

ICON OFFSHORE BERHAD

(984830-D) (Incorporated in Malaysia)

**QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2018**

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

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

The Board of Directors of Icon Offshore Berhad (“ICON” or “the Group”) announce the following unaudited condensed consolidated financial statements for the second quarter and period ended 30 June 2018 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 30.06.2018 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.06.2017 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.06.2018 RM	CORRESPONDING PERIOD ENDED (AUDITED) 30.06.2017 RM
Revenue	15.1 (i)	53,184,942	54,903,794	101,244,247	96,337,392
Cost of sales		(36,850,642)	(39,908,947)	(74,305,140)	(76,752,427)
Gross profit	15.1 (ii)	16,334,300	14,994,847	26,939,107	19,584,965
Other income		217,752	156,972	322,587	773,440
Administrative expenses	15.1 (iii)	(9,915,404)	(7,298,449)	(16,173,449)	(13,377,277)
Other expenses - Reversal of impairment loss on vessels		-	-	-	3,247,473
Profit from operations		6,636,648	7,853,370	11,088,245	10,228,601
Finance costs		(10,103,920)	(10,239,885)	(20,303,846)	(20,123,311)
Share of loss from a joint venture		-	426	-	-
Loss before taxation		(3,467,272)	(2,386,089)	(9,215,601)	(9,894,710)
Taxation	15.1 (iv)	(110,000)	(1,108,984)	(1,922,087)	373,267
Loss for the quarter/period	15.1 (v)	<u>(3,577,272)</u>	<u>(3,495,073)</u>	<u>(11,137,688)</u>	<u>(9,521,443)</u>
Other comprehensive profit/(loss): Items that will be classified subsequently to profit or loss:					
Currency translation differences		(283,868)	(15,172)	(222,736)	16,642
Total comprehensive loss for the quarter/period		<u>(3,861,140)</u>	<u>(3,510,245)</u>	<u>(11,360,424)</u>	<u>(9,504,801)</u>

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED) Note	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.06.2017	CURRENT PERIOD ENDED (UNAUDITED) 30.6.2018	CORRESPONDING PERIOD ENDED (AUDITED) 30.06.2017
	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	(4,663,646)	(6,555,184)	(13,290,508)	(13,178,464)
-Non-controlling interests	<u>1,086,374</u>	<u>3,060,111</u>	<u>2,152,820</u>	<u>3,657,021</u>
	<u>(3,577,272)</u>	<u>(3,495,073)</u>	<u>(11,137,688)</u>	<u>(9,521,443)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	(4,808,419)	(6,562,922)	(13,404,104)	(13,169,977)
-Non-controlling interests	<u>947,279</u>	<u>3,052,677</u>	<u>2,043,680</u>	<u>3,665,176</u>
	<u>(3,861,140)</u>	<u>(3,510,245)</u>	<u>(11,360,424)</u>	<u>(9,504,801)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted loss per share (sen)	23 <u>(0.4)</u>	<u>(0.6)</u>	<u>(1.1)</u>	<u>(1.1)</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	As at 30.06.2018	As at 31.12.2017
	RM	RM
Non-current assets		
Property, plant and equipment	1,086,430,223	1,114,208,809
Deferred tax assets	47,392,188	47,000,432
	1,133,822,411	1,161,209,241
Current assets		
Trade and other receivables	98,375,403	95,381,298
Inventories	357,217	3,169,256
Tax recoverable	2,137,765	1,885,394
Cash and bank balances	43,361,674	47,757,744
	144,232,059	148,193,692
Assets held for sale	634,800	1,269,600
Less: Current liabilities		
Trade and other payables	60,749,659	71,113,590
Amount due to immediate holding company	3,076,700	2,000,342
Borrowings	356,951,357	337,123,865
Taxation	2,268,705	738,374
	423,046,421	410,976,171
Net current liabilities	(278,179,562)	(261,512,879)
Less: Non-current liabilities		
Other payables	35,914,000	33,659,742
Borrowings	312,080,104	347,027,451
Deferred tax liabilities	1,552,664	1,552,664
	349,546,768	382,239,857
	506,096,081	517,456,505
Equity attributable to equity holders of the Company		
Share capital	899,802,630	899,802,630
Currency translation reserve	968,854	1,082,449
Share based payment reserve	152,523	152,523
Capital contribution reserve	626,510	626,510
Accumulated losses	(411,225,741)	(397,935,233)
Non-controlling interest	15,771,305	13,727,626
Total equity	506,096,081	517,456,505

