

**ICON OFFSHORE BERHAD**

(984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT  
FOR THE QUARTER ENDED 31 MARCH 2014**

**ICON OFFSHORE BERHAD (984830-D)**  
(Incorporated in Malaysia)

**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

The Board of Directors of Icon Offshore Berhad (“ICON” or “the Group”) is pleased to announce the following unaudited condensed consolidated financial statements for the first quarter ended 31 March 2014 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		CURRENT QUARTER ENDED	PRECEDING QUARTER ENDED	CURRENT YEAR TODATE	PRECEDING YEAR TODATE
		31.3.2014	31.3.2013	31.3.2014	31.3.2013
		RM	RM	RM	RM
Revenue	12.a.(i)	80,067,160	65,299,866	80,067,160	65,299,866
Cost of sales		(36,477,779)	(36,812,303)	(36,477,779)	(36,812,303)
Gross profit	12.a.(ii)	43,589,381	28,487,563	43,589,381	28,487,563
Other income		372,053	181,764	372,053	181,764
Administrative expenses		(7,759,863)	(6,625,532)	(7,759,863)	(6,625,532)
Other expenses	12.a.(iii)	(2,412,333)	(4,847,000)	(2,412,333)	(4,847,000)
Profit from operations		33,789,238	17,196,795	33,789,238	17,196,795
Finance costs		(14,091,970)	(13,147,807)	(14,091,970)	(13,147,807)
Profit before taxation		19,697,268	4,048,988	19,697,268	4,048,988
Taxation	12.a.(iv)	(196,973)	(931,267)	(196,973)	(931,267)
Profit for the quarter / Total comprehensive income for the quarter	12.a.(v)	<u>19,500,295</u>	<u>3,117,721</u>	<u>19,500,295</u>	<u>3,117,721</u>
Attributable to :					
Equity holders of the Company		<u>19,500,295</u>	<u>3,117,721</u>	<u>19,500,295</u>	<u>3,117,721</u>
Earnings per share (RM)					
Basic	22.1	<u>0.08</u>	<u>0.01</u>	<u>0.08</u>	<u>0.01</u>
Diluted	22.2	<u>0.05</u>	<u>0.01</u>	<u>0.05</u>	<u>0.01</u>

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>Unaudited</u>	<u>Audited</u>
	<u>As at 31.3.2014</u>	<u>As at 31.12.2013</u>
	<u>RM</u>	<u>RM</u>
<b>Non-current assets</b>		
Property, plant and equipment	1,191,163,548	1,203,594,345
Intangible assets	193,121,682	195,534,015
Deferred tax assets	41,304,539	41,304,539
	<u>1,425,589,769</u>	<u>1,440,432,899</u>
<b>Current assets</b>		
Inventories	169,055	1,376,028
Trade and other receivables	96,097,781	86,573,415
Tax recoverable	32,156	32,156
Cash and bank balances	34,125,978	47,302,793
	<u>130,424,970</u>	<u>135,284,392</u>
<b>Current liabilities</b>		
Trade and other payables	40,861,134	33,855,806
Amount due to immediate holding company	53,692,360	52,650,100
Borrowings	395,554,742	402,642,169
Taxation	2,444,099	2,750,326
	<u>492,552,335</u>	<u>491,898,401</u>
<b>Net current liabilities</b>	(362,127,365)	(356,614,009)
<b>Non-current liabilities</b>		
Trade and other payables	2,054,288	1,582,775
Borrowings	660,433,259	700,609,805
Deferred tax liabilities	2,110,585	2,262,333
	<u>664,598,132</u>	<u>704,454,913</u>
<b>Net assets</b>	<u>398,864,272</u>	<u>379,363,977</u>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	257,720,050	257,720,050
Retained earnings	141,144,222	121,643,927
<b>Total equity</b>	<u>398,864,272</u>	<u>379,363,977</u>

