

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

**QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2019**

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

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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 2019 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 30.06.2019 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.06.2018 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.06.2019 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.06.2018 RM
Revenue	15.1 (i)	50,144,251	53,184,942	91,912,394	101,244,247
Cost of sales		(33,120,422)	(36,850,642)	(68,564,668)	(74,305,140)
Gross profit	15.1 (ii)	17,023,829	16,334,300	23,347,726	26,939,107
Other income		49,388	217,752	1,003,227	322,587
Administrative expenses	15.1 (iii)	(3,524,787)	(9,915,404)	(10,959,275)	(16,173,449)
Other expenses		2,011,047	-	-	-
Profit from operations		15,559,477	6,636,648	13,391,678	11,088,245
Finance costs		(10,762,332)	(10,103,920)	(19,105,582)	(20,303,846)
Profit/(Loss) before taxation		4,797,145	(3,467,272)	(5,713,904)	(9,215,601)
Taxation	15.1 (iv)	(5,678,360)	(110,000)	(5,838,208)	(1,922,087)
Profit/(Loss) for the quarter/period	15.1 (v)	(881,215)	(3,577,272)	(11,552,112)	(11,137,688)
Other comprehensive loss:					
Items that will be classified subsequently to profit or loss:					
Currency translation differences		(145,489)	(283,868)	(1,245,446)	(222,736)
Total comprehensive income(loss) for the quarter/period		(1,026,704)	(3,861,140)	(12,797,558)	(11,360,424)

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED (UNAUDITED) 30.06.2019</u>	<u>CORRESPONDING QUARTER ENDED (UNAUDITED) 30.06.2018</u>	<u>CURRENT PERIOD ENDED (UNAUDITED) 30.06.2019</u>	<u>CORRESPONDING PERIOD ENDED (UNAUDITED) 30.06.2018</u>
Note	RM	RM	RM	RM
Profit/(loss) attributable to:				
-Equity holders of the Company	(3,803,954)	(4,663,646)	(11,449,394)	(13,290,508)
-Non-controlling interests	<u>2,922,739</u>	<u>1,086,374</u>	<u>(102,718)</u>	<u>2,152,820</u>
	<u>(881,215)</u>	<u>(3,577,272)</u>	<u>(11,552,112)</u>	<u>(11,137,688)</u>
Total comprehensive profit/(loss) attributable to :				
-Equity holders of the Company	(3,878,153)	(4,808,419)	(12,084,571)	(13,404,104)
-Non-controlling interests	<u>2,851,449</u>	<u>947,279</u>	<u>(712,987)</u>	<u>2,043,680</u>
	<u>(1,026,704)</u>	<u>(3,861,140)</u>	<u>(12,797,558)</u>	<u>(11,360,424)</u>
Profit/(loss) per share for loss attributable to the ordinary equity holders of the Company:				
Basic/diluted profit/(loss) per share (sen)	24 <u>(0.32)</u>	<u>(0.40)</u>	<u>(0.97)</u>	<u>(1.13)</u>

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited	Audited
	As at 30.06.2019	As at 30.12.2018
	RM	RM
Non-current assets		
Property, plant and equipment	620,756,558	627,763,591
Deferred tax assets	43,180,384	45,704,175
	663,936,942	673,467,766
Current assets		
Trade and other receivables	73,854,297	62,230,055
Inventories	2,250,971	668,137
Tax recoverable	1,972,886	2,096,827
Cash and bank balances	32,426,621	51,006,941
	110,504,775	116,001,960
Less: Current liabilities		
Trade and other payables	65,046,090	60,164,472
Amount due to immediate holding company	7,733,998	5,382,763
Borrowings	596,705,710	600,131,780
Taxation	3,529,843	2,385,592
	673,015,641	668,064,607
Net current liabilities	(562,510,866)	(552,062,647)
Less: Non-current liabilities		
Borrowings	43,195,038	50,376,523
Deferred tax liabilities	82	82
	43,195,120	50,376,605
	58,230,956	71,028,514
Equity attributable to equity holders of the Company		
Share capital	899,802,630	899,802,630
Currency translation reserve	548,594	1,183,771
Share based payment reserve	203,853	203,853
Capital contribution reserve	626,510	626,510
Accumulated losses	(858,230,531)	(846,781,137)
Non-controlling interest	15,279,900	15,992,887
Total equity	58,230,956	71,028,514

