

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

**QUARTERLY REPORT  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

The Board of Directors of Icon Offshore Berhad (“ICON” or “the Group”) announce the following unaudited condensed consolidated financial statements for the fourth quarter and period ended 31 December 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) 31.12.2018 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 31.12.2017 RM	CURRENT PERIOD ENDED (UNAUDITED) 31.12.2018 RM	CORRESPONDING PERIOD ENDED (AUDITED) 31.12.2017 RM
Revenue	15.1 (i)	46,766,620	50,155,768	199,747,145	204,624,937
Cost of sales		(45,655,025)	(40,699,146)	(161,618,780)	(157,872,465)
Gross profit	15.1 (ii)	1,111,595	9,456,622	38,128,365	46,752,472
Other income		1,779,044	6,155,337	2,007,391	7,120,173
Administrative expenses	15.1 (iii)	(6,063,018)	(8,748,021)	(31,273,127)	(28,796,345)
Other expenses		(403,890,228)	(37,650,233)	(403,890,228)	(34,402,759)
(Loss)/Profit from operations		(407,062,607)	(30,786,295)	(395,027,599)	(9,326,459)
Finance costs		(10,066,203)	(10,876,332)	(40,642,783)	(42,475,588)
(Loss)/profit before taxation		(417,128,810)	(41,662,627)	(435,670,382)	(51,802,047)
Taxation	15.1 (iv)	568,781	(4,275,170)	(2,128,910)	(4,045,237)
Loss for the quarter/period	15.1 (v)	(416,560,029)	(45,937,797)	(437,799,292)	(55,847,284)
Other comprehensive profit/(loss): Items that will be classified subsequently to profit or loss:					
Currency translation differences		(30,972)	342,259	198,671	265,999
Total comprehensive loss for the quarter/period		(416,591,001)	(45,595,538)	(437,600,621)	(55,581,285)

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED)  31.12.2018	CORRESPONDING QUARTER ENDED (UNAUDITED)  31.12.2017	CURRENT PERIOD ENDED (UNAUDITED)  31.12.2018	CORRESPONDING PERIOD ENDED (AUDITED)  31.12.2017
Note	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	(415,096,846)	(46,812,195)	(439,967,204)	(62,099,688)
-Non-controlling interests	<u>(1,463,183)</u>	<u>874,398</u>	<u>2,167,912</u>	<u>6,252,404</u>
	<u>(416,560,029)</u>	<u>(45,937,797)</u>	<u>(437,799,292)</u>	<u>(55,847,284)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	(415,112,642)	(46,637,642)	(439,865,882)	(61,964,028)
-Non-controlling interests	<u>(1,478,359)</u>	<u>1,042,104</u>	<u>2,265,261</u>	<u>6,382,743</u>
	<u>(416,591,001)</u>	<u>(45,595,538)</u>	<u>(437,600,621)</u>	<u>(55,581,285)</u>
Loss per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted loss per share (sen)	<u>23 (35.26)</u>	<u>(3.98)</u>	<u>(37.37)</u>	<u>(5.28)</u>

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited</b>	<b>Audited</b>
	<b>As at 31.12.2018</b>	<b>As at 31.12.2017</b>
	<b>RM</b>	<b>RM</b>
<b>Non-current assets</b>		
Property, plant and equipment	630,120,148	1,114,208,809
Deferred tax assets	47,256,757	47,000,432
	677,376,905	1,161,209,241
<b>Current assets</b>		
Trade and other receivables	62,350,480	95,381,298
Inventories	2,004,854	3,169,256
Tax recoverable	2,711,174	1,885,394
Cash and bank balances	52,645,827	47,757,744
	119,712,335	148,193,692
Assets held for sale	-	1,269,600
<b>Less: Current liabilities</b>		
Trade and other payables	55,010,552	71,113,590
Amount due to immediate holding company	5,382,763	2,000,342
Borrowings	600,131,780	337,123,865
Taxation	2,385,592	738,374
	662,910,687	410,976,171
<b>Net current liabilities</b>	(543,198,352)	(261,512,879)
<b>Less: Non-current liabilities</b>		
Other payables	-	33,659,742
Borrowings	50,376,523	347,027,451
Deferred tax liabilities	1,552,664	1,552,664
	51,929,187	382,239,857
	82,249,366	517,456,505
<b>Equity attributable to equity holders of the Company</b>		
Share capital	899,802,630	899,802,630
Currency translation reserve	1,183,771	1,082,449
Share based payment reserve	203,853	152,523
Capital contribution reserve	626,510	626,510
Accumulated losses	(835,560,285)	(397,935,233)
Non-controlling interest	15,992,887	13,727,626
<b>Total equity</b>	82,249,366	517,456,505

