

**ICON OFFSHORE BERHAD**  
(201201011310 (984830-D)) (Incorporated in Malaysia)

**QUARTERLY REPORT  
FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

**ICON OFFSHORE BERHAD (201201011310 (984830-D))**  
(Incorporated in Malaysia)

**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the first quarter and period ended 30 June 2021 which should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020.

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 30.06.2021 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.06.2020 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.06.2021 RM	CORRESPONDING PERIOD ENDED (AUDITED) 30.06.2020 RM
Revenue	15.1 (i)	81,735,975	56,002,087	132,706,528	104,882,430
Cost of sales		(47,846,227)	(35,089,388)	(90,451,591)	(71,315,186)
Gross profit	15.1 (ii)	33,889,748	20,912,699	42,254,937	33,567,244
Other income		3,671,909	359,172	3,834,943	19,559,254
Administrative expenses	15.1 (iii)	(7,303,148)	(6,010,976)	(15,281,751)	(15,461,471)
Other expenses		-	-	-	-
Profit from operations		30,258,509	15,260,895	30,808,129	37,665,027
Finance costs		(9,204,773)	(5,511,200)	(18,391,929)	(3,431,875)
Profit before taxation		21,053,736	9,749,695	12,416,200	34,233,152
Taxation	15.1 (iv)	(4,159,322)	(1,572,402)	(4,803,659)	(4,438,790)
Profit for the quarter/period	15.1 (v)	16,894,414	8,177,293	7,612,541	29,794,362
Other comprehensive income: Items that will be classified subsequently to profit or loss:					
Currency translation differences		2,724	336,378	539,990	223,045
Total comprehensive income for the quarter/period		16,897,138	8,513,671	8,152,531	30,017,407

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (AUDITED)
Note	<u>30.06.2021</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2020</u>
	RM	RM	RM	RM
Profit attributable to:				
-Equity holders of the Company	14,681,606	6,899,272	3,529,433	27,258,230
-Non-controlling interests	<u>2,212,808</u>	<u>1,278,021</u>	<u>4,083,108</u>	<u>2,536,131</u>
	<u>16,894,414</u>	<u>8,177,293</u>	<u>7,612,541</u>	<u>29,794,361</u>
Total comprehensive income attributable to :				
-Equity holders of the Company	14,682,996	7,070,825	3,804,830	27,371,983
-Non-controlling interests	<u>2,214,142</u>	<u>1,442,846</u>	<u>4,347,701</u>	<u>2,645,424</u>
	<u>16,897,138</u>	<u>8,513,671</u>	<u>8,152,531</u>	<u>30,017,407</u>
Profit per share for profit attributable to the ordinary equity holders of the Company:				
Basic/diluted earnings per share (sen)	<u>24</u> <u>0.55</u>	<u>0.33</u>	<u>0.13</u>	<u>1.31</u>

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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<b>Unaudited As at 30.06.2021 RM</b>	<b>Audited As at 31.12.2020 RM</b>
<b>Non-current assets</b>		
Property, plant and equipment	758,479,730	597,588,145
Right-of-use assets	211,267	571,172
Intangible assets	2,888,681	-
Deferred tax assets	35,169,036	36,839,696
	<u>796,748,714</u>	<u>634,999,013</u>
<b>Current assets</b>		
Trade and other receivables	91,614,396	68,367,976
Inventories	653,443	1,011,759
Tax recoverable	1,662,734	1,188,027
Cash and bank balances	59,505,935	74,967,761
	<u>153,436,508</u>	<u>145,535,523</u>
Non-current assets held for sale ("AHFS")	5,190,000	-
	<u>158,626,508</u>	<u>145,535,523</u>
<b>Less: Current liabilities</b>		
Trade and other payables	38,767,669	37,726,970
Amount due to immediate holding company	174,200,000	-
Lease liabilities	212,775	533,853
Borrowings	42,957,798	41,173,332
Taxation	2,151,226	918,581
	<u>258,289,468</u>	<u>80,352,736</u>
<b>Net current (liabilities)/assets</b>	(99,662,960)	65,182,787
<b>Less: Non-current liabilities</b>		
Lease liabilities	24,758	63,584
Borrowings	295,959,296	313,103,008
Deferred tax liabilities	14,784,559	12,927,356
	<u>310,768,613</u>	<u>326,093,948</u>
	<u>386,317,141</u>	<u>374,087,852</u>
<b>Equity attributable to equity holders of the Company</b>		
Share capital	1,146,663,592	1,142,819,044
Warrants reserve	32,725,839	32,725,839
Currency translation reserve	687,942	412,545
Share based payment reserve	425,720	352,857
Capital contribution reserve	5,657,007	5,584,044
Accumulated losses	(831,336,379)	(834,865,812)
Non-controlling interest	31,493,420	27,059,335
<b>Total equity</b>	<u>386,317,141</u>	<u>374,087,852</u>