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company

	<u>Issued and fully paid ordinary shares</u>		<u>Non-distributable</u>				<u>Distributable</u>	<u>Non-controlling interest</u> RM	<u>Total equity</u> 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>Capital contribution</u> RM	<u>Accumulated losses</u> RM			
<u>Group</u>									
At 1 January 2019	899,802,630	-	1,183,771	203,853	626,510	(846,781,137)	15,992,887	71,028,514	
(Loss)/Profit for the financial period	-	-	-	-	-	(11,449,394)	(102,718)	(11,552,112)	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(635,177)	-	-	-	(610,269)	(1,245,446)	
Total comprehensive income/(loss) for the financial period	-	-	(635,177)	-	-	(11,449,394)	(712,987)	(12,797,558)	
At 30 June 2019	<u>899,802,630</u>	<u>-</u>	<u>548,594</u>	<u>203,853</u>	<u>626,510</u>	<u>(858,230,531)</u>	<u>15,279,900</u>	<u>58,230,956</u>	

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	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		
<u>Group</u>								
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 year	-	-	-	-	-	(451,188,056)	2,167,912	(449,020,144)
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 year	-	-	101,322	-	-	(451,188,056)	2,265,261	(448,821,473)
Employee Share Option Scheme (ESOS): Share based payments	-	-	-	51,330	-	-	-	51,330
At 31 December 2018	<u>899,802,630</u>	<u>-</u>	<u>1,183,771</u>	<u>203,853</u>	<u>626,510</u>	<u>(846,781,137)</u>	<u>15,992,887</u>	<u>71,028,514</u>

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDIN PERIOD ENDED (UNAUDITED)
	30.06.2019	30.06.2018
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(5,713,904)	(9,215,601)
Adjustments for:		
Depreciation of property, plant and equipment	21,758,566	28,298,529
Interest expense	19,105,582	20,303,846
Interest income	(150,934)	(322,586)
Unrealised gain on foreign exchange	(463)	(99,909)
Operating profit before working capital changes	34,998,847	38,964,279
Changes in working capital:		
Decrease/(increase) in inventories	(1,582,834)	2,812,039
Decrease/(increase) in receivables	(17,244,130)	(2,530,512)
Increase/(decrease) in payables	3,073,418	(6,299,085)
Cash generated from operations	19,245,301	32,946,721
Tax paid	(192,901)	(463,827)
Net cash generated from operating activities	19,052,400	32,482,894
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceed from disposal of property, plant and equipment	4,194,450	-
Purchase of property, plant and equipment	(16,357,835)	(42,350)
Interest received	147,183	133,877
Net cash used in investing activities	(12,016,202)	91,527
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowing (net of transaction cost)	-	10,000,000
Repayment of borrowings	(10,239,982)	(28,454,031)
Interest paid	(15,392,794)	(18,664,233)
Decrease /(Increase) in deposits pledged as security	(4,606,515)	3,738,714
Net cash used in financing activities	(30,239,291)	(33,379,550)
Unrealised foreign exchange gain/(loss) on cash and bank balances	16,257	147,773
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	28,931,429	22,338,285
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	5,744,593	21,680,929
Deposit pledged as security	26,682,027	21,680,745
CASH AND BANK BALANCES	32,426,620	43,361,674

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**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 2018.

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 2018.

As at 30 June 2019, the Group current liabilities exceeded their current assets by RM562,510,866,

The adoption of the following MFRSs, Amendments and Interpretations that came into effect on 1 January 2019 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial adoption.

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

Management has assessed the impact arising from the initial application of MFRS 16 and MFRS 112 on the Financial Statements of the Company. The Company does not expect to have any significant effect on the Company.

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, some offshore support vessel 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 2019.

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

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 2019.

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 2019.

6. DIVIDEND PAID

There was no dividend paid by the Group during the quarter and period ended 30 June 2019.

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 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	
	30.06.2019		30.06.2018		30.06.2019		30.06.2018	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	70	35,343,268	67	35,864,926	72	66,281,691	70	71,139,343
Others	30	14,800,983	33	17,320,016	28	25,630,702	30	30,104,904
Total	100	50,144,251	100	53,184,942	100	91,912,393	100	101,244,247

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
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM	RM	RM	RM
Analysis of revenue by category:				
- Charter hire own vessel	47,039,960	52,429,889	85,655,856	91,908,291
- Charter hire of forerunner vessels	1,362,822	-	2,756,245	4,638,380
- Net third party chartered in vessels	-	(1,294,002)	-	-
	48,402,782	51,135,887	88,412,101	96,546,671
- Others ⁽¹⁾	1,741,468	2,049,055	3,500,292	4,697,576
	50,144,250	53,184,942	91,912,393	101,244,247

Note

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

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**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 30 June 2019.

