

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

**QUARTERLY REPORT
FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021**

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

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

The Board of Directors of Icon Offshore Berhad ("ICON" or "the Group") announce the following unaudited condensed consolidated financial statements for the third quarter and period ended 30 September 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) 30.09.2021 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.09.2020 RM	CURRENT PERIOD ENDED (UNAUDITED) 30.09.2021 RM	CORRESPONDING PERIOD ENDED (AUDITED) 30.09.2020 RM
Revenue	15.1 (i)	87,283,322	52,578,371	219,990,322	157,460,801
Cost of sales		(47,924,672)	(36,890,845)	(138,376,672)	(108,206,032)
Gross profit	15.1 (ii)	39,358,650	15,687,526	81,613,650	49,254,769
Other income		424,907	577,829	4,259,907	20,137,084
Administrative expenses	15.1 (iii)	(8,528,214)	(6,767,227)	(23,810,214)	(22,228,695)
Other expenses		-	-	-	-
Profit from operations		31,255,343	9,498,128	62,063,343	47,163,158
Finance costs		(9,889,328)	(5,369,890)	(28,281,328)	(8,801,764)
Profit before taxation		21,366,015	4,128,238	33,782,015	38,361,394
Taxation	15.1 (iv)	(4,502,321)	(1,844,837)	(9,305,980)	(6,283,628)
Profit for the quarter/period	15.1 (v)	16,863,694	2,283,401	24,476,035	32,077,766
Other comprehensive income: Items that will be classified subsequently to profit or loss:					
Currency translation differences		(193,311)	(298,737)	346,679	(75,692)
Total comprehensive income for the quarter/period		16,670,383	1,984,664	24,822,714	32,002,074

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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>30.09.2021</u>	<u>30.09.2020</u>	<u>30.09.2021</u>	<u>30.09.2020</u>
	RM	RM	RM	RM
Profit attributable to:				
-Equity holders of the Company	14,371,654	426,163	17,900,995	27,684,394
-Non-controlling interests	<u>2,492,040</u>	<u>1,857,238</u>	<u>6,575,040</u>	<u>4,393,372</u>
	<u>16,863,694</u>	<u>2,283,401</u>	<u>24,476,035</u>	<u>32,077,766</u>
Total comprehensive income attributable to:				
-Equity holders of the Company	14,273,066	273,806	18,077,889	27,645,790
-Non-controlling interests	<u>2,397,317</u>	<u>1,710,858</u>	<u>6,744,825</u>	<u>4,356,284</u>
	<u>16,670,383</u>	<u>1,984,664</u>	<u>24,822,714</u>	<u>32,002,074</u>
Profit per share for profit attributable to the ordinary equity holders of the Company:				
Basic/diluted earnings per share (sen)	23 <u>0.53</u>	<u>0.02</u>	<u>0.66</u>	<u>1.22</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30.09.2021 RM	Audited As at 31.12.2020 RM
Non-current assets		
Property, plant and equipment	745,560,730	597,588,145
Right-of-use assets	83,772	571,172
Intangible assets	2,888,681	-
Deferred tax assets	33,417,318	36,839,696
	<u>781,950,501</u>	<u>634,999,013</u>
Current assets		
Trade and other receivables	93,679,638	68,367,976
Inventories	979,031	1,011,759
Tax recoverable	1,902,386	1,188,027
Cash and bank balances	86,283,877	74,967,761
	<u>182,844,932</u>	<u>145,535,523</u>
Less: Current liabilities		
Trade and other payables	41,260,349	37,726,970
Amount due to immediate holding company	174,200,000	-
Lease liabilities	110,038	533,853
Borrowings	46,627,898	41,173,332
Taxation	3,287,017	918,581
	<u>265,485,302</u>	<u>80,352,736</u>
Net current (liabilities)/assets	<u>(82,640,370)</u>	<u>65,182,787</u>
Less: Non-current liabilities		
Lease liabilities	-	63,584
Borrowings	280,834,876	313,103,008
Deferred tax liabilities	15,239,365	12,927,356
	<u>296,074,241</u>	<u>326,093,948</u>
	<u>403,235,890</u>	<u>374,087,852</u>
Equity attributable to equity holders of the Company		
Share capital	1,146,663,591	1,142,819,044
Warrants reserve	32,725,839	32,725,839
Currency translation reserve	589,439	412,545
Share based payment reserve	425,720	352,857
Capital contribution reserve	5,905,574	5,584,044
Accumulated losses	(816,964,817)	(834,865,812)
Non-controlling interest	33,890,544	27,059,335
Total equity	<u>403,235,890</u>	<u>374,087,852</u>

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to equity holders of the Company