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<u>Group</u>	Attributable to equity holders of the Company							
	Issued and fully paid ordinary shares		Non-distributable			Distributable	Non- controlling interest	Total equity
	Share capital RM	Share premium RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM		
At 1 January 2018	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626	517,456,505
(Loss)/Profit for the financial period	-	-	-	-	-	(13,290,508)	2,152,820	(11,137,688)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(113,595)	-	-	-	(109,141)	(222,736)
Total comprehensive income/(loss) for the financial period	-	-	(113,595)	-	-	(13,290,508)	2,043,679	(11,360,424)
At 30 June 2018	899,802,630	-	968,854	152,523	626,510	(411,225,741)	15,771,305	506,096,081

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

<u>Group</u>	Attributable to equity holders of the Company								
	Issued and fully paid ordinary shares		Non-distributable			Distributable		Non- controlling interest RM	Total equity RM
	Share capital RM	Share premium RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM			
At 1 January 2017	588,592,550	311,210,080	946,789	-	-	(335,835,545)	7,344,883		
(Loss)/Profit for the financial year	-	-	-	-	-	(62,099,688)	6,252,404	(55,847,284)	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	135,660	-	-	-	130,339	265,999	
Total comprehensive income/(loss) for the financial year	-	-	135,660	-	-	(62,099,688)	6,382,743	(55,581,285)	
Transition to no – par value regime on 31 January 2017	311,210,080	(311,210,080)	-	-	-	-	-	-	
Employee Share Option Scheme (ESOS):									
Share based payments	-	-	-	152,523	-	-	-	152,523	
Transaction with owner: Contribution of capital	-	-	-	-	626,510	-	-	626,510	
At 31 December 2017	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626	517,456,505	

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
	30.06.2018	30.06.2017
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(9,215,601)	(9,894,710)
Adjustments for:		
Depreciation of property, plant and equipment	28,298,529	28,017,690
Interest expense	20,303,846	20,123,311
Interest income	(322,586)	(321,045)
Reversal of impairment loss on vessels	-	(3,247,475)
Reversal of impairment of receivables	-	(747,761)
Unrealised gain on foreign exchange	(99,909)	(2,183,497)
Share of loss of a joint venture	-	426
Operating profit before working capital changes	<u>38,964,279</u>	<u>31,746,939</u>
Changes in working capital:		
Decrease/(increase) in inventories	2,812,039	(2,347,789)
Increase/(decrease) in receivables	(2,530,512)	6,473,585
Decrease in payables	(6,299,085)	(370,662)
Cash generated from operations	<u>32,946,721</u>	<u>35,502,073</u>
Tax (paid)/refund	(463,827)	585,905
Net cash from operating activities	<u>32,482,894</u>	<u>36,087,978</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(42,350)	(12,603,161)
Interest received	133,877	321,045
Net cash generated/(used) in investing activities	<u>91,527</u>	<u>(12,282,116)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowing (net of transaction cost)	10,000,000	10,000,000
Repayment of finance lease liabilities	-	(16,518)
Repayment from borrowings	(28,454,031)	(32,682,310)
Interest paid	(18,664,233)	(19,374,283)
Decrease /(Increase) in deposits pledged as security	3,738,714	(322,199)
Net cash used in financing activities	<u>(33,379,550)</u>	<u>(42,395,310)</u>
Unrealised foreign exchange loss on cash and bank balances	147,773	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(657,356)	(18,589,448)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>22,338,285</u>	<u>39,494,845</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>21,680,929</u>	<u>20,905,397</u>
Deposit pledged as security	<u>21,680,745</u>	<u>19,547,441</u>
CASH AND BANK BALANCES	<u><u>43,361,674</u></u>	<u><u>40,452,838</u></u>

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

**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 2017.

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 2017.