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Attributable to equity holders of the Company

<u>Group</u>	Issued and fully paid ordinary shares		Attributable to equity holders of the Company				Non- controlling interest RM	Total equity RM
	<u>Share capital</u> RM	<u>Share premium</u> RM	<u>Currency translation reserve</u> RM	<u>Share based payment reserve</u> RM	<u>Non-distributable Capital contribution</u> RM	<u>Distributable Accumulated losses</u> RM		
At 1 January 2018	899,802,630	-	1,082,449	152,523	626,510	(397,935,233)	13,727,626	517,456,505
Effect of the initial adoption of MFRS 9	-	-	-	-	-	2,342,152	-	2,342,152
(Loss)/Profit for the financial period	-	-	-	-	-	(439,967,204)	2,167,912	(437,799,292)
Currency translation differences, representing total income and expense recognised directly in equity	-	-	101,322	-	-	-	97,349	198,671
Total comprehensive income/(loss) for the financial period	-	-	101,322	-	-	(439,967,204)	2,265,261	(437,600,621)
Share based payments	-	-	-	51,330	-	-	-	51,330
At 31 December 2018	899,802,630	-	1,183,771	203,853	626,510	(835,560,285)	15,992,887	82,249,366

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)**

Group	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 2017	588,592,550	311,210,080	946,789	-	-	(335,835,545)	7,344,883	572,258,757
(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	<u>899,802,630</u>	<u>-</u>	<u>1,082,449</u>	<u>152,523</u>	<u>626,510</u>	<u>(397,935,233)</u>	<u>13,727,626</u>	<u>517,456,505</u>

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>CURRENT PERIOD ENDED (UNAUDITED)</b>	<b>CORRESPONDIN PERIOD ENDED (AUDITED)</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(435,670,382)	(51,802,047)
Adjustments for:		
Depreciation of property, plant and equipment	56,034,411	58,134,344
Interest expense	40,642,783	40,381,147
Interest income	(391,476)	(644,506)
Impairment loss on vessels	419,897,611	42,657,991
Impairment of receivables (net)	-	612,350
Reversal of impairment of receivables	(248,461)	-
Reversal of impairment loss of vessels	-	(8,255,232)
Accretion of discount on non-current payables	-	2,094,441
Unrealised gain on foreign exchange	(207,002)	(5,019,098)
Share-based payment expenses	51,330	779,033
Loss on disposal of fixed asset	169,989	-
Fixed asset write off	429,860	-
Operating profit before working capital changes	80,708,663	78,938,423
Changes in working capital:		
Decrease/(increase) in inventories	1,164,402	(114,169)
Decrease/(increase) in receivables	43,619,970	(25,877,243)
Increase/(decrease) in payables	(49,333,780)	14,408,533
Cash generated from operations	76,159,255	67,355,544
Tax paid	(738,374)	(853,584)
Tax refund	-	966,779
<b>Net cash generated from operating activities</b>	<b>75,420,881</b>	<b>67,468,739</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Disposal of property, plant and equipment	3,599,610	-
Purchase of property, plant and equipment	(12,773,221)	(15,400,426)
Interest received	199,023	644,506
<b>Net cash used in investing activities</b>	<b>(8,974,588)</b>	<b>(14,755,920)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowing (net of transaction cost)	10,000,000	51,251,200
Repayment of finance lease liabilities	-	(4,875)
Repayment of borrowings	(38,663,974)	(78,088,720)
Interest paid	(33,089,574)	(36,737,922)
Decrease /(Increase) in deposits pledged as security	3,343,947	(6,194,217)
<b>Net cash used in financing activities</b>	<b>(58,409,601)</b>	<b>(69,774,534)</b>
Unrealised foreign exchange gain/(loss) on cash and bank balances	195,338	(94,845)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,232,030</b>	<b>(17,156,560)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>22,338,285</b>	<b>39,494,845</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>30,570,315</b>	<b>22,338,285</b>
Deposit pledged as security	22,075,512	25,419,459
<b>CASH AND BANK BALANCES</b>	<b>52,645,827</b>	<b>47,757,744</b>

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 2018, the Group current liabilities exceeded their current assets by RM543,198,352.