Group	Issued and fully paid ordinary shares	Attributable to equity holders of the Company						Non- controlling interest RM	Total equity RM
	Share capital RM	Warrants reserve RM	Currency translation reserve RM	Share based payment reserve RM	Non-distributable Capital contribution RM	Distributable 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	-	-	-	-	-	17,900,995	6,575,040	24,476,035	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	176,894	-	-	-	169,785	346,679	
Total comprehensive income for the financial period	-	-	176,894	-	-	17,900,995	6,744,825	24,822,714	
Issuance of shares	3,844,547	-	-	-	-	-	-	3,844,547	
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	86,384	86,384	
Share based payment	-	-	-	72,863	-	-	-	72,863	
Contribution of capital	-	-	-	-	321,530	-	-	321,530	
At 30 September 2021	<u>1,146,663,591</u>	<u>32,725,839</u>	<u>589,439</u>	<u>425,720</u>	<u>5,905,574</u>	<u>(816,964,817)</u>	<u>33,890,544</u>	<u>403,235,890</u>	

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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 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 payment	-	-	-	126,630	-	-	-	126,630		
At 31 December 2020	<u>1,142,819,044</u>	<u>32,725,839</u>	<u>412,545</u>	<u>352,857</u>	<u>5,584,044</u>	<u>(834,865,812)</u>	<u>27,059,335</u>	<u>374,087,852</u>		

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED)	CORRESPONDING PERIOD ENDED (UNAUDITED)
	30.09.2021	30.09.2020
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	33,782,015	38,361,394
Adjustments for:		
Depreciation of property, plant and equipment	44,086,384	34,944,473
Depreciation of right-of-use assets	487,400	540,392
Interest expense	26,358,475	17,566,260
Interest income	(387,380)	(669,816)
Share-based payment expense	72,863	-
Waiver of Interest payable	-	(8,764,496)
Gain on debt restructuring	-	(19,120,160)
Loss on early debt settlement	1,922,854	-
Write down of Net Book Value ("NBV") relating to Assets Held For Sale ("AHFS")	155,755	-
Employee Share Grant Plan ("ESGP") Expenses	321,530	-
Gain on sale of fuel upon offhire of vessels	(812,164)	-
Unrealised (gain)/loss on foreign exchange	(761,645)	360,764
Operating profit before working capital changes	105,226,087	63,218,811
Changes in working capital:		
Decrease in inventories	32,728	3,007,572
(Increase) in receivables	(24,432,666)	(13,624,513)
Increase/(decrease) in payables	8,799,902	(25,700,860)
Cash generated from operations	89,626,051	26,901,010
Tax paid	(1,639,355)	(2,459,905)
Net cash generated from operating activities	87,986,696	24,441,105
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	5,190,000	-
Purchase of property, plant and equipment	(201,323,724)	(19,900,617)
Purchase of intangible assets	(2,074,750)	-
Acquisition of a subsidiary	(1,058,123)	-
Interest received	387,380	669,816
Net cash used in investing activities	(198,879,217)	(19,230,801)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of Shareholder's Advance from immediate holding company	174,200,000	-
Repayment of lease liabilities	(523,834)	(580,439)
Repayment of borrowings	(29,927,288)	(194,232,379)
Interest paid	(21,886,920)	(13,839,829)
Issuance of shares	-	247,208,871
Increase in deposits pledged as security	(7,692,128)	(1,437,608)
Net cash generated from financing activities	114,169,830	37,118,616
Unrealised foreign exchange gain/(loss) on cash and bank balances	346,679	(378,465)
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,623,988	41,950,455
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	54,633,078	14,308,940
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	58,257,066	56,259,395
Deposit pledged as security	28,026,811	17,925,000
CASH AND BANK BALANCES	86,283,877	74,184,595

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QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 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 September 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 September 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 September 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 September 2021 is as follows:

Individual Quarter Ended 30.09.2021	OSV RM'000	Drilling RM'000	Group RM'000
Revenue	58,432	28,851	87,283
<u>Results</u>			
Profit from operations	18,096	13,160	31,256
Finance cost	(5,060)	(4,830)	(9,890)
Taxation	(2,544)	(1,958)	(4,502)
Profit for the financial period	10,492	6,372	16,864

Cumulative Period Ended 30.09.2021	OSV RM'000	Drilling RM'000	Group RM'000
Revenue	165,588	54,402	219,990
<u>Results</u>			
Profit from operations	43,063	19,001	62,064
Finance cost	(15,262)	(13,020)	(28,282)
Taxation	(6,450)	(2,856)	(9,306)
Profit/(Loss) for the financial period	21,351	3,125	24,476

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	
	30.09.2021		30.09.2020		30.09.2021		30.09.2020	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	74	64,450,178	65	33,918,765	70	154,984,206	69	108,430,432
Others	26	22,833,144	35	18,659,606	30	65,006,116	31	49,030,369
Total	100	87,283,322	100	52,578,371	100	219,990,322	100	157,460,801