As at 30 June 2018, the Group’s current liabilities exceeded their current assets by RM278,179,562.

The adoption of the following MFRSs, Amendments and Interpretations that came into effect on 1 January 2018 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

MFRS / Amendments / Interpretations	Effective date
MFRS 9, <i>Financial Instruments</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
IC Interpretation 22, <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 2, <i>Share Based Payment</i>	1 January 2018
Annual Improvements to MFRS 128, <i>Investment in Associates and Joint Venture</i>	1 January 2018

The adoption of these amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods except for the adoption of MFRS 15 requires additional disclosures to provide information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the contracts with customers.

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

1. BASIS OF PREPARATION (continued)

Standards, amendments to published standards and interpretations issued but not yet effective

MFRS / Amendments / Interpretations	Effective date
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Annual Improvement to MFRS 112, <i>Income Taxes</i>	1 January 2019
MFRS 123, <i>Borrowing Costs</i>	1 January 2019

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 nature in the offshore drilling and oilfield services industries.

In Malaysia, offshore oil activities are reduced during the monsoon period of December to February due to poor weather conditions. Hence the Group experienced a drop in activity during the three months.

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 June 2018.

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 June 2018.

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

5. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities by the Group during the quarter and period ended 30 June 2018.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 30 June 2018.

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.

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**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	
	30.06.2018		30.06.2017		30.06.2018		30.06.2017	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	73	35,864,926	65	35,912,009	73	71,139,343	66	63,445,523
Others	27	17,320,016	35	18,991,785	27	30,104,904	34	32,891,869
Total	100	53,184,942	100	54,903,794	100	101,244,247	100	96,337,392

7.3 Services

The Group's revenue mainly comprises 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
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	52,429,889	51,259,245	91,908,291	90,420,104
- Net charter hire of forerunner vessels	(1,294,002)	-	4,638,380	-
	51,135,887	51,259,245	96,546,671	90,420,104
- Others ⁽¹⁾	2,049,055	3,644,549	4,697,576	5,917,288
	53,184,942	54,903,794	101,244,247	96,337,392

Note

⁽¹⁾ Others comprise revenue from chargeable costs to clients during the charter hire.

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**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 June 2018.

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 30.06.2018	AS AT 31.12.2017
	RM	RM
Approved and contracted capital expenditure commitments	76,551,000	76,788,000

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 30.06.2018	CORRESPONDING QUARTER ENDED 30.06.2017	CURRENT PERIOD ENDED 30.06.2018	CORRESPONDING PERIOD ENDED 30.06.2017
	RM	RM	RM	RM
Interest expense to immediate holding company	1,071,752	654,452	2,083,244	1,301,712

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.

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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 values 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
	30.06.2018	30.12.2017	30.06.2018	30.12.2017
	RM	RM	RM	RM
Fixed rate term loans	<u>190,324,998</u>	<u>201,250,554</u>	<u>204,501,857</u>	<u>195,873,941</u>

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 30 June 2018 except for vessels for the purpose of impairment review. As at 30 June 2018, 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

No material event subsequent to end of the quarter

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2018, the Group did not have any material contingent liabilities or assets.

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

15. ANALYSIS OF PERFORMANCE

15.1 Review of performance for the current quarter (Quarter ended 30 June 2018) against the corresponding quarter (Quarter ended 30 June 2017):

(i) Revenue

Revenue decreased by RM1.7 million or 3% in the current quarter, from RM54.9 million in the corresponding quarter, even though utilization rate has increased to 64.7% in the current quarter from 58.9% in the corresponding quarter due to lower daily charter rate (“DCR”).