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<b>Attributable to equity holders of the Company</b>			<b>Total equity</b>
	<b>Issued and fully paid</b>			
	<b>ordinary shares of RM1 each</b>			
	<b>Number of</b>	<b>Share</b>	<b>Retained</b>	<b>Total</b>
	<b>shares</b>	<b>capital</b>	<b>Earnings</b>	<b>equity</b>
		<b>RM</b>	<b>RM</b>	<b>RM</b>
At 1 January 2014	257,720,050	257,720,050	121,643,927	379,363,977
Total comprehensive income for the financial quarter	-	-	19,500,295	19,500,295
At 31 March 2014	<u>257,720,050</u>	<u>257,720,050</u>	<u>141,144,222</u>	<u>398,864,272</u>
At 1 January 2013	257,720,050	257,720,050	8,042,863	265,762,913
Total comprehensive income for the financial quarter	-	-	3,117,721	3,117,721
At 31 March 2013	<u>257,720,050</u>	<u>257,720,050</u>	<u>11,160,584</u>	<u>268,880,634</u>

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>CURRENT QUARTER ENDED 31.3.2014</b>	<b>PRECEDING QUARTER ENDED 31.3.2013</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	19,697,268	4,048,988
Adjustments for:		
Amortisation of intangible assets	2,412,333	4,847,000
Depreciation of property, plant and equipment	14,364,683	11,864,510
Gain on disposal of property, plant and equipment	(174,870)	-
Interest expense	14,091,970	13,147,807
Interest income	(179,006)	(95,714)
Unrealised loss on foreign exchange	172,075	308,585
Operating profit before working capital changes	<u>50,384,453</u>	<u>34,121,176</u>
Changes in working capital:		
Inventories	1,206,973	49,104
Receivables	(6,458,446)	19,512,663
Payables	7,879,485	(4,898,621)
Cash generated from operations	<u>53,012,466</u>	<u>48,784,322</u>
Tax paid	(654,948)	(761,835)
<b>Net cash generated from operating activities</b>	<u>52,357,518</u>	<u>48,022,487</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(14,217,317)	(28,788,311)
Proceeds from disposal of property, plant and equipment	9,392,380	-
<b>Net cash used in investing activities</b>	<u>(4,824,937)</u>	<u>(28,788,311)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings (net of transaction cost)	6,242,800	31,143,750
Interest received	179,006	95,714
Repayment of finance lease liabilities	(9,598)	(12,759)
Repayment of borrowings	(56,874,498)	(34,022,258)
Interest paid	(10,075,030)	(11,229,982)
Decrease in fixed deposits pledged	(53,159)	(822,811)
<b>Net cash used in financing activities</b>	<u>(60,590,479)</u>	<u>(14,848,346)</u>
Exchange gains on cash and bank balances	(172,075)	(308,585)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(13,229,973)	4,077,245
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER</b>	40,111,396	46,498,591
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER</b>	<u>26,881,423</u>	<u>50,575,836</u>

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**PART A – EXPLANATORY NOTES PURSUANT TO  
MALAYSIAN FINANCIAL REPORTING STANDARD 134**

**1. BASIS OF PREPARATION**

The unaudited quarterly report has been prepared in accordance with the requirements of MFRS 134, "Interim Financial Reporting", paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad Main Market Listing Requirement ("Bursa Securities Listing Requirements") and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 31 December 2013.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2014 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
- Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

MFRS and Amendments to MFRS that are applicable to the Group which the effective date have yet to be determined by Malaysian Accounting Standards Board:

- MFRS 9 "Financial Instruments"

The adoption of MFRS 9 may result in a change in accounting policy. The Group will quantify the effect of adopting this standard when the full standard is issued.

**2. SEASONAL/CYCLICAL FACTORS**

The principal activities of the Group are vessel owning/leasing and provision of vessel chartering and ship management services to oil and gas related industries.

The Group services are generally dependent on the level of activity of oil and gas companies, which may be affected by volatile oil and natural gas prices and cyclicity in the offshore drilling and oilfield services industries.

**3. UNUSUAL ITEMS**

Save for matter highlighted under Part C - Adjustments to Selected Financial Information, there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the quarter ended 31 March 2014.