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:

	AS AT 30.06.2019	AS AT 31.12.2018
	RM	RM
Approved and contracted capital expenditure commitments	4,041,229	1,422,413

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 30.06.2019	CORRESPONDING QUARTER ENDED 30.06.2018	CURRENT PERIOD ENDED 30.06.2019	CORRESPONDING PERIOD ENDED 30.06.2018
	RM	RM	RM	RM
Interest expense to immediate holding company	1,013,000	1,071,752	2,070,931	2,083,244

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 consistently applied terms in accordance with the Group 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
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM	RM	RM	RM
Fixed rate term loans	<u>175,228,447</u>	<u>185,786,540</u>	<u>177,900,200</u>	<u>184,033,020</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 2019 except for vessels for the purpose of impairment review. As at 30 June 2019, 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

On 19 August 2019, Icon Offshore Berhad and its relevant subsidiaries executed Supplemental Agreements with their relevant financiers to restructure its borrowings amounting to RM577.16 million. CIMB Investment Bank Berhad (“CIMB”), being the Principal Advisor, has announced multiple corporate proposals, on behalf of the Company on the even date. The debt restructuring and corporate proposals are intended to reduce the borrowings and improve Gearing level from 9.16 times to 1.14 time should the proposed Rights Issue raise RM250.00 million.

14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

As at 30 June 2019, 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 2019) against the corresponding quarter (Quarter ended 30 June 2018):

(i) Revenue

Revenue decreased by RM3.1 million or 6% in the current quarter, from RM53.2 million in the corresponding quarter to RM50.1 million in the current quarter, mainly due to lower revenue due to high number of vessels in drydocking and under repair resulting in lower utilisation.

(ii) Gross profit

The cost of sales decreased by RM3.8 million or 10%, from RM36.9 million for the quarter ended 30 June 2018 to RM33.1 million for the quarter ended 30 June 2019 mainly due to lower depreciation charge after impairment of vessels in FY2018, offset by additional cost for forerunner vessel hire.

Consequently, the Group gross profit increased by RM0.7 million or 4%, from RM16.3 million in the corresponding quarter to RM17.0 million in the current quarter.

(iii) Administrative expenses

The administrative expenses decreased by RM6.4 million or 65%, from RM9.9 million for the quarter ended 30 June 2018 to RM3.5 million for the quarter ended 30 June 2019 primarily due to writeback of over accrual of certain expenditure in prior year.

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2019 RM	CORRESPONDING QUARTER ENDED 30.06.2018 RM	CURRENT PERIOD ENDED 30.06.2019 RM	CORRESPONDING PERIOD ENDED 30.06.2018 RM
Current tax	3,026,693	110,000	2,864,417	1,530,331
Deferred tax	2,651,667	-	2,523,791	391,756
Tax expense for the financial year	<u>5,678,360</u>	<u>110,000</u>	<u>5,388,208</u>	<u>1,922,087</u>
Effective tax rate	138%	31%	119%	31%

The effective tax rate for the current quarter and period ended 30 June 2019 is higher than the statutory tax rate of 24% mainly due to under provision of tax in one of the subsidiary of the Group in prior years.

The taxation expense during the current quarter and period ended 30 June 2019 includes the tax expense of the Labuan subsidiaries calculated based on 3% of profits under Labuan Business Activity Tax Act (1990) of RM608,792 for the current quarter and RM718,792 for the period ended 30 June 2019, which is pending pronouncements and guidance on the application of the substance requirement.

(v) Loss after taxation

As a result of the foregoing, loss after taxation of RM0.8 million in the current quarter is lower by RM2.8 million compared to loss after tax of RM3.6 million in the corresponding quarter.

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

15. ANALYSIS OF PERFORMANCE (continued)

15.2 Review of performance for the current period ended 30 June 2019 against the corresponding period ended 30 June 2018):

(i) Revenue

The Group revenue decreased by RM9.3 million or 9%, from RM101.2 million in the corresponding period to RM91.9 million in the current period, mainly due to lower revenue due to high number of vessel in drydocking and under repair resulting lower utilisation.

(ii) Gross profit

The cost of sales decreased by RM5.7 million or 7%, in the current period from RM74.3 million for the corresponding period to RM68.6 million in this current period. This is mainly due to lower depreciation after vessel impairment in FY2018.

Consequently, the Group gross profit decreased by 3.6 million or 13% from RM26.9 million in the corresponding period to RM23.3 million in the current period.

(iii) Administrative expenses

The administrative expenses decreased by RM5.3 million or 32%, from RM16.2 million for the period ended 30 June 2018 to RM10.9 million for the period ended 30 June 2019 primarily due to writeback of over accrual of certain expenditure in prior year.

(iv) Loss after taxation

As a result of the foregoing, loss after taxation increased from RM11.1 million for period ended 30 June 2018 to RM11.5 million for the period ended 30 June 2019.