(ii) Gross profit

The cost of sales decreased by RM3.1 million or 8%, from RM39.9 million for the quarter ended 30 June 2017 to RM36.8 million for the quarter ended 30 June 2018. This is due to the cost saving from vessels laid-up and lower fuel consumption cost initiatives in relation to domestic safe manning during the current quarter.

Consequently, the Group’s gross profit increased by RM1.3 million or 9%, from RM15.0 million in the corresponding quarter to RM16.3 million in the current quarter as a result of better cost management notwithstanding a slight decrease in revenue.

(iii) Administrative expenses

The administrative expenses increased by RM2.6 million or 36%, from RM7.3 million for the quarter ended 30 June 2017 to RM9.9 million for the quarter ended 30 June 2018 primarily due to higher unrealised foreign exchange loss in current quarter.

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2018	CORRESPONDING QUARTER ENDED 30.06.2017	CURRENT PERIOD ENDED 30.06.2018	CORRESPONDING PERIOD ENDED 30.06.2017
	RM	RM	RM	RM
Current tax	110,000	(56,667)	1,530,331	113,333
Deferred tax	-	1,165,651	391,756	(486,600)
Tax expense for the financial year	<u>110,000</u>	<u>1,108,984</u>	<u>1,922,087</u>	<u>(373,267)</u>
Effective tax rate	3%	46%	21%	20%

(v) Loss after taxation

As a result of the foregoing, the Group recorded higher loss after taxation of RM3.6 million in current quarter compared to RM3.5 million for the corresponding quarter.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2018

**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 June 2018 against the corresponding period ended 30 June 2017:

(i) Revenue

The Group's revenue increased by RM4.9 million or 5%, from RM96.3 million for the corresponding period to RM101.2 million in the current period. The increase was due to higher revenue from charter hire of forerunner vessel and higher utilization of Straight Supply Vessel ("SSV").

(ii) Gross profit

The cost of sales decreased by RM2.4 million or 3.2% in the current period, from RM76.7 million in the corresponding period to RM74.3 million in the current period. This is due to lower fuel consumption cost.

The Group's gross profit increased by RM7.3 million in the current period, from RM19.6 million in the corresponding period to RM26.9 million in current period due to higher revenue and lower cost, driven by a higher utilisation of vessels.

(iii) Administrative expenses

The administrative expenses increased by RM2.8 million or 20.1%, from RM13.4 million for the period ended 30 June 2017 to RM16.2 million for the period ended 30 June 2018 primarily due to higher unrealised foreign exchange loss in current period.

(iv) Loss after taxation

As a result of the foregoing, loss after taxation increased by RM1.6 million from RM9.5 million for the period ended 30 June 2017 to loss after taxation of RM11.1 million for the period ended 30 June 2018.

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

15. ANALYSIS OF PERFORMANCE (continued)

15.3. Review of performance for the current quarter (Quarter ended 30 June 2018) against the preceding quarter (Quarter ended 31 March 2018):

The Group's revenue increased by RM5.1 million from RM53.2 million for the quarter ended 31 June 2018 to RM48.1 million for the quarter ended 31 March 2018, mainly due to higher utilisation during the quarter 30 June 2018 of 64.7% as compared to 51.8% in the quarter ended 31 March 2018.

The Group's loss after tax has decreased by RM4.0 million from a loss after tax of RM7.6 million for the quarter ended 31 March 2018 to loss after tax of RM3.6 million for the quarter ended 30 June 2018, mainly due to higher revenue in quarter ended 30 June 2018.

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

The Group continues to focus on securing new contracts and maximising utilisation rates through competitive tendering for domestic and regional contracts, as well as leveraging on its continued presence in Brunei. The upstream exploration and production activities in Malaysia are expected to gradually increase but continue to be volatile and underpin the demand for OSV. The Group continues to work on conserving cash and reducing cost to improve its business liquidity and competitiveness.