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 adoption.

<b>MFRS / Amendments / Interpretations</b>	<b>Effective date</b>
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.

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

<b>MFRS / Amendments / Interpretations</b>	<b>Effective date</b>
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 cyclicity 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 31 December 2018.



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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

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

**4. MATERIAL CHANGES IN ESTIMATES**

The Group reviews its vessels for impairment and possible reversal of impairment in accordance with MFRS136 Impairment of Assets. The recoverable amounts of the vessels have been determined based on the higher of their Far Value less cost of disposal (“FVLCO”) and their Value in Use (“VIU”).

The Group considered each vessel with vessel parts and drydocking expenditures capitalized as a cash generating unit (“CGU”). Vessels under construction are treated as separate CGU. They are grouped together for disclosure purpose.

In cases where FVLCO is used to determine the recoverable amount of the CGUs, valuation were performed by an independent valuer using the market approach, including consideration of recent market transaction of vessels of similar type and age. For VIU calculations, the future cash flows are based on contracted cash flows and estimates of uncontracted cash flows for the useful lives of each CGUs, including scrap values discounted by an appropriate discount rate.

Significant judgement is required in the estimation of the present value of future cash flows generated by the CGUs, which involve uncertainties and are significantly affected by assumptions used and judgement made regarding estimates of future cash flows and discount rates. Based on the assessment as at 31 December 2018, an impairment charge of RM419.9 million for property, plant and equipment has been recognized during the period.

**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 31 December 2018.

**6. DIVIDEND PAID**

There was no dividend paid by the Group during the quarter and period ended 31 December 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.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

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

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

**7.2 Geographical Information**

The Group 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	
	31.12.2018		31.12.2017		31.12.2018		31.12.2017	
	%	RM	%	RM	%	RM	%	RM
<b>Revenue</b>								
Malaysia	71	33,422,518	82	41,091,453	69	138,187,190	69	140,806,485
Others	29	13,344,102	18	9,064,315	31	61,559,955	31	63,818,452
<b>Total</b>	<b>100</b>	<b>46,766,620</b>	<b>100</b>	<b>50,155,768</b>	<b>100</b>	<b>199,747,145</b>	<b>100</b>	<b>204,624,937</b>

**7.3 Services**

The Group 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
	<u>31.12.2018</u>	<u>31.12.2017</u>	<u>31.12.2018</u>	<u>31.12.2017</u>
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	41,383,346	46,010,091	180,427,533	192,342,582
- Forerunner vessel	3,522,467	-	5,707,875	-
- Net charter hire of forerunner vessels	135,718	2,140,365	4,670,566	2,140,365
	45,041,531	48,150,456	190,805,974	194,482,947
- Others <sup>(1)</sup>	1,725,089	2,005,312	8,941,171	10,141,990
	<u>46,766,620</u>	<u>50,155,768</u>	<u>199,747,145</u>	<u>204,624,937</u>

Note

<sup>(1)</sup> Others comprise revenue from goods supplied / services rendered to clients during the charter hire.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

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

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

There were no changes in the composition of the Group as at 31 December 2018.

**9. CAPITAL COMMITMENTS**

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

	<b>AS AT 31.12.2018</b>	<b>AS AT 31.12.2017</b>
	<b>RM</b>	<b>RM</b>
Approved and contracted capital expenditure commitments	1,422,413	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.

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE PERIOD</b>	
	<b>CURRENT QUARTER ENDED <u>31.12.2018</u> RM</b>	<b>CORRESPONDING QUARTER ENDED <u>31.12.2017</u> RM</b>	<b>CURRENT PERIOD ENDED <u>31.12.2018</u> RM</b>	<b>CORRESPONDING PERIOD ENDED <u>31.12.2017</u> RM</b>
Interest expense to immediate holding company	1,071,233	1,166,780	4,215,982	3,331,164

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 consistently applied terms in accordance with the Group internal policies and processes.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**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.

