

ICON OFFSHORE BERHAD

(984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015**

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") would like to announce the following unaudited condensed consolidated financial statements for the third quarter and period ended 30 September 2015 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|----------------------------------------------------------------------------------------------|------------|------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------------|
| | | CURRENT QUARTER ENDED (UNAUDITED) 30.9.2015 RM | CORRESPONDING QUARTER ENDED (UNAUDITED) 30.9.2014 RM | CURRENT PERIOD ENDED (UNAUDITED) 30.9.2015 RM | CORRESPONDING PERIOD ENDED (UNAUDITED) 30.9.2014 RM |
| Revenue | 15.1.(i) | 69,057,424 | 79,749,081 | 201,223,768 | 241,787,034 |
| Cost of sales | | (41,467,820) | (41,639,042) | (125,850,097) | (112,476,213) |
| Gross profit | 15.1.(ii) | 27,589,604 | 38,110,039 | 75,373,671 | 129,310,821 |
| Other income | | 145,422 | 5,689,948 | 998,291 | 6,357,519 |
| Administrative expenses | 15.1.(iii) | (11,988,867) | (8,703,217) | (33,911,440) | (40,153,774) |
| Other expenses | 15.1.(iv) | (783,000) | (2,412,333) | (2,349,000) | (7,237,000) |
| Profit from operations | | 14,963,159 | 32,684,437 | 40,111,521 | 88,277,566 |
| Finance costs | | (9,033,268) | (13,643,898) | (26,835,599) | (41,102,645) |
| Share of (loss)/ profit from a Joint Venture | | (4,128) | 14,227 | 810 | (9,624) |
| Profit before taxation | | 5,925,763 | 19,054,766 | 13,276,733 | 47,165,297 |
| Taxation | 15.1.(v) | (396,834) | (108,783) | (470,343) | (739,919) |
| Profit for the quarter/period | 15.1.(vi) | 5,528,929 | 18,945,983 | 12,806,390 | 46,425,378 |
| Other comprehensive profit: Items that will be classified subsequently to profit or loss: | | | | | |
| Currency translation differences | | 2,535,235 | - | 3,370,906 | - |
| Total comprehensive income for the quarter/period | | 8,064,164 | 18,945,983 | 16,177,296 | 46,425,378 |

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

| | Note | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|---------------------------------------------|------|---------------------------------------------------------|---------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------|
| | | CURRENT QUARTER ENDED (UNAUDITED) 30.9.2015 | CORRESPONDING QUARTER ENDED (UNAUDITED) 30.9.2014 | CURRENT PERIOD ENDED (UNAUDITED) 30.9.2015 | CORRESPONDING PERIOD ENDED (UNAUDITED) 30.9.2014 |
| | | RM | RM | RM | RM |
| Profit attributable to: | | | | | |
| -Equity holders of the Company | | <u>5,528,929</u> | <u>18,945,983</u> | <u>12,806,390</u> | <u>46,425,378</u> |
| Total comprehensive income attributable to: | | | | | |
| -Equity holders of the Company | | <u>8,064,164</u> | <u>18,945,983</u> | <u>16,177,296</u> | <u>46,425,378</u> |
| Earnings per share (Sen) | | | | | |
| Basic | 25.1 | <u>0.5</u> | <u>3.3</u> | <u>1.1</u> | <u>11.1</u> |
| Diluted | 25.2 | <u>n/a⁽¹⁾</u> | <u>n/a⁽¹⁾</u> | <u>n/a⁽¹⁾</u> | <u>n/a⁽¹⁾</u> |

(1) There were no dilutive effects following the conversion of the RCPS-i into ordinary shares on 23 May 2014.

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Unaudited | Audited |
|-------------------------------------------------------------|------------------------|-------------------------|
| | As at 30.9.2015 | As at 31.12.2014 |
| | RM | RM |
| Non-current assets | | |
| Property, plant and equipment | 1,433,992,602 | 1,378,168,441 |
| Investment in a joint venture | 4,169,672 | 4,168,861 |
| Intangible assets | 181,426,348 | 183,775,348 |
| Deferred tax assets | 45,094,337 | 45,188,087 |
| | <u>1,664,682,959</u> | <u>1,611,300,737</u> |
| Current assets | | |
| Trade and other receivables | 84,712,854 | 92,075,917 |
| Inventories | 426,184 | 1,543,732 |
| Tax recoverable | 3,013,817 | 1,954,830 |
| Cash and bank balances | 29,778,543 | 74,818,205 |
| | <u>117,931,398</u> | <u>170,392,684</u> |
| Less: Current liabilities | | |
| Trade and other payables | 38,910,371 | 29,755,924 |
| Borrowings | 158,762,622 | 129,477,599 |
| Taxation | 1,073,276 | 1,244,006 |
| | <u>198,746,269</u> | <u>160,477,529</u> |
| Net current (liabilities)/assets | (80,814,871) | 9,915,155 |
| Less: Non current liabilities | | |
| Borrowings | 485,794,175 | 539,005,775 |
| Deferred tax liabilities | 1,290,259 | 1,603,759 |
| | <u>487,084,434</u> | <u>540,609,534</u> |
| | <u>1,096,783,654</u> | <u>1,080,606,358</u> |
| Equity attributable to equity holders of the Company | | |
| Share capital | 588,592,550 | 588,592,550 |
| Share premium | 311,210,080 | 311,210,080 |
| Foreign currency translation reserves | 3,176,568 | (194,338) |
| Retained earnings | 193,804,456 | 180,998,066 |
| Total equity | <u>1,096,783,654</u> | <u>1,080,606,358</u> |