**4. MATERIAL CHANGES IN ESTIMATES**

There were no material changes in estimates of amounts reported in the prior financial year that have a material effect in the quarter ended 31 March 2014.

**5. DEBT AND EQUITY SECURITIES**

There were no issuance, repurchase and repayment of debt and equity securities by the Group during the quarter ended 31 March 2014.

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**PART A – EXPLANATORY NOTES PURSUANT TO  
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)**

**6. DIVIDEND PAID**

There was no dividend paid by the Group during the quarter ended 31 March 2014.

**7. SEGMENT RESULTS AND REPORTING**

**7.1 Reportable Segment**

No segmental analysis is prepared as the Group is organised as a single integrated business operations comprising the vessel owning/leasing activities and provision of vessel chartering and ship management services to oil and gas and related industries. These integrated activities are known as the offshore support vessel (“OSV”) operations. The Group as a whole is regarded as an operating segment. In making decisions about resource allocation and performance assessment, the key management regularly reviews the financial results of the Group as a whole. Hence, the information that is regularly provided to the key management is consistent with that presented in the financial statements.

**7.2 Geographical Information**

The Group’s operations are carried out predominantly in Malaysia. Revenue earned by the Group analysed by the location of its external customers is as follows:

<b>Revenue</b>	<b>QUARTER ENDED 31.3.2014</b>		<b>QUARTER ENDED 31.3.2013</b>	
	<b>%</b>	<b>RM</b>	<b>%</b>	<b>RM</b>
Malaysia	93	74,705,879	90	58,830,806
Others	7	5,361,281	10	6,469,060
<b>Total</b>	<b>100</b>	<b>80,067,160</b>	<b>100</b>	<b>65,299,866</b>

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**PART A – EXPLANATORY NOTES PURSUANT TO  
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)**

**7. SEGMENT RESULTS AND REPORTING (continued)**

**7.3 Services**

The Group's revenue mainly comprise charter hire income from vessels where it is recognised upon rendering of services to customers over the term of the charter hire contract, which applies to both charter hire income from our own vessels and from vessels that the Group charter as forerunner.

Breakdown of revenue is as follows:

	<b>QUARTER ENDED <u>31.3.2014</u> RM</b>	<b>QUARTER ENDED <u>31.3.2013</u> RM</b>
Analysis of revenue by category:		
- Charter hire of own vessels	72,868,023	54,922,573
- Charter hire of forerunner vessels	<u>3,093,500</u>	<u>7,457,514</u>
	75,961,523	62,380,087
- Others <sup>(1)</sup>	<u>4,105,637</u>	<u>2,919,779</u>
	<u><u>80,067,160</u></u>	<u><u>65,299,866</u></u>

Note

<sup>(1)</sup> *Others comprise income from the hire of third party vessels which are recognised net of charter-in cost, i.e. third party arrangement, ship management fees, revenue from costs chargeable to clients during the charter hire and, only for current quarter under review, income from technical services.*

**8. CHANGES IN THE COMPOSITION OF THE GROUP**

On 21 March 2014, four (4) new private limited companies were incorporated namely Icon Andra (L) Inc., Icon Astrid (L) Inc., Icon Explorer (L) Inc. and Icon Pioneer (L) Inc. in Labuan, Malaysia. These companies have yet to commence their principal activity of leasing of vessels since the date of incorporation.

**9. CAPITAL COMMITMENTS**

The Group's capital commitments not provided for in the interim financial statements as at the end of the quarter are as follows:

	<b>AS AT <u>31.3.2014</u> RM</b>	<b>AS AT <u>31.12.2013</u> RM</b>
Approved and contracted capital expenditure commitments	363,801,000	237,772,423
Approved but uncontracted capital expenditure commitments	<u>152,770,000</u>	<u>-</u>
Total	<u><u>516,571,000</u></u>	<u><u>237,772,423</u></u>

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**PART A – EXPLANATORY NOTES PURSUANT TO  
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)**

**10. SIGNIFICANT RELATED PARTY DISCLOSURES**

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The related parties of, and their relationships with the Company, are as follows:

<u>Related parties</u>	<u>Relationship</u>
Yayasan Ekuiti Nasional	Ultimate holding foundation
E-Cap (Internal) One Sdn. Bhd.	Intermediate holding company
Hallmark Odyssey Sdn. Bhd.	Immediate holding company
Icon Ship Management Sdn. Bhd. ("ICON Ship")	Subsidiary
Icon Fleet Sdn. Bhd. ("ICON Fleet")	Subsidiary
Icon Offshore Group Sdn. Bhd.	Subsidiary

**10.1 Significant related party balances**

Included in the Group's statements of financial position are the following significant related party balances arising from normal business transactions:

	<b>AS AT <u>31.3.2014</u> RM</b>	<b>AS AT <u>31.12.2013</u> RM</b>
Amount due to immediate holding company	53,692,360	52,650,100

**10.2 Significant related party transactions**

The related party transaction described below was carried out based on terms and conditions agreed with the related party.

	<b>QUARTER ENDED <u>31.3.2014</u> RM</b>	<b>QUARTER ENDED <u>31.3.2013</u> RM</b>
Interest expense to immediate holding company	639,616	457,866

The transactions have been entered into in the normal course of business at terms mutually agreed between the parties.

Apart from the transaction disclosed above, the Group have entered into transactions that are collectively, but not individually significant with other government-related entities. These transactions include vessel chartering, drydocking expenditure and repairs and maintenance. They are conducted in the ordinary course of the Group's on terms consistently applied in accordance with the Group's internal policies and processes.

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**PART A – EXPLANATORY NOTES PURSUANT TO  
MALAYSIAN FINANCIAL REPORTING STANDARD 134 (continued)**

**11. FAIR VALUE MEASUREMENTS**

The table below shows the carrying amounts and fair value of the borrowings, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the borrowings are estimated using the income approach, by discounting the cash flows based on the market interest rates of a comparable instrument. This is a Level 2 fair value measurement.

	<b>Carrying amount</b>		<b>Fair Value</b>	
	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>
	<b>31.3.2014</b>	<b>31.12.2013</b>	<b>31.3.2014</b>	<b>31.12.2013</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed rate term loans	234,300,606	244,264,507	235,297,176	244,964,293
Redeemable Cumulative Preference Shares – Islamic (“RCPS-i”)	<u>238,350,000</u>	<u>235,600,000</u>	<u>238,350,000</u>	<u>235,600,000</u>

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
BURSA SECURITIES LISTING REQUIREMENTS**

**12. ANALYSIS OF PERFORMANCE**

**a. Review of performance for the current quarter (Quarter ended 31 March 2014) against the corresponding quarter (Quarter ended 31 March 2013):**

**(i) Revenue**

Revenue increased by RM14.8 million or 22.7%, from RM65.3 million for the quarter ended 31 March 2013 to RM80.1 million for the quarter ended 31 March 2014. The increase was primarily due to additional revenue from new vessels acquired in subsequent nine months after quarter ended 31 March 2013 covering four (4) Anchor Handling Tug And Supply (“AHTS”) vessels and one (1) Platform Supply Vessel (“PSV”), continued to generate revenue in quarter ended 31 March 2014.

Furthermore, vessels’ overall utilisation increased to 79% for the quarter ended 31 March 2014 from 76% in the corresponding quarter 31 March 2013.

**(ii) Gross profit**

The cost of sales maintained at RM36.5 million for the quarter ended 31 March 2014 as compared to RM36.8 million for the quarter ended 31 March 2013, primarily as a result of the decreased in the charter-in forerunner vessels and repair and maintenance cost, offset by the increased in depreciation and crew cost arising from fleet expansion.

Consequently, the Group’s gross profit increased by RM15.1 million or 53%, from RM28.5 million for the quarter ended 31 March 2013 to RM43.6 million for the quarter ended 31 March 2014.

**(iii) Other expenses**

Other expenses decreased by RM2.4 million or 50%, from RM4.8 million for the quarter ended 31 March 2013 to RM2.4 million for the quarter ended 31 March 2014, due to decreased in the amortisation expenses for intangible assets relating to charter contracts acquired as part of the acquisition of ICON Ship and ICON Fleet during the financial year ended 31 December 2012, which decreased over time as the contracts expire.

