

ICON OFFSHORE BERHAD

(984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the third quarter and period ended 30 September 2016 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 30.9.2016 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.9.2015 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.9.2016 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.9.2015 RM
Revenue	15.1.(i)	62,998,125	69,057,424	173,711,335	201,223,768
Cost of sales		(37,669,220)	(41,467,820)	(111,646,906)	(125,850,097)
Gross profit	15.1.(ii)	25,328,905	27,589,604	62,064,429	75,373,671
Other income		429,464	145,422	1,098,125	998,291
Administrative expenses	15.1.(iii)	(11,432,791)	(11,988,867)	(30,430,179)	(33,911,440)
Other expenses	15.1.(iv)	-	(783,000)	-	(2,349,000)
Profit from operations		14,325,578	14,963,159	32,732,375	40,111,522
Finance costs		(10,020,478)	(9,033,268)	(29,567,174)	(26,835,599)
Share of profit/(loss) from a joint venture		27	(4,128)	(41)	810
Profit before taxation		4,305,127	5,925,763	3,165,160	13,276,733
Taxation	15.1.(v)	(1,540,249)	(396,834)	(1,685,044)	(470,343)
Profit for the quarter/period	15.1.(vi)	<u>2,764,878</u>	<u>5,528,929</u>	<u>1,480,116</u>	<u>12,806,390</u>
Other comprehensive profit: Items that will be classified subsequently to profit or loss:					
Currency translation differences		(4,689)	2,535,235	455,980	3,370,906
Total comprehensive income for the quarter/period		<u>2,760,189</u>	<u>8,064,164</u>	<u>1,936,096</u>	<u>16,177,296</u>

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED) 30.9.2016	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.9.2015	CURRENT PERIOD ENDED (UNAUDITED) 30.9.2016	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.9.2015
Note	RM	RM	RM	RM
Profit/(Loss) attributable to:				
-Equity holders of the Company	2,144,739	5,528,929	(2,244,028)	12,806,390
-Non-controlling interests	<u>620,140</u>	<u>-</u>	<u>3,724,144</u>	<u>-</u>
	<u>2,764,879</u>	<u>5,528,929</u>	<u>1,480,116</u>	<u>12,806,390</u>
Total comprehensive income/(loss) attributable to :				
-Equity holders of the Company	2,142,327	8,064,164	(2,011,479)	16,177,296
-Non-controlling interests	<u>617,842</u>	<u>-</u>	<u>3,947,575</u>	<u>-</u>
	<u>2,760,169</u>	<u>8,064,164</u>	<u>1,936,096</u>	<u>16,177,296</u>
Earnings per share (Sen)				
Basic	24	0.2	0.5	(0.2)
		<u>1.1</u>		

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	As at 30.9.2016	As at 31.12.2015
	RM	RM
Non-current assets		
Property, plant and equipment	1,267,002,817	1,288,422,874
Investment in a joint venture	4,232,451	4,232,490
Deferred tax assets	45,373,774	46,590,022
	1,316,609,042	1,339,245,386
Current assets		
Trade and other receivables	55,722,838	81,088,346
Inventories	4,545,052	1,605,697
Tax recoverable	3,578,938	3,466,298
Cash and bank balances	93,544,622	95,354,013
	157,391,450	181,514,354
Assets Held for Sale	61,726,283	-
Less: Current liabilities		
Trade and other payables	114,332,954	76,295,965
Borrowings	191,595,755	181,144,834
Taxation	536,262	753,452
	306,464,971	258,194,251
Net current liabilities	(87,347,238)	(76,679,897)
Less: Non current liabilities		
Borrowings	506,632,536	541,872,317
Deferred tax liabilities	1,864,713	1,864,713
	508,497,249	543,737,030
	720,764,555	718,828,459
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	1,113,420	880,871
Accumulated losses	(185,332,693)	(183,088,665)
Non-controlling interest	5,181,198	1,233,623
Total equity	720,764,555	718,828,459

