	34,621	21,939
Deferred taxation		37	45	38
		31,583	34,666	21,977
CURRENT LIABILITIES				
Trade and other payables		24,432	31,900	40,654
Payment received on account		-	9,800	9,800
Short term loans		6,698	4,306	20,684
Related parties		-	-	-
Current tax payable		1,679	2,917	1,852
		32,809	48,923	72,990
TOTAL LIABILITIES		64,392	83,589	94,967
TOTAL EQUITY AND LIABILITIES		139,432	128,216	158,622

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 30 JUNE 2009

	6 months ended 30 June 2009 (Unaudited) USD'000	6 months ended 30 June 2008 (Unaudited) USD'000	12 months ended 31 December 2008 (Audited) USD'000
Opening shareholders' equity	63,655	33,702	33,702
Profit for the period / year	8,357	11,239	31,476
New shares issued	2	6	24
Premium on new share capital subscribed	123	361	3,226
Currency translation differences	4,132	52	(4,058)
Value of employee services	112	63	81
Dividend payments	(1,341)	(796)	(796)
Closing shareholders' equity	75,040	44,627	63,655

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009

	6 months ended 30 June 2009 (Unaudited) USD'000	6 months ended 30 June 2008 (Unaudited) USD'000	12 months ended 31 December 2008 (Audited) USD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	10,134	13,807	35,398
Adjustments for:-			
Exchange alignment	383	794	2,161
Interest expense	871	638	1,496
Provision	-	-	(160)
Interest received	-	-	(218)
Value of employee services received for issue of share options	112	63	81
Depreciation	3,236	2,214	4,158
Gain on sale of plant and equipment	(2,996)	(3,068)	(7,768)
Operating profit before working capital changes	11,740	14,448	35,148
Changes in working capital :-			
Trade and other receivables	1,330	(13,508)	(8,885)
Contract work-in-progress	(309)	(2,446)	2,607
Amounts owing by related parties	-	(6)	(5)
Trade and other payables	(16,500)	9,536	12,800
Cash from operations	(3,739)	8,024	41,665
Income taxes paid	(1,951)	(438)	(3,120)
Cash flows from operating operations	(5,690)	7,586	38,545
Investing activities			
Purchase of plant and equipment	(26,484)	(17,717)	(44,873)
Proceeds from sales of plant and equipment	35,200	5,172	11,822
Net cash from acquisition of subsidiaries	-	-	(2,699)
Investment in associated companies	(938)	-	(361)
Interest income	-	-	218
Cash flows used in investing activities	7,778	(12,545)	(35,893)

UNAUDITED INTERIM CONSOLIDATION STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2009 (CONTINUED)

	6 months ended 30 June 2009 Note	6 months ended 30 June 2008 (Unaudited)	12 months ended 31 December 2008 (Audited)
	(Unaudited)	(Unaudited)	(Audited)
	USD'000	USD'000	USD'000
Financing activities			
Interest paid	(871)	(638)	(1,496)
Repayment of finance leases	(61)	(59)	(223)
Issue of shares	125	366	489
Dividends paid	(1,341)	(796)	(796)
Proceeds from borrowings	17,142	12,109	17,304
Repayment of borrowings	(21,459)	(1,619)	(2,871)
Cash flows from financing activities	(6,465)	9,363	12,407
Net (decrease)/increase in cash and cash equivalents	(4,377)	4,404	15,059
Cash and cash equivalents At beginning of financial period	23,012	7,953	7,953
At end of financial period	6	18,635	12,357
		12,357	23,012



A Hallin in-house designed
and built C-ROV at work

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION**1 PRINCIPAL ACTIVITY**

Hallin Marine Subsea International plc is a company incorporated and domiciled in the Isle of Man with its registered office at International House, Castle Hill, Victoria Road, Douglas, Isle of Man, IM2 4RB. The principal activity of the Group is in offshore subsea intervention primarily for the oil, gas and telecommunication industries either contracting directly with energy majors or through multi-national contractors. The work involves the use of marine vessels, diving systems of various types, remotely controlled intervention systems and survey positioning systems to conduct underwater inspection, construction and maintenance operations.

2 BASIS OF PREPARATION

The accounting policies applied in the interim consolidated financial information are consistent with those of the annual financial statements for the year ended 31 December 2008 as described in those financial statement except for the impact of the Standard applicable for the current financial period described below:

IAS 1 (revised 2007) Presentation of Financial Statements – effective for annual periods beginning on or after 1 January 2009. IAS 1 (revised 2007) presents transactions with owners in detail and non-owner changes in equity as a single line in the statement of changes in equity. The standard introduces a Consolidated Statement of Comprehensive Income which presents all items of unrecognised income and expense and is limited to the Consolidated Income Statement of Financial Position and the Consolidated cash Flow Statement has been renamed Consolidated Statement of Cash Flows.

