

20th March 2007



Hallin Marine Subsea International plc

Preliminary Results for the year ended 31st December 2006

Hallin Marine, the provider of subsea solutions to the oil and gas industry, announces its preliminary results for the year ended 31st December 2006. Hallin has strong market positions in South East Asia, China, the UK, the Gulf of Mexico and the Middle East. Typically the projects undertaken comprise the surveying, maintaining, repairing or installing of equipment on the seabed.

Highlights

- Turnover increased 46% to \$38.9m
- Net Profit after tax increased 72.8% to \$3.9m
- EBITDA increased 88.5% to \$5.5m
- Dividend maintained at 1p
- Major expansion of operational assets

Post balance sheet events

- Further Saturation System sold profitably
- Confirmation of build of two further saturation systems
- Flow of new contracts

Tony Ebel, Chairman of Hallin Marine, said:

'We are pleased to report another year of meaningful progress for the Hallin Marine Subsea International Group.

'The outlook for 2007 is extremely positive and we believe that we are well placed to take full advantage of the strong market conditions.'

Financial Highlights

	2006	2005	Change
	\$'000	\$'000	%
Revenue	38,864	26,566	+46.3
Gross profit	5,876	5,024	+17.0
EBITDA	5,471	2,902	+88.5
Net profit after tax	3,896	2,254	+72.8
Earnings per share (cent)			
- Basic	10.53	7.84	+34.3
- Fully diluted	10.52	7.54	+39.5
Fixed asset per share (cent)	77.9	18.5	+321.1
Final dividend per share (pence)	1.0	1.0	-

HALLIN MARINE SUBSEA INTERNATIONAL PLC CHAIRMAN'S AND CHIEF EXECUTIVE'S REPORT

In our half year statement we described 2006 as a pivotal year for the Hallin Marine Subsea International PLC ("the Company") and its subsidiaries ("the Group"). The results reflect a year of two significantly differing halves. The first half was a period of reorganization, refitting and gearing the Group for a significantly different level of operations. The second half reflected a doubling in the amount of business contracted in the first six months, together with a material expansion in the scope and area of our operations.

Regrettably the second half also saw the Group's first significant dispute with a customer. This arose at the end of a contract where one of our leading clients, facing a major claim from their customer, sought to transfer a portion of their losses on to their subcontractors. Despite a strong legal opinion in our support it was apparent that given the likely costs involved, the huge drain on management resources and the significant adverse effect on our cash flow it was in the Group's interest to agree to a settlement. This was concluded in January 2007 and resulted in a non-recurring write off of \$1.65 million in the year ended 31 December 2006..

The results for the year to 31st December 2006 shows turnover reduced by the non-recurring write off to \$38,864,721, still an increase of 46% over 2005. The profit before tax for the year was \$4,174,451, an increase of 81% over 2005. The EBITDA was \$5,470,725 as against that of \$2,902,091 for 2005, an increase of 88%. Basic earnings per share for the year rose to \$0.1053c from \$0.0784c in 2005.

The subsea construction market has remained very positive over the last 12 months with demand substantially exceeding supply in the industry. Increases in rates started to filter into the market in early 2006, but initially were more than matched by increased labour and material costs. As the year progressed, supply rates firmed and margins improved. Looking forward, higher rate levels are now accepted and cost increases, whilst still a factor, are now more predictable and consequently contained within planned project pricing. This is reflected in the improving margins for the Group.

The number of long-term major projects being planned by our clients indicates a continuing strong demand in the market until at least 2011/2012 as clients schedule projects further in advance and book assets further ahead so as to ensure continuity of their programmes. As a result, bidding activity is high and forward visibility in the market has improved. It is important to note that almost all the current bidding activity is for construction projects; 2006 saw almost no demand for Inspection, Repair and Maintenance (IRM) work or decommissioning and we still see almost no current tendering activity in these areas. It is clear that an underlying backlog of this kind of work is building while clients direct their energies and budgets towards construction activities directly related to production to meet the high demand for oil and gas, and to take advantage of the prevailing oil and gas prices.

This potential backlog of IRM and decommissioning work must emerge at some stage, and this underpins the future demand for subsea contractors in the longer term. Hallin has continued its planned programme of asset development to equip itself to take advantage of the demand in the market. The value of the Group's operating fixed assets has grown to \$31,184,685, a 455% increase over the \$5,621,331 applicable at the end of 2005. This reflects the addition of two further Saturation Diving Systems, four ROV Systems and the initial investment in Subsea Operations Vessel Ullswater, currently under construction. The directors believe that these assets represent a solid underpinning of the value of the company for investors.