In view of this, the Board of Directors remain focused on improvement initiatives, the Group's liquidity and competitiveness.

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 2017.

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

19. LOSS BEFORE TAX

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2018 RM	CORRESPONDING QUARTER ENDED 30.06.2017 RM	CURRENT PERIOD ENDED 30.06.2018 RM	CORRESPONDING PERIOD ENDED 30.06.2017 RM
Auditor's remuneration	171,643	197,347	361,561	368,057
Consumable costs	2,470,340	3,201,728	5,110,144	6,626,627
Depreciation of property, plant and equipment	14,259,400	14,495,027	28,298,529	28,017,690
Employee benefits expense	15,992,025	17,871,294	30,681,701	32,270,059
Reversal of impairment loss on vessels	-	-	-	(3,247,475)
Reversal of impairment loss on receivables	-	(248,881)	-	(747,761)
Insurance expenses	1,219,196	1,111,912	2,442,574	2,181,834
Professional fees	555,592	239,169	692,267	414,785
Rental of premises	583,673	602,682	1,183,865	1,203,461
Ship operation	5,422,954	6,077,772	13,637,498	13,881,774
Unrealised (gain)/loss on foreign exchange	1,637,877	(1,428,238)	(99,099)	(2,183,497)
Interest income	(247,517)	(116,635)	(322,586)	(321,045)
Interest expense	10,103,920	10,239,885	20,303,846	20,123,311
Overassessment of crew income tax penalty for previous years	-	212,714	-	(475,704)
Realised loss/(gain) on foreign exchange	(56,736)	245,971	174,513	158,800

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. BORROWINGS

Despite the restructuring scheme, 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 30.06.2018	AS AT 31.12.2017
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	161,146,284	157,658,585
- revolving credit	-	868,000
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	13,000,000
- revolving credit (Short Term Revolving Credit-i)	173,687,911	156,428,897
	9,086,295	9,086,295
Redeemable preference shares		
Finance lease liabilities	30,867	82,088
	<u>356,951,357</u>	<u>337,123,865</u>
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	312,080,104	347,027,451
Finance lease liabilities	-	-
	<u>312,080,104</u>	<u>347,027,451</u>
Total borrowings	<u><u>669,031,461</u></u>	<u><u>684,151,316</u></u>

Total term loan denominated in USD is USD0.6 million (equivalent to RM2.3 million), with USD0.6 million being secured short-term portion; and in Brunei is BND24.7 million (equivalent to RM72.3 million), with BND5.1 million (equivalent to RM15.0 million) being secured short-term portion and BND19.6 million (equivalent to RM57.3 million) being secured long-term portion.

As at 30 June 2018, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM9.5 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and year ended 30 June 2018.

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

22. CHANGES IN MATERIAL LITIGATION

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

23. LOSS PER SHARE (“LPS”)

The basic LPS has been calculated based on the consolidated profit/(loss) 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 30.06.2018	CORRESPONDING QUARTER ENDED 30.06.2017	CURRENT PERIOD ENDED 30.06.2018	CORRESPONDING PERIOD ENDED 30.06.2017
Loss attributable to equity holders (RM)	(4,663,646)	(6,555,184)	(13,290,508)	(13,178,464)
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/diluted LPS (sen)	<u>(0.4)</u>	<u>(0.6)</u>	<u>(1.1)</u>	<u>(1.1)</u>

As at 30 June 2018, the Company has 5,110,000 potential ordinary shares outstanding pursuant to the issuance of the Employees’ Share Option Scheme on 28 December 2016. These potential ordinary shares are anti-dilutive and are consequently excluded from the determination of diluted LPS.

BY ORDER OF THE BOARD

Captain Hassan bin Ali
Acting Chief Executive Officer
27 August 2018