**(iv) Taxation**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>CURRENT QUARTER ENDED 31.3.2014</b>	<b>PRECEDING QUARTER ENDED 31.3.2013</b>	<b>CURRENT YEAR TODATE 31.3.2014</b>	<b>PRECEDING YEAR TODATE 31.3.2013</b>
Current tax	348,720	357,114	348,720	357,114
Deferred tax	(151,747)	574,153	(151,747)	574,153
	<u>196,973</u>	<u>931,267</u>	<u>196,973</u>	<u>931,267</u>
Effective tax rate	1%	23%	1%	23%

The effective tax rate for the current quarter ended 31 March 2014 of 1.0% was lower than the statutory tax rate of 25%. Lower effective tax rates for the quarter is due to the lower tax applicable to income from our vessel leasing subsidiaries being Malaysian tax residents incorporated in Labuan following the internal reorganisation which entails transfer of 16 of our vessels to newly-incorporated Labuan subsidiaries and was completed in quarter ended 31 December 2013.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
BURSA SECURITIES LISTING REQUIREMENTS (continued)**

**(v) Profit after taxation**

As a result of the foregoing, profit after taxation increased by RM16.4 million or 529%, from RM3.1 million for the quarter ended 31 March 2013 to RM19.5 million for the quarter ended 31 March 2014.

**b. Review of performance for the current quarter (Quarter ended 31 March 2014) against the preceding quarter (Quarter ended 31 December 2013).**

The Group's revenue increased marginally to RM80.1 million for the quarter ended 31 March 2014 from RM79.3 million for the quarter ended 31 December 2013, attributable to the fleet expansion of additional AHTS vessels in the current quarter.

Loss before tax for the quarter ended 31 December 2013 at RM29.2 million as compared to profit before tax of RM19.7 million in the current quarter under review, mainly due to recognition of impairment on the lower specification and older vessels amounted to RM38.5 million in quarter ended 31 December 2013.

Profit after tax of RM65.4 million was recorded for the quarter ended 31 December 2013 as compared to RM19.5 million in the current quarter under review, mainly due to recognition of tax credit arose from internal reorganisation amounted to RM111.0 million but offset against impairment of lower specification and older vessels of RM38.5 million in the quarter ended 31 December 2013, where it contain items deem not to have prepared based on adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") and adjusted profit after tax as outlined in Part C - Adjustments to Selected Financial Information.

**13. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014**

The strong upstream exploration and production activities in Malaysia and the region is expected to underpin strong demand for OSV.

With the Group's active fleet expansion, diversification and renewal programme, the vessels acquired in financial year ended 2013 is expected to contribute full year revenue in financial year ending 2014 as well as new vessels under construction coming on stream within the next 2 years, the Group is in a strong position to take advantage of the positive demand outlook for the OSV segment.

Whilst the industry outlook remains dynamic, as at 31 March 2014, significant portion of the Group's order book are long term in nature, providing the Group with cash flow stability and earnings visibility.

In view of this, the Board of Directors is positive on prospects of driving revenue and earnings growth for the rest of the financial year.

**14. PROFIT FORECAST OR PROFIT GUARANTEE**

Not applicable as the Group did not publish any profit forecast.

**15. QUALIFICATION OF PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS**

There was no qualification to the preceding audited annual financial statements for the financial year ended 31 December 2013.