The market value of Hallin's equipment assets has been visibly demonstrated by the sale, for a net \$5 million, of Sat03 to a US based customer in March 2006 which realized a profit on sale of US\$3.19 million. In February 2007 we announced a further sale of the older Sat02 and ADS04 for a net \$4.5 million. We consider the profitable disposal of equipment to be part of our normal business activity and it is our intention to continue actively to seek such opportunities whilst simultaneously continuing to build new high-specification subsea equipment in-house. In addition to directly generating profits, this policy should ensure the Group maintains an inventory of state of the art equipment that is in demand from clients.

Development of our new Hallin Marine business in the UK has been an important feature of 2006, with £6.5 million invested in four advanced Construction and Work Class ROVs. As a result of delayed delivery from the manufacturer the new division was unable to commence its supply programme until August 2006. On delivery all four vehicles went directly to customers' projects and in this limited period the UK business achieved turnover of \$3,723,759 and a gross profit of \$682,332 (18%). A further two Quasar Work Class ROVs are on order for delivery in mid-2007 and given a full year of availability of the current ROVs, plus the new systems coming available to us, we expect this part of the business to grow into a significant profit centre for the Group as a whole during 2007.

Construction of the Subsea Operations Vessel Ullswater is now underway at Pan-United Shipyard, and is on schedule for 3rd Quarter 2008 delivery. In the meantime Hallin has one long-term charter vessel, the Toisa Voyager, servicing contract work in the USA until at least the middle of 2007, and a further long-term charter vessel, Sanko Angel, will commence operations in April 2007. Operations based on vessels chartered by the Group made up 53% of revenue in 2006, a figure which is expected to increase as we gain access to additional vessels.

We believe that the SOV Ullswater will be in strong demand as we move towards its completion. World-wide there is a fleet of 14 Dive Support or Subsea Operations Vessels of less than 85m Length, the class to which the SOV Ullswater belongs. 78% of this fleet is more than 17 years old, with a probable life expectancy limited to 30 years. Although in some specific sectors of the offshore industry a large number of new vessels will be entering into the market over the next two to three years, only two Subsea Operations vessels of less than 85m are currently on order or under construction, one of which is our own SOV Ullswater. Access to vessels of this type is a key part of the Group's longer term strategy and our progressive expansion plans are centred on increasing the availability of these vessels from 2009 onwards.

In late 2006 the Group underwent a significant restructuring that became effective on 1st January 2007. The restructuring has provided the Group with a stronger management organization capable of handling the expanding business and, at the same time, being better able to manage risk and address the more complex issues of corporate governance. The new structure involves two customer-focused operating regions; East, based in Singapore; and West, based in Aberdeen, UK, acting as independent profit centres. A Corporate Services Division looks after normal corporate functions and delivery of assets (Marine Vessels, Diving Systems and ROVs) to the operating teams. During 2007 it is anticipated that the asset delivery operations will become a separate manufacturing profit centre.

Although the restructuring has brought with it an increase in overhead levels it has also brought immediate benefits to the Group in terms of stronger management, improved risk management and corporate governance, now essential for the healthy development of the larger, more complex business of the Group.

As we have indicated above, the outlook for 2007 is extremely positive and we believe that we are well placed to take full advantage of the strong market conditions. We are pleased to recommend the payment of a maintained dividend of 1p per share, which will be paid on 30th May 2007 to shareholders on the register on 4th May 2007.

Tony Ebel
Chairman

John Giddens
Chief Executive

Enquiries:

Hallin Marine
John Giddens, Chief Executive

020 7457 2020

Media - Windy Tree
John Quinn

023 8040 6060

JM Finn
Charles Cunningham

020 7628 9688

HALLIN MARINE SUBSEA INTERNATIONAL PLC
(Incorporated in the Isle of Man, Company Number 107479C)
AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	<u>2006</u> USD	<u>Group</u> <u>2005</u> USD
Revenue	38,864,721	26,565,827
Cost of sales	<u>(32,988,865)</u>	<u>(21,542,311)</u>
Gross profit	5,875,856	5,023,516
Other income	3,507,570	19,986
Administrative expenses	(5,605,907)	(2,592,551)
Finance costs	(43,387)	(105,287)
Exchange gain/(loss) – net	<u>440,319</u>	<u>(38,632)</u>
Profit from operations before taxation	4,174,451	2,307,032
Income tax expense	<u>(278,483)</u>	<u>(52,278)</u>
Profit for the year	<u>3,895,968</u>	<u>2,254,754</u>
Earnings per share (in cents)		
- Basic	<u>10.53</u>	<u>7.84</u>
- Diluted	<u>10.52</u>	<u>7.54</u>

The Group's results derive entirely from continuing activities.