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Issued and fully paid ordinary shares of RM0.50 each | | Attributable to equity holders of the Company | | | |
|------------------------------------------------|------------------------------------------------------------|------------------------|-----------------------------------------------|-----------------------------------------------------|----------------------------|----------------------|
| | Number of shares | Share Capital RM | Share Premium RM | Foreign Currency Translation Reserve RM | Retained earnings RM | Total equity RM |
| At 1 January 2015 | 1,177,185,100 | 588,592,550 | 311,210,080 | (194,338) | 180,998,066 | 1,080,606,358 |
| Currency translation differences | - | - | - | 3,370,906 | - | 3,370,906 |
| Profit for the financial quarter/ period | - | - | - | - | 12,806,390 | 12,806,390 |
| As at 30 September 2015 | <u>1,177,185,100</u> | <u>588,592,550</u> | <u>311,210,080</u> | <u>3,176,568</u> | <u>193,804,456</u> | <u>1,096,783,654</u> |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

| | <u>Issued and fully paid ordinary shares of RM0.50 each</u> | | <u>Attributable to equity holders of the Company</u> | | | |
|-------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------|------------------------------------------------------|----------------------------------------------------------------|-------------------------------------|----------------------------|
| | <u>Number of shares</u> | <u>Share Capital RM</u> | <u>Share Premium RM</u> | <u>Foreign Currency Translation Reserve RM</u> | <u>Retained earnings RM</u> | <u>Total equity RM</u> |
| At 1 January 2014 | 257,720,050 | 257,720,050 | - | - | 121,643,927 | 379,363,977 |
| Ordinary Shares split to RM0.50 each | 257,720,050 | - | - | - | - | - |
| Proceeds from shares issued | 221,745,000 | 110,872,500 | 299,355,750 | - | - | 410,228,250 |
| Share issuance expenses | - | - | (8,115,445) | - | - | (8,115,445) |
| Islamic Redeemable Convertible Preference Shares ("RCPS-i") conversion to ordinary shares | 440,000,000 | 220,000,000 | 19,969,775 | - | - | 239,969,775 |
| Currency translation differences | - | - | - | (194,338) | - | (194,338) |
| Profit for the financial year | - | - | - | - | 59,354,139 | 59,354,139 |
| As at 31 December 2014 | <u>1,177,185,100</u> | <u>588,592,550</u> | <u>311,210,080</u> | <u>(194,338)</u> | <u>180,998,066</u> | <u>1,080,606,358</u> |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | PERIOD ENDED (UNAUDITED) 30.9.2015 | PERIOD ENDED (UNAUDITED) 30.9.2014 |
|------------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 13,276,733 | 47,165,297 |
| Adjustments for: | | |
| Amortisation of intangible assets | 2,349,000 | 7,237,000 |
| Depreciation of property, plant and equipment | 48,362,300 | 41,501,456 |
| Gain on disposal of property, plant and equipment | - | (4,622,511) |
| Interest expense | 26,835,599 | 36,663,469 |
| Interest income | (751,318) | (542,979) |
| Unrealised loss on foreign exchange | 2,348,006 | 108,120 |
| Share of profit of joint venture | (810) | - |
| Operating profit before working capital changes | <u>92,419,510</u> | <u>127,509,852</u> |
| Changes in working capital: | | |
| Inventories | 1,117,548 | (2,621,011) |
| Receivables | 8,087,105 | (7,324,157) |
| Payables | <u>20,604,942</u> | <u>(15,734,161)</u> |
| Cash generated from operations | 122,229,105 | 101,830,523 |
| Tax paid | <u>(1,425,736)</u> | <u>(2,850,207)</u> |
| Net cash generated from operating activities | <u>120,803,369</u> | <u>98,980,316</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (104,186,461) | (179,224,475) |
| Proceeds from disposal of property, plant and equipment | - | 12,458,300 |
| Interest received | 751,318 | 542,979 |
| Net cash used in investing activities | <u>(103,435,143)</u> | <u>(166,223,196)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceed from issuance of ordinary shares (net of certain IPO expenses) | - | 401,236,231 |
| Drawdown of borrowings (net of transaction cost) | 59,379,850 | 52,600,700 |
| Investment in joint venture | - | (1,945,602) |
| Repayment of amount due to immediate company | - | (51,880,000) |
| Repayment of finance lease liabilities | (24,777) | (21,018) |
| Repayment of borrowings | (94,946,802) | (232,311,744) |
| Interest paid | (26,855,839) | (37,433,569) |
| Increase in fixed deposits pledged | <u>(5,708,935)</u> | <u>-</u> |
| Net cash (used in)/ generated from financing activities | <u>(68,156,503)</u> | <u>130,244,998</u> |
| Unrealised foreign exchange gain/ (loss) on cash and bank balances | 39,682 | (108,120) |
| NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS | (50,748,595) | 62,893,998 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD | <u>68,534,727</u> | <u>37,821,411</u> |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | <u>17,786,132</u> | <u>100,715,409</u> |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