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
BURSA SECURITIES LISTING REQUIREMENTS (continued)**

**16. PROFIT BEFORE TAX**

Profit before taxation is stated after charging/(crediting):

	<b>QUARTER ENDED</b> <b><u>31.3.2014</u></b> <b>RM</b>	<b>QUARTER ENDED</b> <b><u>31.3.2013</u></b> <b>RM</b>
Amortisation of intangible assets	2,412,333	4,847,000
Auditor's remuneration	178,153	165,502
Consumable cost	2,462,816	2,596,228
Depreciation of property, plant and equipment	14,364,683	11,864,510
Employee benefits expense	15,163,846	12,113,945
Insurance	1,140,514	1,104,076
Gain on disposal of property, plant and equipment	(174,870)	-
Professional fees	281,380	764,943
Rental of premises	347,622	409,673
Ship operation and charter hire costs	6,735,241	11,799,377
Unrealised loss on foreign exchange	172,075	308,585
Interest income	(179,006)	(95,715)
Interest expense	14,091,970	13,147,807
Realised gain on foreign exchange	(119,525)	(36,047)
Reversal of impairment of receivables	-	(150,000)

Other than as presented in the condensed consolidated statements of comprehensive income and as disclosed above, there were no impairment of assets or any other exceptional items for the current quarter under review.

**17. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

On 22 May 2014, the Bursa Malaysia Securities Berhad has granted the last approval for the proposed Initial Public Offering of shares in the Company and the proposed listing of and quotation for the entire issued and paid up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
BURSA SECURITIES LISTING REQUIREMENTS (continued)**

**18. BORROWINGS**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds from drawdown (net of transaction costs) amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

	<b>AS AT 31.3.2014 RM</b>	<b>AS AT 31.12.2013 RM</b>
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	136,679,600	126,503,128
- revolving credit	20,452,903	40,466,802
Finance lease liabilities	72,239	72,239
<u>Unsecured</u>		
RCPS-i	238,350,000	235,600,000
	395,554,742	402,642,169
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	660,335,570	700,502,513
Finance lease liabilities	97,689	107,292
	660,433,259	700,609,805
 <b>Total borrowings</b>	 <b>1,055,988,001</b>	 <b>1,103,251,974</b>

Note:

Total term loan denominated in USD is USD3.6 million (equivalent to RM12.1 million), with USD0.8 million (equivalent to RM2.4 million) being secured short-term portion and USD2.8 million (equivalent to RM9.7 million) as secured long-term portion.

As at 31 March 2014, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM26.1 million primarily due to the tendering of new contracts and as financial guarantee for the performance of our charter contracts by our subsidiaries and corporate guarantees amounting to RM574.9 million for loan obtained by our subsidiaries.

**19. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group does not have any derivative financial instruments for the quarter ended 31 March 2014.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
BURSA SECURITIES LISTING REQUIREMENTS (continued)**

**20. DISCLOSURE OF REALISED AND UNREALISED RETAINED PROFITS**

The following analysis is prepared in accordance with Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the context of disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad.

The breakdown of retained profits of the Group as at the balance sheet date, into realised and unrealised profits, pursuant to the directive, is as follows:

	<b>AS AT 31.3.2014</b>	<b>AS AT 31.12.2013</b>
	<b>RM</b>	<b>RM</b>
Total retained profits of the Company and its subsidiaries:		
- Realised	355,685,726	334,869,565
- Unrealised	39,021,879	38,285,992
	394,707,605	373,155,557
Less: Consolidation adjustments	(253,563,383)	(251,511,630)
Total retained profit as per consolidated balance sheets	141,144,222	121,643,927

Note:

The unrealised retained profits are mainly deferred tax provision.

**21. CHANGES IN MATERIAL LITIGATION**

There are no material litigations pending as at the date of this report.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
BURSA SECURITIES LISTING REQUIREMENTS (continued)**

**22. EARNINGS PER SHARE**

**22.1 Basic EPS**

The basic EPS has been calculated based on the consolidated profit attributable to equity holders of the Company and divided by the weighted number of ordinary shares in issue.

	<b>QUARTER ENDED 31.3.2014</b>	<b>QUARTER ENDED 31.3.2013</b>
Profit attributable to equity holders (RM)	19,500,295	3,117,721
Weighted average number of ordinary shares in issue	257,720,050	257,720,050
	0.08	0.01

**22.2 Diluted EPS**

The diluted EPS has been calculated based on the consolidated profit for the financial quarter attributable to equity holders of the Company and divided by the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group has one category of dilutive potential ordinary shares, which is the RCPS-i. The convertible preference shares are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expense less tax effect.