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<u>Attributable to equity holders of the Company</u>						
	<u>Issued and fully paid ordinary shares of RM0.50 each</u>	<u>Non-distributable</u>			<u>Distributable</u>		<u>Total equity</u>
	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Currency translation reserve</u>	<u>(Accumulated losses)</u>	<u>Non- controlling interest</u>	
	RM	RM	RM	RM	RM	RM	
At 1 January 2016	1,177,185,100	588,592,550	311,210,080	880,871	(183,088,665)	1,233,623	718,828,459
Profit/(loss) for the period	-	-	-	-	(2,244,028)	3,724,144	1,480,116
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	232,549	-	223,431	455,980
Total comprehensive income/(loss) for the period	-	-	-	232,549	(2,244,028)	3,947,575	1,936,096
At 30 September 2016	<u>1,177,185,100</u>	<u>588,592,550</u>	<u>311,210,080</u>	<u>1,113,420</u>	<u>(185,332,693)</u>	<u>5,181,198</u>	<u>720,764,555</u>

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	<u>Attributable to equity holders of the Company</u>						
	<u>Issued and fully paid ordinary shares of RM0.50 each</u>	<u>Non-distributable</u>			<u>Distributable Retained earnings/ (Accumulated losses)</u>	<u>Non- controlling interest</u>	<u>Total equity</u>
	<u>Number of shares</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Currency translation reserve</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
	RM	RM	RM	RM	RM	RM	RM
At 1 January 2015	1,177,185,100	588,592,550	311,210,080	(194,338)	180,998,066	-	1,080,606,358
Profit/(loss) for the financial year	-	-	-	-	(364,086,731)	798,315	(363,288,416)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	-	1,075,209	-	286,093	1,361,302
Total comprehensive income/(loss) for the financial year	-	-	-	1,075,209	(364,086,731)	1,084,408	(361,927,114)
Transactions with owners:							
Increase in non-controlling interest arising from additional shares issued	-	-	-	-	-	149,215	149,215
Total transactions with owners recognised directly in equity	-	-	-	-	-	149,215	149,215
At 31 December 2015	<u>1,177,185,100</u>	<u>588,592,550</u>	<u>311,210,080</u>	<u>880,871</u>	<u>(183,088,665)</u>	<u>1,233,623</u>	<u>718,828,459</u>

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	PERIOD ENDED (UNAUDITED) 30.9.2016	PERIOD ENDED (UNAUDITED) 30.9.2015
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,165,160	13,276,733
Adjustments for:		
Amortisation of intangible assets	-	2,349,000
Depreciation of property, plant and equipment	41,665,700	48,362,300
Interest expense	29,567,173	26,835,599
Interest income	(688,393)	(751,318)
Unrealised loss on foreign exchange	621,653	2,348,006
Share of loss/(profit) of a joint venture	39	(810)
Operating profit before working capital changes	<u>74,331,332</u>	<u>92,419,510</u>
Changes in working capital:		
(Increase)/Decrease in inventories	(2,939,355)	1,117,548
Decrease in receivables	25,089,335	8,087,105
Increase in payables	<u>35,600,197</u>	<u>20,604,942</u>
Cash generated from operations	132,081,509	122,229,105
Tax paid	<u>(798,625)</u>	<u>(1,425,736)</u>
Net cash from operating activities	<u>131,282,884</u>	<u>120,803,369</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(81,971,926)	(104,186,461)
Interest received	688,393	751,318
Net cash used in investing activities	<u>(81,283,533)</u>	<u>(103,435,143)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	93,000,000	59,379,850
Repayment of finance lease liabilities	(24,777)	(24,777)
Repayment of borrowings	(116,674,441)	(94,946,802)
Interest paid	(28,385,697)	(26,855,839)
Decrease/(increase) in fixed deposits pledged	<u>3,728,964</u>	<u>(5,708,935)</u>
Net cash used in financing activities	<u>(48,355,951)</u>	<u>(68,156,503)</u>
Unrealised foreign exchange gain on cash and bank balances	276,172	39,682
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,919,572	(50,748,595)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>83,108,970</u>	<u>68,534,727</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	85,028,542	17,786,132
Fixed deposit pledge	<u>8,516,080</u>	<u>11,992,411</u>
CASH AND BANK BALANCES	<u><u>93,544,622</u></u>	<u><u>29,778,543</u></u>

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**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 2015.