	<b>Carrying amount</b>		<b>Fair Value</b>	
	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>	<b>AS AT</b>
	<b>31.12.2018</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed rate term loans	<u>67,405,498</u>	<u>82,084,446</u>	<u>67,603,847</u>	<u>82,396,744</u>

**12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT**

There were no revaluations of property, plant and equipment during the quarter and period ended 31 December 2018 except for vessels for the purpose of impairment review. As at 31 December 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 31 December 2018, the Group did not have any material contingent liabilities or assets.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**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 31 December 2018) against the corresponding quarter (Quarter ended 31 December 2017):**

**(i) Revenue**

Revenue decreased by RM3.4 million or 7% in the current quarter, from RM50.2 million in the corresponding quarter to RM46.8 in the current quarter, due to lower utilization rate (50.9% in the current quarter as compared to 55.2% in the corresponding quarter). This is a result of delay in vessel delivery to service Integrated Logistic Control Tower (“ILCT”) contracts and few vessels were off-hired during the current quarter monsoon season.

**(ii) Gross profit**

The cost of sales increased by RM5.0 million or 12%, from RM40.7 million for the quarter ended 31 December 2017 to RM45.7 million for the quarter ended 31 December 2018 mainly due to higher repair and maintenance cost for the vessels and forerunner vessel hire in the current quarter.

Consequently, the Group gross profit decreased by RM8.4 million or 88%, from RM9.5 million in the corresponding quarter to RM1.1 million in the current quarter.

**(iii) Administrative expenses**

The administrative expenses decreased by RM2.6 million or 31%, from RM8.7 million for the quarter ended 31 December 2017 to RM6.1 million for the quarter ended 31 December 2018 primarily due to lower occupancy cost and lower provision for doubtful debts.

**(iv) Taxation**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE PERIOD</b>	
	<b>CURRENT QUARTER ENDED 31.12.2018</b>	<b>CORRESPONDING QUARTER ENDED 31.12.2017</b>	<b>CURRENT PERIOD ENDED 31.12.2018</b>	<b>CORRESPONDING PERIOD ENDED 31.12.2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Current tax	607,003	698,381	2,385,235	960,773
Deferred tax	(1,175,784)	3,576,789	(256,325)	3,084,464
Tax (income) /expense for the financial year	<u>(568,781)</u>	<u>4,275,170</u>	<u>2,128,910</u>	<u>4,045,237</u>
Effective tax rate	0%	10%	1%	8%

The effective tax rate for the current quarter and year ended 31 December 2018 is lower than the statutory tax rate of 24% mainly due to impairment charge on vessels and lower tax rate applicable to income from our vessel leasing subsidiaries being Malaysia tax residents incorporated in Labuan.

**(v) Loss after taxation**

The Group recorded impairment of vessel of RM419.9 million in 2018 as compared to RM37.7 million in 2017. As a result of the foregoing, there is a loss after taxation of RM416.6 million in current quarter compared to loss after tax of RM45.9 million for the corresponding quarter.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 December 2018 against the corresponding period ended 31 December 2017:**

**(i) Revenue**

The Group revenue decreased by RM4.9 million or 2%, from RM204.6 million for the corresponding period to RM199.7 million in the current period. The decrease was due to lower Daily Charter Rate and delay in vessel delivery to service ILCT contracts and few vessels were off-hired during the current year monsoon season.

**(ii) Gross profit**

The cost of sales increased by RM3.7 million or 2% in the current period, from RM157.9 million in the corresponding period to RM161.6 million in the current period. This is mainly due to higher ship operation cost due to repair and maintenance cost and forerunner vessel hire in preparation of future contracts.

The Group gross profit decreased by RM8.6 million or 18% in the current period, from RM46.7 million in the corresponding period to RM38.1 million in current period due to lower revenue and higher cost of sales.

**(iii) Administrative expenses**

The administrative expenses increased by RM2.5 million or 9%, from RM28.8 million for the period ended 31 December 2017 to RM31.3 million for the period ended 31 December 2018 primarily due to higher unrealised foreign exchange loss in current period.