	<b>QUARTER ENDED 31.3.2014</b>	<b>QUARTER ENDED 31.3.2013</b>
Profit attributable to equity holders (RM)	19,500,295	3,117,721
Profit rate on RCPS-i (RM, net of tax)	2,750,000	2,750,000
Profit used to determine diluted EPS (RM)	22,250,295	5,867,721
Weighted average number of ordinary shares in issue	257,720,050	257,720,050
Adjustment for :		
Assumed conversion of RCPS-i	220,000,000	220,000,000
Weighted average number of ordinary shares for diluted EPS	477,720,050	477,720,050
Diluted EPS (RM)	0.05	0.01

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE  
BURSA SECURITIES LISTING REQUIREMENTS (continued)**

**23. MATERIAL EVENTS SUBSEQUENT TO THE QUARTER ENDED 31 MARCH 2014**

- 23.1** On 29 April 2014, OMNI Fleet Sdn. Bhd., subsidiary of the Company has been de-registered from the Companies Commission of Malaysia.
- 23.2** On 30 April 2014, ICON-FOB Holdings (L) Inc., a subsidiary of the Company has issued 1,199,999 new shares of which 611,999 shares being allotted to ICON Fleet Sdn. Bhd. and 588,000 shares to FOB Swath Malaysia AS. The Company's effective interest in ICON-FOB Holdings (L) Inc. upon the issuance of new shares reduced from 100% as at 31 March 2014 to 51%.
- 23.3** The Company implemented and completed a subdivision of every one ordinary share of RM1.00 each into two subdivided shares of RM0.50 each in the Company ("Shares") on 21 May 2014. Upon completion of the subdivision of shares, the conversion ratio for the Company's RCPS-i of RM0.01 each was adjusted from a ratio of 1 RCPS-i for one new ordinary share of RM1.00 each in the Company to a ratio of one RCPS-i for two new ordinary shares of RM0.50 each in the Company.

Upon obtaining approvals from all the relevant authorities for the Listing, the Company issued, pursuant to the conversion in full of all the outstanding RCPS-i, 440,000,000 new ordinary shares of RM0.50 each to the RCPS-i holders on 23 May 2014.

This would result in the ordinary shares of the Company increasing from 257,720,050 to 955,440,100.

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**PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION**

**24.** The Group presents selected adjusted financial information or components of the Group unaudited condensed consolidated statements of comprehensive income for the quarter ended 31 March 2014 and 31 March 2013, adjusting for certain exceptional items in line with the Group's Prospectus dated 30 May 2014 ("Prospectus"), as described below ("Adjustments") which arose as a result of the following events:

1. the acquisition of ICON Ship which was completed on 20 July 2012 and the acquisition of ICON Fleet which was completed on 28 September 2012; and
2. the strategic consolidation and review of our business plan in consequence of the strategic consolidation.

**24.1** This section is to provide a better and fairer understanding of our financial performance as well as the trends relating thereto, and should be read in conjunction with the Prospectus.

(i) Adjustments relating to the acquisition of ICON Ship and acquisition of ICON Fleet

(a) Amortisation of intangible assets relating to acquired charter contracts

ICON is required to recognise all the identifiable assets and liabilities of ICON Fleet and ICON Ship, based on a purchase price allocation exercise as at the acquisition date of the acquisition of ICON Ship and acquisition of ICON Fleet. The purchase price allocation exercise includes measurement of the assets and liabilities that were not previously recognised by ICON Ship and ICON Fleet such as intangible assets and also to measure the identifiable assets and liabilities at their respective fair values.

Based on the purchase price allocation exercise for the acquisition of ICON Ship and acquisition of ICON Fleet, the charter contracts of ICON Ship and ICON Fleet have been separately identified and measured at fair value, and have also been recognised as intangible assets on the respective acquisition dates. The fair value of the charter contracts is the present value of the net cash flows from the remaining contract period of the respective charter contracts as at the acquisition date after deducting the corresponding estimated operation costs. The acquired charter contracts have a finite useful life and the recognised fair value of these contracts is required to be amortised using a straight-line method over the remaining contract periods which range from one year to four years from acquisition date.