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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Attributable to equity holders of the Company

Group	Issued and fully paid ordinary shares	Non-distributable					Distributable	Non- controlling interest RM	Total equity RM
	Share capital RM	Warrants reserve RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM			
At 1 January 2021	1,142,819,044	32,725,839	412,545	352,857	5,584,044	(834,865,812)	27,059,335	374,087,852	
Profit for the financial period	-	-	-	-	-	3,529,433	4,083,108	7,612,541	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	275,397	-	-	-	264,593	539,990	
Total comprehensive income for the financial period	-	-	275,397	-	-	3,529,433	4,347,701	8,152,531	
Issuance of shares	3,844,548	-	-	-	-	-	-	3,844,548	
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	86,384	86,384	
Share based payments	-	-	-	72,863	72,963	-	-	145,826	
At 30 June 2021	<u>1,146,663,592</u>	<u>32,725,839</u>	<u>687,942</u>	<u>425,720</u>	<u>5,657,007</u>	<u>(831,336,379)</u>	<u>31,493,420</u>	<u>386,317,141</u>	

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**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

Attributable to equity holders of the Company

<u>Group</u>	Issued and fully paid ordinary shares	Non-distributable					Distributable	Non- controlling interest RM	Total equity RM
	Share capital RM	Warrants reserve RM	Currency translation reserve RM	Share based payment reserve RM	Capital contribution RM	Accumulated losses RM			
At 1 January 2020	899,802,630	-	430,353	226,227	5,584,044	(856,798,888)	17,810,189	67,054,555	
Profit for the financial period	-	-	-	-	-	27,768,840	3,430,492	31,199,332	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	(17,808)	-	-	-	(17,110)	(34,918)	
Total comprehensive (loss)/income for the financial period	-	-	(17,808)	-	-	27,768,840	3,413,382	31,164,414	
Issuance of shares	243,016,414	32,725,839	-	-	-	-	-	275,742,253	
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	(5,835,764)	5,835,764	-	
Share based payments	-	-	-	126,630	-	-	-	126,630	
At 31 December 2020	1,142,819,044	32,725,839	412,545	352,857	5,584,044	(834,865,812)	27,059,335	374,087,852	

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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>CURRENT PERIOD ENDED (UNAUDITED)</b>	<b>CORRESPONDING PERIOD ENDED (UNAUDITED)</b>
	<b>30.06.2021</b>	<b>30.06.2020</b>
	<b>RM</b>	<b>RM</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	12,416,200	34,233,153
Adjustments for:		
Depreciation of property, plant and equipment	28,974,693	23,408,000
Depreciation of right-of-use assets	359,905	360,322
Interest expense	17,088,326	12,196,371
Interest income	(357,811)	(410,976)
Share-based payment expense	145,826	-
Waiver of Interest payable	-	(8,764,496)
Gain on debt restructuring	-	(19,120,160)
Loss on early debt settlement	1,303,603	-
Write down of Net Book Value ("NBV") relating to AHFS	155,755	-
Unrealised loss/(gain) on foreign exchange	(767,545)	35,988
Operating profit before working capital changes	59,318,952	41,938,202
Changes in working capital:		
(Increase)/decrease in inventories	358,316	1,189,272
(Increase)/decrease in receivables	(23,179,588)	(9,903,503)
Increase/(decrease) in payables	4,092,803	(17,946,341)
Cash generated from/(used in) operations	40,590,483	15,277,630
Tax paid	(239,697)	(1,194,101)
<b>Net cash generated from/(used in) operating activities</b>	<b>40,350,786</b>	<b>14,083,529</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(196,801,836)	(15,356,476)
Purchase of intangible assets	(2,074,750)	-
Acquisition of a subsidiary	(1,058,122)	-
Interest received	357,811	410,976
<b>Net cash used in investing activities</b>	<b>(199,576,897)</b>	<b>(14,945,500)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of Shareholder's Advance from immediate holding company	174,200,000	-
Repayment of lease liabilities	(386,902)	(386,953)
Repayment of borrowings	(16,435,134)	(187,082,721)
Interest paid	(14,153,669)	(9,763,580)
Issuance of shares	-	247,208,871
(Increase)/decrease in deposits pledged as security	(5,005,943)	(546,624)
<b>Net cash generated from financing activities</b>	<b>138,218,352</b>	<b>49,428,993</b>
Unrealised foreign exchange gain/(loss) on cash and bank balances	539,990	(104,531)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(20,467,769)</b>	<b>48,462,491</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>54,633,078</b>	<b>14,308,940</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>34,165,309</b>	<b>62,771,431</b>
Deposit pledged as security	25,340,626	17,034,216
<b>CASH AND BANK BALANCES</b>	<b>59,505,935</b>	<b>79,805,647</b>