**(iv) Loss after taxation**

The Group recorded impairment of vessel of RM419.9 million in 2018 as compared to net impairment of RM34.4 million in 2017. As a result of the foregoing, loss after taxation increased by RM382.0 million from RM55.8 million for the period ended 31 December 2017 to loss after taxation of RM437.8 million for the period ended 31 December 2018.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**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 31 December 2018) against the preceding quarter (Quarter ended 30 September 2018):**

The Group revenue decreased by RM4.9 million from RM51.7 million for the quarter ended 30 September 2018 to RM46.8 million for the quarter ended 31 December 2018, mainly due to lower utilisation during the quarter ended 31 December 2018 of 50.9% as compared to 54.9% in the quarter ended 30 September 2018.

The Group loss after tax has increased by RM406.5 million from a loss after tax of RM10.1 million for the quarter ended 30 September 2018 to loss after tax of RM416.6 million for the quarter ended 31 December 2018, mainly due to vessel impairment of RM419.9 million in quarter ended 31 December 2018.

**16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019**

The Group continues to focus on securing new contracts and maximising utilisation rate 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, finalising its debt restructuring scheme and reducing cost to improve its liquidity and competitiveness on the back of leaner Balance Sheet.

In view of this, the Board of Directors remains focused on improvement initiatives, 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.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**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 31.12.2018 RM	CORRESPONDING QUARTER ENDED 31.12.2017 RM	CURRENT PERIOD ENDED 31.12.2018 RM	CORRESPONDING PERIOD ENDED 31.12.2017 RM
Depreciation of property, plant and equipment	14,089,716	14,947,799	56,034,411	58,134,344
Impairment loss of vessels	419,897,611	37,650,233	419,897,611	42,657,991
Reversal of impairment loss on vessels	-	-	-	(8,255,232)
Impairment of / (Reversal of impairment) receivables	(284,461)	1,437,097	(284,461)	612,350
Insurance expenses	1,121,772	1,306,825	4,784,343	4,751,084
Insurance recovery	(1,855,351)	(4,872,371)	(2,035,222)	(5,526,897)
Interest income	(163,129)	(171,282)	(391,476)	(644,506)
Interest expense	10,066,202	10,876,332	40,642,783	40,381,147
Accretion of discount on non- current payables	-	2,094,441	-	2,094,441
Realised loss on foreign exchange	284,336	482,847	985,790	813,818
Unrealised loss/(gain) on foreign exchange	(675,684)	(1,767,446)	(207,002)	(5,019,098)
Loss on disposal of fixed asset	169,989	-	169,989	-
Fixed asset write off	429,860	-	429,860	-
Net reversal of accruals	(26,264,375)	-	(26,264,375)	-

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 FOURTH QUARTER ENDED 31 DECEMBER 2018**

**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.

	<b>AS AT 31.12.2018</b>	<b>AS AT 31.12.2017</b>
	<b>RM</b>	<b>RM</b>
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	407,515,465	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)	170,425,000	156,428,897
	9,191,315	9,086,295
Redeemable preference shares		
Finance lease liabilities	-	82,088
	600,131,780	337,123,865
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	50,376,523	347,027,451
	50,376,523	347,027,451
<b>Total borrowings</b>	<b>650,508,303</b>	<b>684,151,316</b>

Total term loan denominated in USD is USD0.6 million (equivalent to RM2.2 million) and in BND is BND22.5 million (equivalent to RM68.2 million) both being secured.

As at 31 December 2018, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM6.5 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.

The Group has recognised most of borrowings as current liabilities whilst undergoing a standstill for loan repayments due to the restructuring scheme which is still in progress.

**21. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group does not have any derivative financial instruments for the quarter and year ended 31 December 2018.

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

**QUARTERLY REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018**

**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 31.12.2018	CORRESPONDING QUARTER ENDED 31.12.2017	CURRENT PERIOD ENDED 31.12.2018	CORRESPONDING PERIOD ENDED 31.12.2017
Profit/(Loss) attributable to equity holders (RM)	(415,096,846)	(46,812,195)	(439,967,204)	(62,099,688)
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>(35.26)</u>	<u>(3.98)</u>	<u>(37.37)</u>	<u>(5.28)</u>

As at 31 December 2018, the Company has 5,700,000 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 February 2019