| | PERIOD ENDED (UNAUDITED) 30.9.2015 | PERIOD ENDED (UNAUDITED) 30.9.2014 |
|------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|
| | RM | RM |
| Pledged fixed deposits | 11,992,411 | 9,481,382 |
| TOTAL CASH AND BANK BALANCES AT THE END OF THE PERIOD | 29,778,543 | 110,196,791 |

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

**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 2014.

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 2014.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2015 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- Annual Improvements to MFRSs 2010-2012 Cycle (Amendments to MFRS 2 Share Based Payment, MFRS 3 Business Combinations, MFRS 8 Operating Segments, MFRS 13 Fair Value Measurement, MFRS 116 Property, Plant and Equipment, MFRS 124 Related Party Disclosures and MFRS 138 Intangible Assets)
- Annual Improvements to MFRSs 2011-2013 Cycle (Amendments to MFRS 3 Business Combinations, MFRS 13 Fair Value Measurement and MFRS 140 Investment Property)
- Amendments to MFRS 119 Defined Benefits Plans: Employee Contributions

MFRSs and amendments to MFRSs that are applicable to the Group but not yet effective

Malaysian Accounting Standards Board had issued the following new standards and amendments to standards which are effective for the financial period beginning on or after 1 January 2016. The Group did not early adopt these new standards, amendments and improvements to published standards.

- MFRS 9 Financial Instruments (effective from 1 January 2018)
- MFRS 15 Revenue from Contracts with Customers (effective from 1 January 2017)
- Amendments to MFRS 116 Property, Plant and Equipment and MFRS 138 Intangible Assets-Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016)
- Amendments to MFRS10 Consolidated Financial Statements and MFRS 128 Investment in Associates and Joint Ventures–Sale or Contribution of Assets between an Investor and its Associates/ Joint Ventures (Effective from 1 January 2016)
- Amendments to MFRS 127 Separate Financial Statements – Equity Accounting in Separate Financial Statements (Effective from 1 January 2016)
- Annual Improvements to MFRSs 2012-2014 Cycle (Amendments to MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, MFRS 7 Financial Instruments: Disclosures, MFRS 119 Employee Benefits, MFRS 134 Interim Financial Reporting) (effective from 1 January 2016)

The initial application of the abovementioned accounting standards and amendments to published standards are not expected to have any material impacts to the financial statements of the Group and of the Company except as mentioned below:

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

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

1. BASIS OF PREPARATION (continued)

MFRSs and amendments to MFRSs that are applicable to the Group but not yet effective (continued)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

FRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

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 as well as the cyclicity in the offshore drilling and oilfield services industries.

3. UNUSUAL ITEMS

The Group presents selected adjusted financial information or components of the Group unaudited condensed consolidated statements of comprehensive income for the quarter and period ended 30 September 2015 to take into account certain exceptional items in Part C - Adjustments to Selected Financial Information.

Save for matter highlighted above there were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the quarter and period ended 30 September 2015.

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

4. MATERIAL CHANGES IN ESTIMATES

There was no material changes in estimates of amounts reported in the prior financial year that have a material effect in the quarter and period ended 30 September 2015.

5. DEBT AND EQUITY SECURITIES

There were no other issuance, repurchase and repayment of debt and equity securities by the Group during the quarter and period ended 30 September 2015.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 30 September 2015.