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**QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2021**

**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 2020.

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 2020, except on the following:

The Malaysian Accounting Standards Board had issued the following amendments to MFRS of which are effective for the financial period beginning on or after 1 January 2022. The Group did not early adopt these amendments to MFRS and they are not expected to have a significant effect on its consolidated financial statements:

- Annual Improvements to MFRS 9 ‘Fees in the 10% test for derecognition of financial liabilities’;
- Amendments to MFRS 3 ‘Reference to Conceptual Framework’;
- Amendments to MFRS 116 ‘Proceeds before intended use’;
- Amendments to MFRS 137 ‘Onerous contracts - cost of fulfilling a contract’;
- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’; and
- Amendments on disclosure of accounting policies.

**2. SEASONAL/CYCLICAL FACTORS**

The principal activities of the Group are vessel and rig owning/leasing and provision of vessel and rig 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 2021.

**4. MATERIAL CHANGES IN ESTIMATES**

There were 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 2021.

**5. DEBT AND EQUITY SECURITIES**

The Group has completed issuance of shares to a financier amounting to RM3.8 million on 1 March 2021 pursuant to the terms under the completed debt restructuring on 18 February 2020.



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

**6. DIVIDEND PAID**

There was no dividend paid by the Group during the quarter and period ended 30 June 2021.

**7. SEGMENT RESULTS AND REPORTING**

**7.1 Reportable Segment**

Effective from 2 February 2021, the Group is organised into 2 core business segments based on the type of activities. The information of each of the Group's business segments for the individual and cumulative quarter ended 30 June 2021 is as follows:

Individual Quarter Ended 30.06.2021	OSV RM'000	Drilling RM'000	Group RM'000
Revenue	56,470	25,266	81,736
<u>Results</u>			
Profit from operations	18,056	12,202	30,258
Finance cost	(4,458)	(4,747)	(9,205)
Taxation	(2,304)	(1,855)	(4,159)
<b>Profit for the financial period</b>	<b>11,294</b>	<b>5,600</b>	<b>16,894</b>

Cumulative Quarter Ended 30.06.2021	OSV RM'000	Drilling RM'000	Group RM'000
Revenue	107,156	25,551	132,707
<u>Results</u>			
Profit from operations	24,967	5,841	30,808
Finance cost	(10,202)	(8,190)	(18,392)
Taxation	(3,907)	(897)	(4,804)
<b>Profit/(Loss) for the financial period</b>	<b>10,858</b>	<b>(3,246)</b>	<b>7,612</b>

**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 30.06.2021		CORRESPONDING QUARTER ENDED 30.06.2020		CURRENT PERIOD ENDED 30.06.2021		CORRESPONDING PERIOD ENDED 30.06.2020	
	%	RM	%	RM	%	RM	%	RM
<b>Revenue</b>								
Malaysia	71	58,425,422	69	38,434,653	68	90,534,028	71	74,511,667
Others	29	23,310,553	31	17,567,434	32	42,172,500	29	30,370,763
<b>Total</b>	<b>100</b>	<b>81,735,975</b>	<b>100</b>	<b>56,002,087</b>	<b>100</b>	<b>132,706,528</b>	<b>100</b>	<b>104,882,430</b>

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

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

**7.3 Services**

The Group 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 30.06.2021 RM	CORRESPONDING QUARTER ENDED 30.06.2020 RM	CURRENT PERIOD ENDED 30.06.2021 RM	CORRESPONDING PERIOD ENDED 30.06.2020 RM
Analysis of revenue by category:				
- Charter hire own vessel	78,240,453	54,521,367	127,752,468	101,539,679
	78,240,453	54,521,367	127,752,468	101,539,679
- Others <sup>(1)</sup>	3,495,522	1,480,720	4,954,060	3,342,751
	81,735,975	56,002,087	132,706,528	104,882,430

Note

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

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

There were no significant changes in the composition of the Group as at 30 June 2021, other than a newly-acquired subsidiary, Perisai Offshore Sdn, Bhd. ("POSB"). On 2 February 2021, the Group completed the acquisition of a controlling stake (51% of the issued share capital) in POSB.