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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 2019) against the preceding quarter (Quarter ended 31 March 2019):

The Group revenue increased by RM8.3 million or 20% from RM41.8 million for the quarter ended 31 March 2019 to RM50.1 million for the quarter ended 30 June 2019, mainly due to higher utilisation during the quarter ended 30 June 2019 of 50.1% as compared to 46.1% in the quarter ended 31 March 2019.

The Group loss after tax has decreased by RM9.9 million from a loss after tax of RM10.7 million for the quarter ended 31 March 2019 to loss after tax of RM0.8 million for the quarter ended 30 June 2019, mainly due higher revenue in quarter ended 30 June 2019 by RM8.5 million and lower cost of sales and administrative expenses.

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 bidding 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 fluctuate and underpin the demand for OSV. As a significant portion of the Group's order book is long term (more than one year) in nature, this provides cashflow stability and earnings visibility. The Group continues to work on conserving cash 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 2018.

ICON OFFSHORE BERHAD (984830-D)
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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

**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 30.06.2019 RM	CORRESPONDING QUARTER ENDED 30.06.2018 RM	CURRENT PERIOD ENDED 30.06.2019 RM	CORRESPONDING PERIOD ENDED 30.06.2018 RM
Depreciation of property, plant and equipment	11,861,299	14,039,129	21,758,566	28,298,529
Insurance expenses	1,788,392	1,223,378	2,891,185	2,442,574
Reversal of impairment loss on vessel	(2,011,047)	-	-	-
Insurance recovery	(398,283)	-	(812,964)	-
Interest income	(107,169)	(75,069)	(150,934)	(322,586)
Interest expense	10,762,332	10,103,920	19,105,582	20,303,846
Realised loss on foreign exchange	182,113	231,249	217,801	174,513
Unrealised loss/(gain) on foreign exchange	(3,166)	(1,737,786)	(463)	(99,099)

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.

20. STATUS OF CORPORATE PROPOSALS ANNOUNCED

On 19 August 2019, CIMB has announced multiple corporate proposals on behalf of the Company. Subsequently on 21 August 2019, application for the Proposed Share Consolidation and Additional Listing Application for the additional shares and warrants to be issued under the corporate proposals announced on 19 August 2019 were submitted to Bursa Malaysia Securities Sdn Bhd.

Barring any unforeseen circumstances and subject to all approvals being obtained, the corporate proposals are expected to be completed by the 4th quarter of 2019.

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

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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

21. BORROWINGS

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

	AS AT 30.06.2019	AS AT 31.12.2018
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	404,509,605	407,515,465
- revolving credit	-	-
- revolving credit (Commodity Murabahah Financing-i)	13,000,000	13,000,000
- revolving credit (Short Term Revolving Credit-i)	170,000,000	170,425,000
Redeemable preference shares		
	9,196,105	9,191,315
	596,705,710	600,131,780
Long-term:		
<u>Secured</u>		
Bank borrowings - term loans	43,195,038	50,376,523
	43,195,038	50,376,523
Total borrowings	639,900,748	650,508,303

Total term loan denominated in USD is USD0.6 million (equivalent to RM2.4 million) and in BND is BND19.1 million (equivalent to RM58.4 million) both being secured.

As at 30 June 2019, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM4.6 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.

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.

22. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and year ended 30 June 2019.

ICON OFFSHORE BERHAD (984830-D)
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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2019

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

23. CHANGES IN MATERIAL LITIGATION

Further to our announcement on 27 June 2019, the first case management was held on 5 July 2019. Icon Ship Management Sdn Bhd (“ISM”), a wholly-owned subsidiary of IOB, had on 26 July 2019 filed their statement of defence and Labuan Shipyard and Engineering Sdn Bhd (“LSE”) had on 21 August 2019 filed their reply to ISM’s statement of defence. The next case management has been set on 23 September 2019.

24. PROFIT/(LOSS) PER SHARE (“LPS”)

The basic profit/ (loss) per share 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 30.06.2019	CORRESPONDING QUARTER ENDED 30.06.2018	CURRENT PERIOD ENDED 30.06.2019	CORRESPONDING PERIOD ENDED 30.06.2018
Profit/(Loss) attributable to equity holders (RM)	(3,803,954)	(4,663,646)	(11,449,394)	(13,290,508)
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 profit/(loss) per share (sen)	<u>(0.32)</u>	<u>(0.40)</u>	<u>(0.97)</u>	<u>(1.13)</u>

As at 30 June 2019, 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 profit/(loss) per share.

BY ORDER OF THE BOARD

Captain Hassan bin Ali
Acting Chief Executive Officer
30 August 2019