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 2015; with an additional accounting policy and methods for non-current assets held for sale under MFRS 5 : An non-current assets held for sale and discontinued operation.

Non-current assets (or disposal groups of assets) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying and fair value less costs to sell.

As at 30 September 2016, the Group’s current liabilities exceeded their current assets by RM87,347,238.

The Group has taken steps to review the existing loan repayment schedule and the capital commitment for vessels under construction. As at the date of this report 28 November 2016, the Group has completed all of three restructuring and rescheduling of the loan repayments with the banks to allow the Group to defer certain amount of the current loan obligations. For the period ended 30 September 2016, we have reflected the impact of the reduction in borrowings due in the next twelve months for two loans. The Group has also deferred the delivery and payment for vessels under construction. In addition, the Group has obtained a new credit facility for its working capital requirements and will also be able to obtain the required financial support from its immediate holding company, if necessary.

With the steps taken above, the Directors are of the view that the Group will be able to generate sufficient cash inflows from the charter hire contracts within the next twelve months from the reporting date to meet working capital requirements and repayment of existing loan obligations, and to carry on their business without significant curtailment of operations. The Directors believe that the Group are able to realise their assets and discharge their liabilities in the normal course of business and that the financial position will be improved through future operating profits and cash flows. Thus, the Directors believe no material uncertainty exists that may cast significant doubt on the Group’s ability to continue as going concerns.

As such, the Directors believe that it is appropriate to prepare this report on a going concern basis.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2016 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- 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)

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**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

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)
- MFRS 16 Leases (effective from 1 January 2019)

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:

- 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.
- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

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 cyclical in the offshore drilling and oilfield services industries.

3. UNUSUAL ITEMS

No unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the quarter and period ended 30 September 2016.

4. MATERIAL CHANGES IN ESTIMATES

There was no material changes in estimate of amounts reported in the prior financial year that have a material effect in the quarter and period ended 30 September 2016.

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 2016.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 30 September 2016.

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.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

7. SEGMENT RESULTS AND REPORTING (continued)

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	
	30.9.2016		30.9.2015		30.9.2016		30.9.2015	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	66	41,467,171	68	47,179,525	64	110,992,716	75	149,994,205
Others	34	21,530,954	32	21,877,899	36	62,718,619	25	51,229,563
Total	100	62,998,125	100	69,057,424	100	173,711,335	100	201,223,768

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.

Breakdown of revenue is as follows:

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED	CORRESPONDING QUARTER ENDED	CURRENT PERIOD ENDED	CORRESPONDING PERIOD ENDED
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	59,962,123	65,691,155	166,748,480	191,542,306
- Charter hire of forerunner vessels	-	561,560	-	1,987,480
	59,962,123	66,252,715	166,748,480	193,529,786
- Others ⁽¹⁾	3,036,002	2,804,709	6,962,855	7,693,982
	<u>62,998,125</u>	<u>69,057,424</u>	<u>173,711,335</u>	<u>201,223,768</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.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

8. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group as at 30 September 2016.