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, 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:

| | INDIVIDUAL QUARTER | | | | CUMULATIVE PERIOD | | | |
|----------------|-----------------------|------------|-----------------------------|------------|----------------------|-------------|----------------------------|-------------|
| | CURRENT QUARTER ENDED | | CORRESPONDING QUARTER ENDED | | CURRENT PERIOD ENDED | | CORRESPONDING PERIOD ENDED | |
| | 30.9.2015 | | 30.9.2014 | | 30.9.2015 | | 30.9.2014 | |
| | % | RM | % | RM | % | RM | % | RM |
| Revenue | | | | | | | | |
| Malaysia | 68 | 47,179,525 | 84 | 67,250,183 | 75 | 149,994,205 | 90 | 218,174,594 |
| Others | 32 | 21,877,899 | 16 | 12,498,898 | 25 | 51,229,563 | 10 | 23,612,440 |
| Total | 100 | 69,057,424 | 100 | 79,749,081 | 100 | 201,223,768 | 100 | 241,787,034 |

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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:

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|--------------------------------------|------------------------------------------------------------------|------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------|
| | CURRENT QUARTER ENDED <u>30.9.2015</u> RM | CORRESPONDING QUARTER ENDED <u>30.9.2014</u> RM | CURRENT PERIOD ENDED <u>30.9.2015</u> RM | CORRESPONDING PERIOD ENDED <u>30.9.2014</u> RM |
| Analysis of revenue by category: | | | | |
| - Charter hire own vessel | 65,691,155 | 75,341,579 | 191,542,306 | 220,467,953 |
| - Charter hire of forerunner vessels | <u>561,560</u> | <u>543,924</u> | <u>1,987,480</u> | <u>6,579,924</u> |
| | 66,252,715 | 75,885,503 | 193,529,786 | 227,047,877 |
| - Others ⁽¹⁾ | <u>2,804,709</u> | <u>3,863,578</u> | <u>7,693,982</u> | <u>14,739,157</u> |
| | <u>69,057,424</u> | <u>79,749,081</u> | <u>210,223,768</u> | <u>241,787,034</u> |

Note

⁽¹⁾ 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.

8. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group as at 30 September 2015.

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:

| | AS AT <u>30.9.2015</u> RM | AS AT <u>31.12.2014</u> RM |
|---------------------------------------------------------|------------------------------------------|-------------------------------------------|
| Approved and contracted capital expenditure commitments | 216,476,527 | 350,758,000 |
| Total | <u>216,476,527</u> | <u>350,758,000</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

There are no significant related party balances arising from normal business transactions.

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.

| | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE PERIOD</u> | |
|-----------------------------------------------|---------------------------|------------------------------------|-----------------------------|-----------------------------------|
| | <u>QUARTER ENDED</u> | <u>CORRESPONDING QUARTER ENDED</u> | <u>CURRENT PERIOD ENDED</u> | <u>CORRESPONDING PERIOD ENDED</u> |
| | <u>30.9.2015</u> | <u>30.9.2014</u> | <u>30.9.2015</u> | <u>30.9.2014</u> |
| | RM | RM | RM | RM |
| Interest expense to immediate holding company | - | - | - | 1,378,911 |

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 business based on the Group's consistently applied terms 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.

| | Carrying amount | | Fair Value | |
|-----------------------|--------------------------|---------------------------|--------------------------|---------------------------|
| | AS AT 30.9.2015 RM | AS AT 31.12.2014 RM | AS AT 30.9.2015 RM | AS AT 31.12.2014 RM |
| Fixed rate term loans | <u>153,834,887</u> | <u>202,066,246</u> | <u>164,751,034</u> | <u>202,799,470</u> |

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 30 September 2015. As at 30 September 2015, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

ICON-FOB Holdings (L) Inc. ("JVCo"), a 51% joint venture company held by Icon Fleet Sdn Bhd ("IFSB"), which in turn, is a wholly-owned subsidiary of Icon Offshore Berhad ("IOB") and 49% interest held by FOB Swath Malaysia A/S ("FOBS") have on 6 October 2015 together with Danish Yachts A/S ("Danish Yachts") signed a letter of agreement to terminate the Shipbuilding Contract.

The JVCo and Danish Yachts have mutually agreed to terminate the Shipbuilding Contract due to failure by Danish Yachts to construct the Vessel in accordance with the technical specification as prescribed under the Shipbuilding Contract.

As a result of the termination of the Shipbuilding Contract, IFSB intends to terminate the joint venture agreement between IFSB, FOBS and JVCo dated 27 January 2014.

JVCo has received refunds on all payments disbursed by JVCo to Danish Yachts amounted RM13.7 million of which IFSB's portion is RM7.0 million inclusive interest.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 September 2015, the Group did not have any contingent liabilities or assets.

ICON OFFSHORE BERHAD (984830-D)
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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
BURSA SECURITIES LISTING REQUIREMENTS**

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 30 September 2015) against the corresponding quarter (Quarter ended 30 September 2014):

(i) Revenue

Revenue decreased by RM10.6 million or 13.3% from RM79.7 million for the quarter ended 30 September 2014 to RM69.1 million for the quarter ended 30 September 2015. The decreased was primarily due to lower vessel utilisation rate of 61.9% for the quarter ended 30 September 2015 as compared to 76.1% for the quarter ended 30 September 2014, mainly due to completion of contracts, scheduled dry docking and repair and maintenance program for vessels as well as continuous lower activities in oil and gas industry. However, this was partly offset by contribution from one (1) new Accommodation Work Boat (“AWB”) vessel with long term contract in Brunei for the current quarter under review.