The Group do not expect to recognise additional intangible assets pursuant to these acquisitions. Also, given that the acquired charter contracts have a finite useful life, the carrying amount of the intangible assets relating to the acquired charter contracts of RM14.9 million as at 31 December 2013 is expected to be fully amortised by the first quarter of financial year ending 31 December 2016.

(b) RCPS-i profit rate

The RCPS-i were issued after the completion of the acquisition of ICON Ship and according to the terms of the RCPS-i, the RCPS-i will only be redeemed at 110% of its issue price if our Listing does not happen within two years from the date of issuance. In other words, the actual RCPS-i profit rate will only be payable in the event the RCPS-i are redeemed. Since all the RCPS-i were mandatorily converted into our Shares on 23 May 2014 following the receipt of all relevant authorities' approvals for our Listing, the profit rate on the RCPS-i will not be payable in cash.

The accrued amount of the RCPS-i profit rate recognised in our financial statements will be reversed and reclassified to equity following the conversion of all the RCPS-i into our Shares on 23 May 2014.

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION (continued)**

- (ii) Adjustments relating to the strategic consolidation and subsequent review of the Group business plan.

As per the strategic consolidation, the Group undertook an overall review of our fleet whereupon the Group decided to focus on newer and higher specification OSV (being vessels with at least 5,000 BHP and above, and/or equipped with at least a DP2 system) which led to the divestment of our non-OSV, lower specification and older OSVs as well as an impairment assessment of these vessels and their related assets where an analysis was performed to assess whether the carrying amounts of these vessels and their related assets are higher or lower than their recoverable amounts. For the current quarter under review, the Group had disposed one (1) lower specification vessel which gave rise to a gain on disposal of RM0.2million.

- 24.2** The table below sets out our Group's PAT after excluding the abovementioned adjustments:

	<b>QUARTER ENDED 31.3.2014</b>	<b>QUARTER ENDED 31.3.2013</b>
	<b>RM</b>	<b>RM</b>
PAT	19,500,295	3,117,721
Gain on disposal of vessel	(174,870)	-
Other expenses:		
- Amortisation of intangibles assets	2,412,333	4,847,000
RCPS-i profit rate	2,750,000	2,750,000
Tax effect relating to:		
- Amortisation of intangibles assets	(603,083)	(1,212,000)
Adjusted PAT	23,884,675	9,502,721

Adjusted PAT increased by RM14.4 million or 151.6%, from RM9.5 million for the quarter ended 31 March 2013 to RM23.9 million for the quarter ended 31 March 2014.

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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION (continued)**

**24.3** The table below sets out a reconciliation of our Group's PAT to EBITDA and Adjusted EBITDA:

	<b>QUARTER ENDED 31.03.2014</b>	<b>QUARTER ENDED 31.03.2013</b>
	<b>RM</b>	<b>RM</b>
PAT	19,500,295	3,117,721
Taxation	196,973	931,267
Profit before taxation	19,697,268	4,048,988
Finance costs	14,091,970	13,147,807
Depreciation	14,364,683	11,864,510
Amortisation of intangibles assets	2,412,333	4,847,000
EBITDA	50,566,254	33,908,305
Gain on disposal of vessel	(174,870)	-
Adjusted EBITDA	50,391,384	33,908,305

EBITDA increased by RM16.7 million or 50%, from RM33.9 million for the quarter ended 31 March 2013 to RM50.6 million for the quarter ended 31 March 2014, primarily as a result of the increased in the Group revenue by RM15.2 million. Adjusted EBITDA increased by RM16.5 million or 48.6%, from RM33.9 million for the quarter ended 31 March 2013 to RM50.4 million for the quarter ended 31 March 2014.

**ICON OFFSHORE BERHAD (984830-D)**  
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**QUARTERLY REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2014**

**BY ORDER OF THE BOARD**

Dr. Jamal Bin Yusof @ Gordon Duclos  
Chief Executive Officer/ Director  
20 June 2014

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