**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:

	<u>AS AT</u> <u>30.06.2021</u> RM	<u>AS AT</u> <u>30.06.2020</u> RM
Approved and contracted capital expenditure commitments	-	395,644

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

**10. SIGNIFICANT RELATED PARTY DISCLOSURES**

Parties are considered related if the party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The related parties of, and their relationships with the Company, are as follows:

<u>Related parties</u>	<u>Relationship</u>
Yayasan Ekuiti Nasional	Ultimate holding foundation
Ekuiti Nasional Berhad	Intermediate holding company
E-Cap (Internal) One Sdn. Bhd.	Intermediate holding company
Hallmark Odyssey Sdn. Bhd. (“HOSB”)	Immediate holding company
Icon Ship Management Sdn. Bhd. (“ICON Ship”)	Subsidiary
Icon Fleet Sdn. Bhd. (“ICON Fleet”)	Subsidiary
Icon Offshore Group Sdn. Bhd.	Subsidiary
Uzma Berhad	Entity with common Director
Uzma Engineering Sdn. Bhd. (“Uzma Engineering”)	A subsidiary of Uzma Berhad, an entity with a common director

**10.1 Significant related party balances**

There are no significant related party balances arising from normal business transactions except for:

- i. Shareholder’s Advance from HOSB of RM174.2 million; and
- ii. Amount owing by Uzma Engineering of RM0.9 million.

**10.2 Significant related party transactions**

The related party transaction described below was carried out based on terms and conditions agreed with the related party.

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED <u>30.06.2021</u> RM</u>	<u>CORRESPONDING QUARTER ENDED <u>30.06.2020</u> RM</u>	<u>CURRENT PERIOD ENDED <u>30.06.2021</u> RM</u>	<u>CORRESPONDING PERIOD ENDED <u>30.06.2020</u> RM</u>
Interest expense to immediate holding company	4,747,406	-	8,189,786	-

On 22 January 2021, the Group had procured Shareholder’s Advance from HOSB to finance the rig acquisition amounting to RM174,200,000. The final repayment date for this advance is 31 December 2021 or upon completion of any fund raising and/or bank financing by the Group, whichever is earlier or such other date as the parties may mutually agree in writing.

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.

	<b>Carrying amount</b>		<b>Fair Value</b>	
	<b>AS AT 30.06.2021</b>	<b>AS AT 31.12.2020</b>	<b>AS AT 30.06.2021</b>	<b>AS AT 31.12.2020</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Fixed rate term loans	85,357,105	92,067,380	69,659,646	75,469,964

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

There were no revaluations of property, plant and equipment during the quarter and period ended 30 June 2021 except for vessels for the purpose of impairment review. As at 30 June 2021, 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 2021, 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**

**15. ANALYSIS OF PERFORMANCE**

**15.1 Review of performance for the current quarter (Quarter ended 30 June 2021) against the corresponding quarter (Quarter ended 30 June 2020):**

**(i) Revenue**

Revenue increased by RM25.7 million or 46%, from RM56.0 million in the corresponding quarter to RM81.7 million in the current quarter, mainly due to Drilling Segment commencing its operation in the current quarter.

**(ii) Gross profit**

The cost of sales increased by RM12.7 million or 36% from RM35.1 million in the quarter ended 30 June 2020 to RM47.8 million in the quarter ended 30 June 2021 mainly due to cost of sales relating to Drilling Segment.

Consequently, the Group gross profit increased by RM13.0 million or 62%, from RM20.9 million in the corresponding quarter to RM33.9 million in the current quarter primarily due to contribution from Drilling Segment.

**(iii) Administrative expenses**

The administrative expenses increased by RM1.3 million or 21%, from RM6.0 million for the quarter ended 30 June 2020 to RM7.3 million for the quarter ended 30 June 2021 primarily due to operating expenses of Drilling Segment.