(ii) Gross profit

The cost of sales decreased by RM0.1 million or 0.2% from RM41.6 million for the quarter ended 30 September 2014 to RM41.5 million for the quarter ended 30 September 2015, primarily due to cost control measures implemented for off-hired vessels which has resulted to lower ship operations and crew costs. This is however offset by the additional cost of sales for the one (1) new AWB vessel.

Due to lower revenue, consequently the Group’s gross profit decreased by RM10.5 million or 27.6% from RM38.1 million for the quarter ended 30 September 2014 to RM27.6 million for the quarter ended 30 September 2015.

(iii) Administrative expenses

The administrative expenses increased by RM3.3 million or 37.9% from RM8.7 million for the quarter ended 30 September 2014 to RM12.0 million for the quarter ended 30 September 2015 primarily due to foreign exchange loss arose from depreciation of RM against USD and higher payroll cost due to higher technical staff to support fleet expansion.

(iv) Other expenses

Other expenses decreased by RM1.6 million or 66.7% from RM2.4 million for the quarter ended 30 September 2014 to RM0.8 million for the quarter ended 30 September 2015, due to lower amortisation of intangible assets for the current quarter under review.

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

15. ANALYSIS OF PERFORMANCE (continued)

15.1. Review of performance for the current quarter (Quarter ended 30 September 2015) against the corresponding quarter (Quarter ended 30 September 2014) (continued):

(v) Taxation

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|--------------------------------------|------------------------------------------------|------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|
| | CURRENT QUARTER ENDED 30.9.2015 RM | CORRESPONDING QUARTER ENDED 30.9.2014 RM | CURRENT PERIOD ENDED 30.9.2015 RM | CORRESPONDING PERIOD ENDED 30.9.2014 RM |
| Current tax | 7,197 | 711,866 | 690,093 | 1,166,740 |
| Deferred tax | 389,637 | (603,083) | (219,750) | (426,821) |
| Tax expense for the financial period | <u>396,834</u> | <u>108,783</u> | <u>470,343</u> | <u>739,919</u> |
| Effective tax rate | 7% | 1% | 4% | 2% |

The effective tax rate for the current quarter and period ended 30 September 2015 is lower than the statutory tax rate of 25% mainly due to the lower tax rate applicable to income from our vessel leasing subsidiaries being Malaysian tax residents incorporated in Labuan however offset by the effective tax rate of subsidiary incorporated in Brunei with corporate tax of 20%.

(vi) Profit after taxation

As a result of the foregoing, profit after taxation decreased by RM13.4 million or 70.9% from RM18.9 million for the quarter ended 30 September 2014 to RM5.5 million for the quarter ended 30 September 2015.

15.2. Review of performance for the current period ended 30 September 2015 against the corresponding period ended 30 September 2014:

(i) Revenue

Revenue decreased by RM40.6 million or 16.8% from RM241.8 million for the period ended 30 September 2014 to RM201.2 million for the period ended 30 September 2015. The decreased was primarily due to decreased in vessel utilisation rate of 60.9 % for the period ended 30 September 2015 as compared to 79.2% for the period ended 30 September 2014. This is due to completion of several long term contracts in second half of 2014 and delay of awards for subsequent contracts during the current period as well as continuous lower demand and activities in oil and gas industry since second half of 2014. However, this was partly offset by contribution from the one (1) new AWB vessel with long term contract in Brunei.

(ii) Gross profit

The cost of sales increased by RM13.6 million or 11.9% from RM112.5 million for the period ended 30 September 2014 to RM125.9 million for the period ended 30 September 2015, primarily as a result of the cost of sales incurred for one (1) new AWB vessel and fuel consumption incurred for off-hired vessels as well as vessels on scheduled dry dock and repair and maintenance program during the period under review. Furthermore, certain crew cost and ship operation cost were incurred for off-hired vessels.

Consequently, the Group's gross profit decreased by RM53.9 million or 41.7% from RM129.3 million for the period ended 30 September 2014 to RM75.4 million for the period ended 30 September 2015.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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

15. ANALYSIS OF PERFORMANCE (continued)

15.2 Review of performance for the current period ended 30 September 2015 against the corresponding period ended 30 September 2014 (continued):

(iii) Administrative expenses

The administrative expenses decreased by RM6.2 million or 15.5% from RM40.2 million for the period ended 30 September 2014 to RM33.9 million for the period ended 30 September 2015 primarily due to IPO related expenses incurred amounted to RM15.4 million in period ended 2014, however partly offset by foreign exchange loss arose from depreciation of RM against USD and withholding tax for foreign operation in Brunei.