HALLIN MARINE SUBSEA INTERNATIONAL PLC
(Incorporated in the Isle of Man, Company Number 107479C)
AND ITS SUBSIDIARIES

BALANCE SHEETS AS AT 31 DECEMBER 2006

	<u>2006</u> USD	<u>Group</u> <u>2005</u> USD
Non-current assets		
Plant and equipment	31,184,685	5,621,331
Interests in subsidiaries	-	-
	31,184,685	5,621,331
Current assets		
Assets classified as held for sale	1,541,187	1,801,327
Contract work-in-progress	912,917	-
Trade and other receivables	15,046,764	7,278,910
Related parties	19,701	-
Cash and cash equivalents	2,349,883	1,913,067
	19,870,452	10,993,304
Total assets	51,055,137	16,614,635
Equity attributable to equity holders		
of the parent		
Share capital	672,397	502,314
Share premium	17,313,962	5,697,147
Reserves	6,284,641	2,987,504
Total equity	24,271,000	9,186,965
Non-current liabilities		
Long term loans	12,147,081	324,404
Deferred tax liabilities	37,557	7,067
	12,184,638	331,471
Current liabilities		
Trade and other payables	10,651,240	6,213,715
Short term loans	3,769,233	554,551
Related parties	18,553	275,082
Current tax payable	160,473	52,851
	14,599,499	7,096,199
Total liabilities	26,784,137	7,427,670
Total equity and liabilities	51,055,137	16,614,635

HALLIN MARINE SUBSEA INTERNATIONAL PLCCompany Number 107479C
(Incorporated in the Isle of Man)**AND ITS SUBSIDIARIES****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2006**

<u>Group</u>	<u>Share Capital USD</u>	<u>Share Premium USD</u>	<u>Share Option Reserve USD</u>	<u>Currency Translation Reserve USD</u>	<u>Retained Profits USD</u>	<u>Total USD</u>
Balance as at 1 January 2005	40,000	360,000	34,117	(16,882)	631,673	1,048,908
Transfer from share premium	360,000	(360,000)	-	-	-	-
Issue of shares	102,314	6,445,769	-	-	-	6,548,083
Issue costs	-	(748,622)	-	-	-	(748,622)
Currency translation differences	-	-	-	20,539	-	20,539
Net profit for the year	-	-	-	-	2,254,754	2,254,754
Recognition of share based payments	-	-	63,303	-	-	63,303
Balance as at 31 December 2005	502,314	5,697,147	97,420	3,657	2,886,427	9,186,965
Issue of shares	157,840	12,086,964	-	-	-	12,244,804
Issue costs	-	(549,755)	-	-	-	(549,755)
Currency translation differences	-	-	-	27,900	-	27,900
Net profit for the year	-	-	-	-	3,895,968	3,895,968
Dividends paid	-	-	-	-	(579,578)	(579,578)
-Recognition of share based payments	-	-	32,453	-	-	32,453
- Exercise of share option	12,243	79,606	(79,606)	-	-	12,243
Balance as at 31 December 2006	672,397	17,313,962	50,267	31,557	6,202,817	24,271,000

HALLIN MARINE SUBSEA INTERNATIONAL PLC

Company Number 107479C
(Incorporated in the Isle of Man)

AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2006

	<u>2006</u>	<u>2005</u>
	USD	USD
Operating activities		
Profit before taxation	4,174,451	2,307,032
Adjustments for:-		
Exchange realignment	22,144	23,915
Interest expense	301,025	105,287
Interest income	(198,705)	(17,210)
Depreciation of plant and equipment	1,252,887	489,772
Recognition of share based payments	32,453	63,303
Gain on disposal of plant and equipment-net	(3,447,188)	-
Operating profit before working capital changes	2,137,067	2,972,099
Changes in working capital:-		
Trade and other receivables	(7,767,854)	(3,539,218)
Contract work-in-progress	(912,917)	-
Amounts owing by related parties	(1,148)	(198,542)
Trade and other payables	4,437,525	(620,120)
Cash deposits pledged	(472,461)	(500,023)
Proceeds from borrowings – for factoring of receivables	1,712,579	-
Cash generated used in operations	(867,209)	(1,885,804)
Income taxes paid	(140,920)	(17,120)
Cash flows used in operating activities	(1,008,129)	(1,902,924)
Investing activities		
Purchase of plant and equipment	(27,983,434)	(4,070,050)
Interest received	198,705	17,210
Proceeds from sale of plant and equipment	5,250,000	-
Cash flows used in investing activities	(22,534,729)	(4,052,840)
Financing activities		
Interest paid	(301,025)	(105,287)
Payment of finance leases	(113,150)	(129,846)
Issue of shares	12,257,047	6,548,083
Issue costs	(549,755)	(748,622)
Repayment of shareholder loan	(275,082)	(530,942)
Repayment of debenture loan notes	(500,859)	-
Dividends paid	(579,578)	-
Proceeds from borrowings	13,569,615	-
Cash flows from financing activities	23,507,213	5,033,386

HALLIN MARINE SUBSEA INTERNATIONAL PLC
Company Number 107479C
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CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2006

	<u>Note</u>	<u>2006</u> USD	<u>2005</u> USD
Net (decrease)/increase in cash and cash equivalents		(35,645)	(922,378)
Cash and cash equivalents at beginning of year		1,413,044	2,335,422
Cash and cash equivalents at end of year		<u>1,377,399</u>	<u>1,413,044</u>

During the year ended 31 December 2006, the Group acquired plant and equipment with an aggregate cost of \$28,373,218 (2005: \$4,316,202) of which \$389,784 (2005: \$246,152) was acquired by means of finance leases. Cash payments of \$27,983,434 (2005: \$4,070,050) were made to purchase plant and equipment.

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NOTES

Basis of preparation

The preliminary results were approved by the Board of Directors on 19th March 2007. The financial information set out above does not comprise the Company's statutory accounts for the year ended 31 December 2006 or 31 December 2005, but is derived from those accounts. The auditors have reported on the 2005 accounts; their report was unqualified. The auditors have yet to sign their report on the 2006 accounts. The statutory accounts for the year ended 31 December 2006 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement.

These preliminary results have been prepared in accordance with the accounting policies normally adopted by the Company and which are consistent with those adopted in the audited accounts for the year ended 31 December 2005. Where relevant the provisions of International Financial Reporting Standards have been applied in the preparation of these financial statements. The Annual Report and Accounts will be mailed to shareholders on or before 5 April 2007.

Other income

Other income includes \$3.19 million relating to the gain on disposal of plant and equipment during the year.

Earnings per share

Earnings per share for the year ended 31 December 2006 have been calculated on the profit attributable to ordinary shareholders of \$3,895,968 (2005: \$2,254,754) using the weighted average number of shares in issue for the period of 36,999,000 (2005: 28,743,000).

Fixed assets per share

Fixed assets per share as at 31 December 2006 and 2005 has been calculated using the number of shares in issue at 31 December 2006 and 2005.

Notes to Editors

www.hallinmarine.com

Hallin Marine was formed in 1998 to provide high quality marine and underwater services to the offshore industry, particularly in support of Oil & Gas development. It has grown from a US\$1 million turnover company in its first year to a US\$26 million turnover company in 2005. Hallin Marine was admitted to AIM in April 2005.

The Company is an experienced provider of subsea construction and inspection solutions. It employs experienced subsea engineering staff to manage projects using: support vessels; saturation diving systems; air/mixed gas diving spreads and remote operating vehicles (ROV). The Company owns all its principal equipment, including the diving systems and ROVs.

Hallin's expanding operations cover: South East Asia, India, China; Africa; the Middle East and the UK. The company is divided into two operating areas: the West, operated from Aberdeen, Scotland, and the East, based in Singapore. An engineering design centre is located in the UK at Malton, North Yorkshire.

Typically the work undertaken by the Group comprises the installation, construction maintenance, repair or survey of equipment on the seabed. Most of the projects are planned well in advance and Hallin's role is that of a key contractor, normally working as part of a larger team. The largest projects may take two or more years from decision to go ahead to the stage where Hallin's staff or equipment enters the sea.

Hallin provides clients with safe, professional and cost effective solutions by combining innovative approaches and new technology with time proven techniques.

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