9. CAPITAL COMMITMENTS

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

	AS AT 30.9.2016	AS AT 31.12.2015
	RM	RM
Approved and contracted capital expenditure commitments	86,559,480	216,476,527

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.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED <u>30.9.2016</u> RM	CORRESPONDING QUARTER ENDED <u>30.9.2015</u> RM	CURRENT PERIOD ENDED <u>30.9.2016</u> RM	CORRESPONDING PERIOD ENDED <u>30.9.2015</u> RM
Interest expense to immediate holding company	449,428	-	679,665	-

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 has 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.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**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	AS AT	AS AT	AS AT
	30.9.2016	31.12.2015	30.9.2016	31.12.2015
	RM	RM	RM	RM
Fixed rate term loans	<u>225,862,939</u>	<u>253,304,956</u>	<u>204,614,564</u>	<u>256,316,274</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 2016. As at 30 September 2016, all property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment losses.

13. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

There were no material events subsequent to the end of the quarter up to the date of this report.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 September 2016, the Group did not have any material contingent liabilities or assets.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 30 September 2016) against the corresponding quarter (Quarter ended 30 September 2015):

(i) Revenue

Revenue decreased by RM6.1 million or 8.8%, from RM69.1 million for the quarter ended 30 September 2015 to RM63.0 million for the quarter ended 30 September 2016. The decreased was primarily due to lower fleet utilisation rate of 59.1% for the quarter ended 30 September 2016 as compared to 61.9% for the quarter ended 30 September 2015, arising from completion of a long-term contract, vessels dry-dock and laid-up as well as continuous low activities in oil and gas industry. The decrease was also contributed by lower average daily charter rate (“DCR”) for new contracts awarded in the current quarter. However, this was partially off-set by contribution from two new long term contracts for Straight Supply Vessel (“SSV”) during the quarter.

(ii) Gross profit

The cost of sales decreased by RM3.8 million or 9.2%, from RM41.5 million for the quarter ended 30 September 2015 to RM37.7 million for the quarter ended 30 September 2016, due to the cost saving initiatives in relation to fuel consumption monitoring and vessels laid-up, domestic safe manning and off-set by increased in vessels repair and maintenance costs during the current quarter. The decrease were also due to lower depreciation charge for vessels impaired during the financial year ended 2015.

Consequently, the Group’s gross profit decreased by RM2.3 million or 8.3%, from RM27.6 million for the quarter ended 30 September 2015 to RM25.3 million for the quarter ended 30 September 2016.

(iii) Administrative expenses

The administrative expenses decreased by RM0.6 million or 5.0%, from RM12.0 million for the quarter ended 30 September 2015 to RM11.4 million for the quarter ended 30 September 2016 primarily due to lower payroll cost and off-set by one-off professional fees for corporate and financing exercises during the current quarter under review.

(iv) Other expenses

Other expenses decreased by RM0.8 million or 100%, from RM0.8 million for the quarter ended 30 September 2015 to Nil for the quarter ended 30 September 2016, due to the intangible assets has been fully amortised as at 31 December 2015.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**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 2016) against the corresponding quarter (Quarter ended 30 September 2015) (continued):

(v) Taxation

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED 30.9.2016</u>	<u>CORRESPONDING QUARTER ENDED 30.9.2015</u>	<u>CURRENT PERIOD ENDED 30.9.2016</u>	<u>CORRESPONDING PERIOD ENDED 30.9.2015</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Current tax	155,000	7,197	468,795	690,093
Deferred tax	1,385,249	389,637	1,216,249	(219,750)
Tax expense for the financial period	<u>1,540,249</u>	<u>396,834</u>	<u>1,685,044</u>	<u>470,343</u>
Effective tax rate	35%	7%	53%	4%

The effective tax rate for the current quarter and period is higher than the statutory tax rate of 25% mainly due to the deferred tax assets charges for our foreign operation subsidiary in Brunei.

(vi) Profit after taxation

As a result of the foregoing, profit after taxation decreased by RM2.7 million or 49.1%, from RM5.5 million for the quarter ended 30 September 2015 to a profit after taxation of RM2.8 million for the quarter ended 30 September 2016.