(iv) Other expenses

Other expenses decreased by RM4.9 million or 67.5% from RM7.2 million for the period ended 30 September 2014 to RM2.3 million for the period ended 30 September 2015, mainly due to the 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.

(v) Profit after taxation

As a result of the foregoing, profit after taxation decreased by RM33.6 million or 72.4% from RM46.4 million for the period ended 30 September 2014 to RM12.8 million for the period ended 30 September 2015.

15.3. Review of performance for the current quarter (Quarter ended 30 September 2015) against the preceding quarter (Quarter ended 30 June 2015):

The Group's revenue increased by RM0.5 million or 0.7% from RM68.6 million for the quarter ended 30 June 2015 to RM69.1 million for the quarter ended 30 September 2015. This is due to higher vessel utilisation rate during the quarter ended 30 September 2015 of 61.9% as compared 57.4% in the quarter ended 30 June 2015.

Consequently, the profit after tax increased by RM0.9 million or 19.6% from RM4.6 million for the quarter ended 30 June 2015 to RM5.5 million for the quarter ended 30 September 2015.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

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

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

The upstream exploration and production activities in Malaysia are expected to continue to underpin the demand for OSV. The market condition for OSV remains highly challenging which has largely impacted the OSV operators including the Company.

Whilst the industry outlook is expected to remain soft, certain portion of the Group's orderbook are long term (more than one year) in nature, and the Group remains focused to ensure its utilisation rate is maximised through competitive tendering for domestic and regional contracts.

In view of this, the Board of Directors remain cautious on the Group's financial results for the financial year ending 31 December 2015.

17. PROFIT FORECAST

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

18. 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 2014.

19. PROFIT BEFORE TAX

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

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|-----------------------------------------------|------------------------------------------------|------------------------------------------------------|-----------------------------------------------|-----------------------------------------------------|
| | CURRENT QUARTER ENDED 30.9.2015 RM | CORRESPONDING QUARTER ENDED 30.9.2014 RM | CURRENT PERIOD ENDED 30.9.2015 RM | CORRESPONDING PERIOD ENDED 30.9.2014 RM |
| Amortisation of intangible assets | 783,000 | 2,412,334 | 2,349,000 | 7,237,000 |
| Auditor's remuneration | 191,258 | 188,708 | 603,107 | 539,680 |
| Consumable costs | 2,096,726 | 2,340,369 | 5,775,943 | 7,276,322 |
| Depreciation of property, plant and equipment | 16,627,668 | 14,436,227 | 48,362,300 | 41,501,456 |
| Employee benefits expense | 18,812,499 | 17,739,541 | 55,335,903 | 47,611,320 |
| Gain on disposal of OSV | - | (4,447,641) | - | (4,622,511) |
| Professional fees | 248,308 | 235,624 | 545,844 | 860,756 |
| Rental of premises | 498,099 | 399,751 | 1,403,135 | 1,139,491 |
| Ship operation & charter hire costs | 6,360,941 | 7,162,421 | 22,344,036 | 18,975,882 |
| Unrealised loss/ (gain) on foreign exchange | 1,527,389 | (91,543) | 2,348,006 | 108,120 |
| Interest income | (151,937) | (142,662) | (751,318) | (542,979) |
| Interest expense | 9,033,268 | 9,204,722 | 26,835,599 | 36,663,469 |
| Realised loss/ (gain) on foreign exchange | 330,298 | (61,050) | 816,388 | (161,067) |
| Reversal of impairment of receivables | - | (183,226) | - | (183,226) |
| IPO related expenses | - | - | - | 15,414,207 |
| Transaction costs written off | - | 4,439,176 | - | 4,439,176 |

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.

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

20. STATUS OF CORPORATE PROPOSALS ANNOUNCED

i. Initial Public Offering

The Company was listed on the Main Market of Bursa Malaysia Securities Berhad on 25 June 2014 after an Offer for Sale of approximately 289.02 million Offer Shares and the Public Issue of approximately 221.75 million Issue Shares (“IPO”). Total gross proceeds of approximately RM410.23 million were raised from the IPO.

ii. Utilisation of IPO proceeds

| Details of utilisation | As per Prospectus | | Utilisation up to the reporting date RM' million | Balance unutilised RM' million | Balance unutilised % |
|-------------------------------------|------------------------------|-------|-----------------------------------------------------|-----------------------------------|-------------------------|
| | Allocation RM' million | % | | | |
| Expansion of vessel fleet | 166.20 | 40.5% | (166.20) | - | 0% |
| Repayment of bank borrowings | 124.00 | 30.2% | (124.00) | - | 0% |
| Repayment of Advances from Hallmark | 54.45 | 13.3% | (54.45) | - | 0% |
| Working capital | 42.58 | 10.4% | (42.58) | - | 0% |
| Listing expenses | 23.00 | 5.6% | (23.00) | - | 0% |
| | 410.23 | 100% | (410.23) | - | |

Reference to announcement dated 8 August 2014, the temporary utilisation of IPO proceeds for the acquisition of a vessel amounted to RM85.8 million is included in the utilisation of expansion of vessel fleet in the above summary. Subsequently, reference to announcement dated 19 October 2015, the temporary utilisation of the said IPO proceeds has been replenished for the utilisation of vessel fleet expansion.