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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 and rig 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 30.09.2021 RM	CORRESPONDING QUARTER ENDED 30.09.2020 RM	CURRENT PERIOD ENDED 30.09.2021 RM	CORRESPONDING PERIOD ENDED 30.09.2020 RM
Analysis of revenue by category:				
- Charter hire own vessel	84,466,967	50,722,648	212,218,967	152,262,328
- Forerunner Vessel	-	138,723	-	138,723
	84,466,967	50,861,371	212,218,967	152,401,051
- Others ⁽¹⁾	2,816,355	1,717,000	7,771,355	5,059,750
	87,283,322	52,578,371	219,990,322	157,460,801

Note

⁽¹⁾ 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 September 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:

	AS AT 30.09.2021 RM	AS AT 30.09.2020 RM
Approved and contracted capital expenditure commitments	-	-

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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 Shareholder’s Advance from HOSB of RM174.2 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 30.09.2021 RM</u>	<u>CORRESPONDING QUARTER ENDED 30.09.2020 RM</u>	<u>CURRENT PERIOD ENDED 30.09.2021 RM</u>	<u>CORRESPONDING PERIOD ENDED 30.09.2020 RM</u>
Interest expense to immediate holding company	4,829,874	-	13,019,660	-

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.

	Carrying amount		Fair Value	
	AS AT 30.09.2021	AS AT 31.12.2020	AS AT 30.09.2021	AS AT 31.12.2020
	RM	RM	RM	RM
Fixed rate term loans	<u>81,543,618</u>	<u>92,067,380</u>	<u>69,408,427</u>	<u>75,469,964</u>

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and period ended 30 September 2021 except for vessels for the purpose of impairment review. As at 30 September 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 September 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 September 2021) against the corresponding quarter (Quarter ended 30 September 2020):

(i) Revenue

Revenue increased by RM34.7 million or 66%, from RM52.6 million in the corresponding quarter to RM87.3 million in the current quarter, mainly due to contribution from Drilling Segment commencing its operation in April 2021 and higher revenue from OSV Segment.

(ii) Gross profit

The cost of sales increased by RM11.0 million or 30% from RM36.9 million in the quarter ended 30 September 2020 to RM47.9 million in the quarter ended 30 September 2021 mainly due to cost of sales relating to Drilling Segment.

Consequently, the Group gross profit increased by RM23.7 million or >100%, from RM15.7 million in the corresponding quarter to RM39.4 million in the current quarter primarily due to contribution from Drilling Segment.

(iii) Administrative expenses

The administrative expenses increased by RM1.8 million or 26%, from RM6.8 million for the quarter ended 30 September 2020 to RM8.5 million for the quarter ended 30 September 2021 primarily due to operating expenses of Drilling Segment.

(iv) Taxation

	<u>INDIVIDUAL QUARTER</u>		<u>CUMULATIVE PERIOD</u>	
	<u>CURRENT QUARTER ENDED 30.09.2021</u>	<u>CORRESPONDING QUARTER ENDED 30.09.2020</u>	<u>CURRENT PERIOD ENDED 30.09.2021</u>	<u>CORRESPONDING PERIOD ENDED 30.09.2020</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Current tax	2,295,797	160,102	3,571,593	780,806
Deferred tax	2,206,524	1,684,735	5,734,387	5,502,822
Tax expense for the financial year	<u>4,502,321</u>	<u>1,844,837</u>	<u>9,305,980</u>	<u>6,283,628</u>
Effective tax rate	21%	45%	28%	16%

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 September 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 third quarter compared to profit after tax of RM2.3 million in the corresponding quarter. OSV Segment contributed profit after taxation RM10.5 (higher by RM8.2 million compared to corresponding quarter) and Drilling Segment contributed RM6.4 million of profit after taxation in the current quarter.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
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15 ANALYSIS OF PERFORMANCE (continued)

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

(i) Revenue

Revenue increased by RM62.5 million or 40%, from RM157.5 million in the corresponding period to RM220.0 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 RM30.2 million or 28%, from RM108.2 million in the period ended 30 September 2020 to RM138.4 million in the period ended 30 September 2021 mainly due to cost of sales of Drilling Segment in the current period.

The Group gross profit increased by RM32.4 million or 66%, from RM49.3 million in the corresponding period to RM81.6 million in the current period due to contribution from the Drilling Segment.

(iii) Administrative expenses

The administrative expenses increased by RM1.6 million or 7%, from RM22.2 million for the period ended 30 September 2020 to RM23.8 million for the period ended 30 September 2021 primarily due to operating expenses from Drilling Segment.