15.2. Review of performance for the current period ended 30 September 2016 against the corresponding period ended 30 September 2015:

(i) Revenue

The Group's revenue decreased by RM27.5 million or 13.7% from RM201.2 million for the period ended 30 September 2015 to RM173.7 million for the period ended 30 September 2016. The decreased was primarily due to decreased in vessel utilisation rate from 60.9% for the period ended 30 September 2015 to 52.7% for the period ended 30 September 2016. This is due to completion of certain long term contracts and longer monsoon off-hires during the current period as well as continuous lower demand and lower activities in oil and gas industry.

(ii) Gross profit

The cost of sales decreased by RM14.3 million or 11.4% from RM125.9 million for the period ended 30 September 2015 to RM111.6 million for the period ended 30 September 2016, primarily due to the cost saving initiatives in relation to fuel consumption monitoring, vessels laid-up, domestic safe manning and off-set by increased in vessels repair and maintenance costs and spare parts to ensure the vessels readiness for charter. The decrease were also due to lower depreciation charge for vessels impaired during the financial year ended 2015.

Consequently, the Group's gross profit decreased by RM13.3 million or 17.6% from RM75.4 million for the period ended 30 September 2015 to RM62.1 million for the period ended 30 September 2016 mainly due to lower revenue.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

**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 2016 against the corresponding period ended 30 September 2015: (continued)

(iii) Administrative expenses

The administrative expenses decreased by RM3.5 million or 10.3% from RM33.9 million for the period ended 30 September 2015 to RM30.4 million for the period ended 30 September 2016 primarily due lower payroll cost, lower withholding tax for foreign business operation, and off-set by one-off Mutual Separation Scheme amounted to RM1.0 million as well as one-off professional fees which includes branding/reputation recovery, vessel valuation fees, loan rescheduling and restructuring fees and legal opinion for shipbuilding contract amounted to RM2.0 million.

(iv) Other expenses

Other expenses decreased by RM2.3 million or 100% from RM2.3 million for the period ended 30 September 2015 to Nil for the period ended 30 September 2016, due to the intangible assets has been fully amortised as at 31 December 2015.

(v) Profit after taxation

As a result of the foregoing, profit after taxation decreased by RM11.3 million or more than 88.3% from RM12.8 million for the period ended 30 September 2015 to profit after taxation of RM1.5 million for the period ended 30 September 2016.

15.3. Review of performance for the current quarter (Quarter ended 30 September 2016) against the preceding quarter (Quarter ended 30 June 2016):

The Group's revenue increased by RM4.0 million from RM58.9 million for the quarter ended 30 June 2016 to RM62.9 million for the quarter ended 30 September 2016, mainly due to higher utilisation during the quarter ended 30 September 2016 of 59.1% as compared to 53.9% in the quarter ended 30 June 2016 subsequent to the award of two new long term contracts for Straight Supply Vessel ("SSV") and more short term charters during the current quarter.

The Group's profit after tax increased by RM0.8 million from a profit after tax of RM1.9 million for the quarter ended 30 June 2016 to RM2.7 million for the quarter ended 30 September 2016, mainly due to higher revenue in quarter ended 30 September 2016.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2016

The upstream exploration and production activities in Malaysia is expected to continue to underpin the demand for OSV. The global political concerns and volatility of the oil price during the period under review contributed to highly challenging market condition for OSV which has largely impacted the OSV operators, including the Company. In addition, OSV operators are also impacted by increasing pressure to conserve cash and secure contracts to drive utilisation rates upwards to sustain the business.

As the cost optimisation and cash conservation initiatives are largely completed, the Group continue to focus on securing new contracts and maximisation of utilisation rates through competitive tendering for domestic and regional contracts, as well as leveraging on its expanded presence in Brunei.

In view of this, the Board of Directors remain cautious on the Group's financial results for the financial year ending 31 December 2016.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

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 2015.