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

21. 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.

| | AS AT 30.9.2015 | AS AT 31.12.2014 |
|------------------------------|----------------------------|-----------------------------|
| | RM | RM |
| Short term: | | |
| <u>Secured</u> | | |
| Bank borrowings | | |
| - term loans | 128,731,028 | 129,400,093 |
| - revolving credit | 30,000,000 | - |
| Finance lease liabilities | 31,594 | 77,506 |
| | 158,762,622 | 129,477,599 |
| Long-term: | | |
| <u>Secured</u> | | |
| Bank borrowings - term loans | 485,788,978 | 538,939,626 |
| Finance lease liabilities | 5,197 | 66,149 |
| | 485,794,175 | 539,005,775 |
| Total borrowings | 644,556,797 | 668,483,374 |

Note:

Total term loan denominated in USD is USD2.5 million (equivalent to RM11.0 million), with USD0.8 million (equivalent to RM3.3 million) being secured short-term portion and USD1.7 million (equivalent to RM7.7 million) as secured long-term portion.

As at 30 September 2015, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM12.5 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 for loan obtained by our subsidiaries.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and period ended 30 September 2015.

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

23. 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:

| | AS AT 30.9.2015 | AS AT 31.12.2014 |
|----------------------------------------------------------------|----------------------------|-----------------------------|
| | RM | RM |
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 408,165,040 | 398,947,127 |
| - Unrealised | 41,456,072 | 43,067,876 |
| | 449,621,112 | 442,015,003 |
| Total share accumulated profit from jointly controlled entity: | | |
| - Realised | 810 | 36,119 |
| | 449,621,922 | 442,051,122 |
| Less: Consolidation adjustments | (255,817,466) | (261,053,056) |
| Total retained profits as per consolidated accounts | 193,804,456 | 180,998,066 |

The unrealised retained profits comprise mainly the deferred tax provision.

24. CHANGES IN MATERIAL LITIGATION

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

25. EARNINGS PER SHARE

25.1 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.

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|-----------------------------------------------------|----------------------------------------------------|----------------------------------------------------------|---------------------------------------------------|---------------------------------------------------------|
| | CURRENT QUARTER ENDED 30.9.2015 | CORRESPONDING QUARTER ENDED 30.9.2014 | CURRENT PERIOD ENDED 30.9.2015 | CORRESPONDING PERIOD ENDED 30.9.2014 |
| Profit attributable to equity holders (RM) | 5,528,929 | 18,945,983 | 12,806,390 | 46,425,378 |
| Weighted average number of ordinary shares in issue | 1,177,185,100 | 579,069,083 | 1,177,185,100 | 419,282,271 |
| Basic EPS (Sen) | 0.5 | 3.3 | 1.1 | 11.1 |

25.2 Diluted EPS

There were no dilutive effects following the conversion of the RCPS-i into ordinary shares on 23 May 2014.

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PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION

26. The Group presents selected adjusted financial information or components of the Group unaudited condensed consolidated statements of comprehensive income for the quarter ended 30 September 2015 and 30 September 2014, 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.

26.1 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 RM0.8 million as at 30 September 2015 is expected to be fully amortised by the fourth quarter of financial year ending 31 December 2015.

(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 IPO, the profit rate on the RCPS-i was not payable in cash.

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

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PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION (continued)

26.1 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. (continued)

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

In consequent of the strategic consolidation, the Group undertook an overall review of our fleet whereupon the Group decided to focus on newer and higher technical 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 technical 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 than their recoverable amount.

a. Gain on disposal of non-OSV and OSV

The Group had disposed one (1) lower technical specification vessel which gave rise to a gain on disposal of RM4.4 million in quarter ended 30 September 2015. For the period ended 30 September 2015, the Group had disposed two (2) lower technical specification vessels which gave rise to a total gain of on disposal of RM4.6 million.

b. Impairment of assets

No impairment of assets were recognised in quarter ended 30 September 2015 and 30 September 2014.