**(iv) Taxation**

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2021 RM	CORRESPONDING QUARTER ENDED 30.06.2020 RM	CURRENT PERIOD ENDED 30.06.2021 RM	CORRESPONDING PERIOD ENDED 30.06.2020 RM
Current tax	1,063,737	186,401	1,275,796	620,704
Deferred tax	3,095,584	1,386,001	3,527,863	3,818,086
Tax expense for the financial year	<u>4,159,321</u>	<u>1,572,402</u>	<u>4,803,659</u>	<u>4,438,790</u>
Effective tax rate	20%	16%	38%	13%

The effective tax rate for the current quarter is lower than the statutory tax rate of 24% mainly due to lower tax rate applicable to income (including insurance income) of leasing subsidiaries being Malaysia tax residents incorporated in Labuan.

The effective tax rate for the current period ended 30 June 2021 is higher than the statutory tax rate of 24% mainly due to non-deductibility of certain expenses incurred / paid to Labuan entities..

**(v) Profit after taxation**

The Group recorded profit after taxation of RM16.9 million in the second quarter compared to profit after tax of RM8.2 million in the corresponding quarter mainly due to profit after taxation of RM5.6 million from Drilling Segment and insurance claim of RM3.5 million recorded in current quarter.

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**15 ANALYSIS OF PERFORMANCE (continued)**

**15.2 Review of performance for the current period ended 30 June 2021 against the corresponding period ended 30 June 2020:**

**(i) Revenue**

Revenue increased by RM27.8 million or 27%, from RM104.9 million in the corresponding period to RM132.7 million in the current period, mainly due to revenue from Drilling Segment and higher utilisation of vessels in OSV Segment for the current period.

**(ii) Gross profit**

The cost of sales increased by RM19.1 million or 27%, from RM71.3 million in the period ended 30 June 2020 to RM90.4 million in the period ended 30 June 2021 mainly due to cost of sales of Drilling Segment in the current period.

The Group gross profit increased by RM8.6 million or 26%, from RM33.6 million in the corresponding period to RM42.2 million in the current period due to contribution from the Drilling Segment.

**(iii) Administrative expenses**

The administrative expenses decreased by RM0.2 million or 1%, from RM15.5 million for the period ended 30 June 2020 to RM15.3 million for the period ended 30 June 2021 primarily due to net forex gain.

**(iv) Profit after taxation**

The Group recorded profit after taxation of RM7.6 million in the current period compared to profit after taxation of RM29.8 million for the corresponding period mainly due to the corresponding period's results included other income from gain on debt restructuring of RM19.1 million and waiver of interest payables amounted to RM8.8 million upon completion of debt restructuring on 18 February 2020.

The following table reflects the adjusted comparative figures:-

	<b>Current Period Ended 30 June 2021 (mil RM)</b>	<b>Corresponding Period Ended 30 June 2020 (mil RM)</b>
Profit After Taxation	7.6	29.8
Add: Loss on fair value on early debt settlement	1.3	-
Write down of NBV relating to AHFS	0.2	-
Less: Unrealised gain of forex	(0.8)	-
Gain on debt restructuring	-	(19.1)
Waiver of interest payable	-	(8.8)
<b>Adjusted Profit After Taxation</b>	<b>8.3</b>	<b>1.9</b>

**15.3 Review of performance for the current quarter (Quarter ended 30 June 2021) against the preceding quarter (Quarter ended 31 March 2021):**

The Group revenue increased by RM30.7 million or 60% from RM51.0 million in the quarter ended 31 March 2021 to RM81.7 million in the quarter ended 30 June 2021 mainly due to revenue from Drilling Segment and higher utilisation of vessels in OSV Segment.

The Group profit after tax has increased by RM26.2 million from loss after tax of RM9.3 million in the quarter ended 31 March 2021 to profit after tax of RM16.9 million in the quarter ended 30 June 2021, mainly due to higher profit after tax from both OSV and Drilling Segments.

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**16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2021**

The outlook of upstream exploration and production activities in Malaysia is expected to be positive this year as compared to last year on the back of recovery of crude oil price. In addition to OSV Segment, the Group's Drilling Segment has commenced its maiden contract in April 2021 and contributed RM5.6 million profit after tax in Second Quarter FY2021.

The Order Book as at 30 June 2021 stands at RM830.6 million, comprising of RM765.7 million for OSV Segment and RM64.9 million for Drilling Segment. Long Term Contracts represents 99% of the Order Book which will provide cashflow stability and earnings visibility.

The continued focus of the Group will be on operational efficiencies, securing new contracts, maximising utilisation rate through competitive bidding for domestic and regional contracts as well as leveraging on its continued presence in Brunei and maximising synergies between OSV and Drilling Segments.

In view of this, the Board of Directors remain focused on improvement initiatives and synergistic business opportunities while remain cautious on the impact of COVID-19 pandemic to the oil and gas industry in terms of disruptions and additional costs.