IAS 1 (revised 2007) is a disclosure standard and has no impact on the financial position and results of the Group.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

(CONTINUED)

3 OTHER GAINS AND LOSSES

	6 months ended 30 June 2009 (Unaudited)	6 months ended 30 June 2008 (Unaudited)	12 months ended 31 December 2008 (Audited)
	USD'000	USD'000	USD'000
Gain on disposal of plant and equipment	3,002	3,085	7,768
Net foreign exchange	718	(306)	(1,403)
Provision for closure of Prospect Norway AS	(448)	-	-
Others	36	161	783
	3,308	2,940	7,148

4 EARNINGS PER SHARE

The basic earnings per share has been calculated on the profit for the period (USD 8,357,000; 2008: USD 11,239,000) and the weighted average number of ordinary shares in issue during the period (41,320,596 shares; 2008 40,111,044 shares).

The fully diluted earnings per share has been calculated on the profit for the period (USD 8,357,000; 2008: USD11,239,000) and the weighted average number of ordinary shares issued and potential ordinary shares issuable under share options granted, assuming full conversion (44,564,096 shares; 2008: 42,474,044 shares).

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

(CONTINUED)

5 PLANT & EQUIPMENT

Group	Operational equipment	Equipment under construction	Other assets	Total
	USD '000	USD '000	USD '000	USD '000
Cost				
At 1 January 2009	36,066	63,648	3,347	103,061
Additions	10,367	14,703	1,414	26,484
Transfers	50,259	(50,259)	-	-
Disposals	(41,720)	-	(22)	(41,742)
Exchange alignment	4,126	-	87	4,213
At 30 June 2009	59,098	28,092	4,826	92,016
Accumulated depreciation				
At 1 January 2009	4,172	-	1,304	5,476
Depreciation charge for the period	2,683	-	553	3,236
Disposals	-	-	(16)	(16)
Exchange alignment	395	-	16	411
At 30 June 2009	7,250	-	1,857	9,107
Carrying amount				
At 1 January 2009	31,894	63,648	2,043	97,585
At 30 June 2009	51,848	28,092	2,969	82,909

During the six months ended 30 June 2009, the Group acquired plant and equipment with an aggregate cost of USD26,484,000 (June 2008: USD17,717,000), of which USD Nil (June 2008: Nil) was acquired by means of finance leases and USD26,484,000 (June 2008: USD17,717,000) by borrowings and advances.

During the year ended 31 December 2008, the Group acquired plant and equipment with an aggregate cost of USD45,999,000, of which USD 437,000 was acquired by means of finance leases and USD 45,562,000 by borrowings and advances.

NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL INFORMATION

(CONTINUED)

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 30 June 2009 (Unaudited) USD'000	6 months ended 30 June 2008 (Unaudited) USD'000	12 months ended 31 December 2008 (Audited) USD'000
Cash and bank balances	18,635	12,357	23,012
Less: bank overdrafts	-	-	-
Cash and cash equivalents as per Consolidated statements of cash flow	18,635	12,357	23,012

7 HEDGING

The Group incurs foreign currency risk on sales and purchases that are denominated in currencies other than United States dollars. At present, the Group does not have any formal policy for hedging against exchange exposure. The Group may, when necessary, enter into foreign currency forward contracts to hedge against exposure from foreign currencies fluctuations. The forward contracts that the Group has entered into to date are as follows:-

Buying Currency & Amount	Value Date	Rate	USD Equivalent
SGD 7,535,000	18 Sep 2009	1.5070	5,000,000
SGD 7,533,000	30 Sep 2009	1.5066	5,000,000
SGD 7,751,000	17 Sep 2009	1.5502	5,000,000
SGD 7,750,000	29 Sep 2009	1.5500	5,000,000

8 NATURE OF FINANCIAL INFORMATION

The interim information set out above is neither audited nor reviewed and does not represent the statutory financial statements for Hallin Marine Subsea International plc or for any of the entities comprising the Hallin Marine Group for the period ended 30 June 2009. The figures for the year ended 31 December 2008 were extracted from the consolidated financial statements which have been presented to shareholders. The auditors' report on those financial statements was unqualified.

The Board approved the interim financial information for the period ended 30 June 2009 on 9 September 2009.

These interim results are available on the Company's website at www.hallinmarine.com.

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