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

| | <u>INDIVIDUAL QUARTER</u> | | <u>CUMULATIVE PERIOD</u> | |
|-------------------------------------|----------------------------------------------------|----------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------|
| | <u>CURRENT QUARTER ENDED 30.9.2015</u> | <u>CORRESPONDING QUARTER ENDED 30.9.2014</u> | <u>CURRENT PERIOD TODATE 30.9.2015</u> | <u>CORRESPONDING PERIOD TODATE 30.9.2014</u> |
| | <u>RM</u> | <u>RM</u> | <u>RM</u> | <u>RM</u> |
| PAT | 5,528,929 | 18,945,983 | 12,806,390 | 46,425,378 |
| Gain on disposal of OSV | - | (4,447,641) | - | (4,622,511) |
| Other expenses: | | | | |
| - Amortisation of intangible assets | 783,000 | 2,412,334 | 2,349,000 | 7,237,000 |
| Administrative expenses: | | | | |
| -IPO related expenses | | - | | 15,414,207 |
| - Transaction costs written off | | 4,439,176 | | 4,439,176 |
| RCPS-i profit rate | - | - | - | 4,346,668 |
| Tax effect relating to: | | | | |
| - Amortisation of intangible assets | (195,750) | (603,083) | (587,250) | (1,809,250) |
| Adjusted PAT | <u>6,116,179</u> | <u>20,746,769</u> | <u>14,568,140</u> | <u>71,430,668</u> |

a. Review of performance for the current quarter ended 30 September 2015 against the corresponding quarter ended 30 September 2014:

Adjusted PAT decreased by RM14.6 million or 70.5% from RM20.7 million for the quarter ended 30 September 2014 to RM6.1 million for the quarter ended 30 September 2015 mainly due to lower revenue as a result from lower oil and gas activities during the current quarter. The decreased in Adjusted PAT was also contributed by reduction in gross profit as certain crew cost and ship operation cost were incurred for off-hired vessels.

b. Review of performance for the current period ended 30 September 2015 against the corresponding period ended 30 September 2014:

Adjusted PAT decreased by RM56.8 million or 79.6% from RM71.4 million for the period ended 30 September 2014 to RM14.6 million for the period ended 30 September 2015.

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

PART C – ADJUSTMENTS TO SELECTED FINANCIAL INFORMATION (continued)

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

| | INDIVIDUAL QUARTER | | CUMULATIVE PERIOD | |
|-------------------------------------------------------|---------------------------------------|------------------------------------------------|-------------------------------------------|------------------------------------------------|
| | CURRENT QUARTER ENDED 30.9.2015 | CORRESPONDING QUARTER ENDED 30.9.2014 | CURRENT PERIOD TO DATE 30.9.2015 | CORRESPONDING PERIOD TODATE 30.9.2014 |
| | RM | RM | | |
| PAT | 5,528,929 | 18,945,983 | 12,806,390 | 46,425,378 |
| Taxation | 396,834 | 108,783 | 470,343 | 739,919 |
| Profit before taxation | 5,925,763 | 19,054,766 | 13,276,733 | 47,165,297 |
| Finance costs | 9,033,268 | 13,643,898 | 26,835,599 | 41,102,645 |
| Depreciation | 16,627,668 | 14,436,227 | 48,362,300 | 41,501,456 |
| Amortisation of intangibles assets | 783,000 | 2,412,334 | 2,349,000 | 7,237,000 |
| Share of loss/ (profit) from JV | 4,128 | (14,227) | (810) | 9,624 |
| EBITDA | 32,373,827 | 49,532,998 | 90,822,822 | 137,016,022 |
| Gain on disposal of OSV IPO related expenses | - | (4,447,641) | - | (4,622,511) |
| Adjusted EBITDA | 32,373,827 | 45,085,357 | 90,822,822 | 147,807,718 |

a. Review of performance for the current quarter ended 30 September 2015 against the corresponding quarter ended 30 September 2014:

EBITDA decreased by RM17.1 million or 34.5% from RM49.5 million for the quarter ended 30 September 2014 to RM32.4 million for the quarter ended 30 September 2015. Adjusted EBITDA decreased by RM12.7 million or 28.2% from RM45.1 million for the quarter ended 30 September 2014 to RM32.4 million for the quarter ended 30 September 2015 mainly due to lower revenue as a result from lower oil and gas activities during the current quarter. The decreased in Adjusted EBITDA was contributed by reduction in gross profit as certain crew cost and ship operations cost were incurred for off-hired vessels.

b. Review of performance for the current period ended 30 September 2015 against the corresponding period ended 30 September 2014:

EBITDA decreased by RM46.2 million or 33.7% from RM137.0 million for the quarter ended 30 September 2014 to RM90.8 million for the quarter ended 30 September 2015.

Adjusted EBITDA decreased by RM57.0 million or 38.6% from RM147.8 million for the period ended 30 September 2014 to RM90.8 million for the period ended 30 September 2015.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

BY ORDER OF THE BOARD

Dato' Abdul Rahman Bin Ahmad
Executive Director
24 November 2015