19. PROFIT BEFORE TAX

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

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED 30.9.2016</u>	<u>CORRESPONDING QUARTER ENDED 30.9.2015</u>	<u>CURRENT PERIOD ENDED 30.9.2016</u>	<u>CORRESPONDING PERIOD ENDED 30.9.2015</u>
	RM	RM	RM	RM
Amortisation of intangible assets	-	783,000	-	2,349,000
Auditor's remuneration	201,494	191,258	332,660	603,107
Consumable costs	2,458,274	2,096,726	6,470,279	5,775,943
Depreciation of property, plant and equipment	13,917,517	16,627,668	41,665,700	48,362,300
Employee benefits expense	16,839,075	18,812,499	48,999,508	55,335,903
Interest expense	10,020,744	9,033,268	29,567,173	26,835,599
Interest income	(341,458)	(151,937)	(688,393)	(751,318)
Professional fees	616,891	248,308	1,531,405	545,844
Rental of premises	607,126	498,099	1,884,178	1,403,135
Ship operation and charter hire costs	6,160,784	6,360,941	20,426,149	22,344,036
Realised loss on foreign exchange	314,495	330,298	2,347,397	816,388
Unrealised loss on foreign exchange	1,765,514	1,527,389	621,653	2,348,006

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.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE

BURSA SECURITIES LISTING REQUIREMENTS (continued)

20. 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 30.9.2016	AS AT 31.12.2015
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	88,858,215	141,853,623
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	30,014,548
- revolving credit (Short Term Revolving Credit-i)	80,471,727	-
Redeemable preference shares	9,209,512	9,209,512
Finance lease liabilities	56,301	67,151
	191,595,755	181,144,834
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	506,594,523	541,828,849
Finance lease liabilities	38,013	43,468
	506,632,536	541,872,317
Total borrowings	698,228,291	723,017,151

Total term loan denominated in USD is USD1.7 million (equivalent to RM7.0 million), with USD0.7 million (equivalent to RM3.0 million) being secured short-term portion and USD1.0 million (equivalent to RM4.0 million) being secured long-term portion; and in BND is BND33.0 million (equivalent to RM100.1 million), with BND4.6 million (equivalent to RM14.0 million) being secured short-term portion and BND28.4 million (equivalent to RM86.1 million) being secured long-term portion.

As at 30 September 2016, the Group have provided bank guarantees, tender bonds and bid bonds amounting to RM10.6 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and period ended 30 September 2016.

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

22. 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 30.9.2016	AS AT 31.12.2015
	RM	RM
Total (accumulated losses)/retained profits of the Company and its subsidiaries:		
- Realised	(73,521,233)	74,859,050
- Unrealised	43,509,061	42,283,431
	(30,012,172)	117,142,481
Total share accumulated profit from jointly controlled entity:		
- Realised	63,670	63,629
	(29,948,502)	117,206,110
Less: Consolidation adjustments	(155,384,191)	(300,294,775)
Total accumulated losses as per consolidated accounts	(185,332,693)	(183,088,665)

The unrealised retained profits comprise mainly the deferred tax provision.

23. CHANGES IN MATERIAL LITIGATION

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

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

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

24. EARNINGS PER SHARE

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 30.9.2016	CORRESPONDING QUARTER ENDED 30.9.2015	CURRENT PERIOD ENDED 30.9.2016	CORRESPONDING PERIOD ENDED 30.9.2015
Profit/(Loss) attributable to equity holders (RM)	2,144,739	5,528,929	(2,244,028)	12,806,390
Weighted average number of ordinary shares in issue	<u>1,177,185,100</u>	<u>1,177,185,100</u>	<u>1,177,185,100</u>	<u>1,177,185,100</u>
Basic EPS (Sen)	<u>0.2</u>	<u>0.5</u>	<u>(0.2)</u>	<u>1.1</u>

25. MATERIAL EVENTS SUBSEQUENT TO THE QUARTER ENDED 30 SEPTEMBER 2016

There is no material events subsequent to the quarter ended 30 September 2016.

BY ORDER OF THE BOARD

Amir Hamzah bin Azizan
Managing Director
28 November 2016