**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 2020.

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**19. PROFIT BEFORE TAX**

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2021 RM	CORRESPONDING QUARTER ENDED 30.06.2020 RM	CURRENT PERIOD ENDED 30.06.2021 RM	CORRESPONDING PERIOD ENDED 30.06.2020 RM
Depreciation of property, plant and equipment	15,042,422	11,999,716	28,974,693	23,408,000
Depreciation of right-of-use assets	179,952	-	359,905	-
Approved insurance claim	(3,477,132)	-	(3,477,132)	-
Insurance expenses	2,054,669	1,382,619	3,869,846	2,475,031
Interest income	(194,777)	(387,526)	(357,811)	(410,976)
Interest expense	9,204,772	5,511,200	17,088,326	12,196,371
Waiver of interest payable	-	-	-	(8,764,496)
Gain on debt restructuring	-	-	-	(19,120,160)
Realised loss on foreign exchange	37,596	208,818	98,658	576,710
Unrealised (gain)/loss on foreign exchange	(778,469)	64,613	(767,545)	35,988
Loss on early debt settlement	-	-	1,303,603	-
Write down of NBV relating to AHFS	155,755	-	155,755	-

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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**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 30.06.2021</b>	<b>AS AT 31.12.2020</b>
	<b>RM</b>	<b>RM</b>
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	33,668,112	32,027,176
Redeemable preference shares	9,289,686	9,146,156
	<b>42,957,798</b>	<b>41,173,332</b>
Long-term:		
<u>Secured</u>		
Bank borrowings		
- term loan	290,206,833	307,490,354
- Revolving credit (Commodity Murabahah Financing-i)	5,752,463	5,612,654
	<b>295,959,296</b>	<b>313,103,008</b>
<b>Total borrowings</b>	<b>338,917,094</b>	<b>354,276,340</b>

Total term loan in currency other MYR is BND8.2 million (equivalent to RM25.3 million) which is a secured loan.

As at 30 June 2021, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM7.2 million primarily due to the tendering for new contracts, as financial guarantee for the performance of our charter contracts by our subsidiaries and corporate guarantees for loans 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 2021.

**22. CHANGES IN MATERIAL LITIGATION**

Further to the announcement made on 12 July 2021 to Bursa Malaysia in respect of a Writ of Summons together with the Statement of Claim dated 20 June 2019 (the "Suit") filed by Labuan Shipyard & Engineering Sdn. Bhd. against the Group wholly owned subsidiary, Icon Ship Management Sdn. Bhd., the Group wishes to update further developments in respect of the Suit.

Pursuant to the case management held on 5 August 2021, the Court has directed as follows: -

- i. The list of agreed issues and list of agreed facts to be tried are to be filed by 15 September 2021;
- ii. The common bundle of documents are to be filed by 15 September 2021;
- iii. Parties are to liaise on the scope and mode of filing of the expert report and reply expert reports (if any), i.e. either by way of witness statement or affidavit, and for the parties to update the Court on the next case management date. Parties will separately agree on the dates for exchange and filing of the witness statement/affidavit, which will be no later than the pre-trial case management before the judge on 1 October 2021; and
- iv. The next case management has been fixed for 15 September 2021.

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**23. EARNINGS PER SHARE (“EPS”)**

The basic EPS has been calculated based on the consolidated profit attributable to equity holders of the Company and divided by the weighted number of ordinary shares in issue.

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2021	CORRESPONDING QUARTER ENDED 30.06.2020	CURRENT PERIOD ENDED 30.06.2021	CORRESPONDING PERIOD ENDED 30.06.2020
Profit attributable to equity holders (RM)	14,681,606	6,899,272	3,529,433	27,258,230
Weighted average number of ordinary shares in issue	<u>2,689,020,178</u>	<u>2,080,077,195</u>	<u>2,689,020,178</u>	<u>2,080,077,195</u>
Basic/diluted EPS (sen)	<u>0.55</u>	<u>0.33</u>	<u>0.13</u>	<u>1.31</u>

As at 30 June 2021, the Company has 6,810,000 potential ordinary shares outstanding pursuant to the issuance of the Employees’ Share Option Scheme on 28 December 2016 and 17 January 2018. These potential ordinary shares are anti-dilutive and are consequently excluded from the determination of diluted EPS.

**BY ORDER OF THE BOARD**

Dato’ Sri Hadian Hashim  
Managing Director  
25 August 2021