(iv) Profit after taxation

The Group recorded profit after taxation of RM24.5 million in the current period compared to profit after taxation of RM32.1 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 amounting to RM8.8 million upon completion of debt restructuring on 18 February 2020.

The following table reflects the adjusted comparative figures: -

	Current Period Ended 30 September 2021 (mil RM)	Corresponding Period Ended 30 September 2020 (mil RM)
Profit After Taxation	24.5	32.1
Add: Loss on fair value on early debt settlement	1.9	-
Write down of NBV relating to AHFS	0.2	-
ESGP Expenses	0.2	-
Less: Unrealised gain of forex	(0.8)	-
Gain on sale of fuel upon offhire of vessels	(0.8)	-
Gain on debt restructuring	-	(19.1)
Waiver of interest payable	-	(8.8)
Adjusted Profit After Taxation	25.2	4.2

QUARTERLY REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

**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 September 2021) against the preceding quarter (Quarter ended 30 June 2021):

The Group revenue increased by RM5.6 million or 7% from RM81.7 million in the quarter ended 30 June 2021 to RM87.3 million in the quarter ended 30 September 2021 mainly due to higher revenue from Drilling Segment and higher utilisation of vessels in OSV Segment.

The Group recorded profit after taxation of RM16.9 million in both current quarter ended 30 September 2021 and quarter ended 30 June 2021 respectively.

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 RM6.4 million profit after tax in Third Quarter FY2021.

The Order Book as at 30 September 2021 stands at RM770.6 million, comprising of RM732.5 million for OSV Segment and RM38.1 million for Drilling Segment. Long Term Contracts represents 94% 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 is optimistic on the outlook for the Group while remain cautious on the disruptions and additional costs arising from COVID-19 pandemic.

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 30.09.2021 <u>RM</u>	CORRESPONDING QUARTER ENDED 30.09.2020 <u>RM</u>	CURRENT PERIOD ENDED 30.09.2021 <u>RM</u>	CORRESPONDING PERIOD ENDED 30.09.2020 <u>RM</u>
Depreciation of property, plant and equipment	15,111,691	11,536,473	44,086,384	39,944,473
Depreciation of right-of-use assets	-	-	359,905	-
Approved insurance claim	-	-	(3,477,132)	-
Insurance expenses	2,061,824	1,289,796	5,931,670	3,764,827
Interest income	(29,570)	(258,840)	(387,380)	(669,816)
Interest expense	9,270,149	5,369,890	26,358,475	17,566,260
Waiver of interest payable	-	-	-	(8,764,496)
Gain on debt restructuring	-	-	-	(19,120,160)
Realised loss/(gain) on foreign exchange	167,948	(72,621)	266,606	504,089
Unrealised loss/(gain) on foreign exchange	5,900	324,776	(761,645)	360,764
Loss on early debt settlement	619,251	-	1,922,854	-
Write down of NBV relating to AHFS	-	-	155,755	-
Realised gain on sale of fuel upon hire of vessels	(812,164)	-	(812,164)	-
ESGP Expenses	248,567	-	248,567	-

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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BURSA SECURITIES LISTING REQUIREMENTS (continued)**

20. BORROWINGS

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

	AS AT 30.09.2021	AS AT 31.12.2020
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	37,368,603	32,027,176
Redeemable preference shares	9,259,295	9,146,156
	46,627,898	41,173,332
Long-term:		
<u>Secured</u>		
Bank borrowings		
- term loan	275,010,806	307,490,354
- Revolving credit (Commodity Murabahah Financing-i)	5,824,070	5,612,654
	280,834,876	313,103,008
Total borrowings	327,462,774	354,276,340

Total term loan in currency other than MYR is BND6.8 million (equivalent to RM21.0 million) which is a secured loan.

As at 30 September 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 ICON's subsidiaries and corporate guarantees for loans obtained by ICON's subsidiaries.

21. DERIVATIVE FINANCIAL INSTRUMENTS

The Group does not have any derivative financial instruments for the quarter and year ended 30 September 2021.

22. CHANGES IN MATERIAL LITIGATION

Further to the announcement made on 12 July 2021 to Bursa and Q2 2021 Bursa Announcement 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 Icon Offshore Berhad's ("IOB" or 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 15 October 2021, the trial has been set for 11-14 April 2022. In the meantime, the parties have been directed by the Judge to conduct mediation prior to the trial date.

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
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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 30.09.2021	CORRESPONDING QUARTER ENDED 30.09.2020	CURRENT PERIOD ENDED 30.09.2021	CORRESPONDING PERIOD ENDED 30.09.2020
Profit attributable to equity holders (RM)	14,371,654	426,163	17,900,995	27,684,394
Weighted average number of ordinary shares in issue	<u>2,694,530,708</u>	<u>2,276,989,501</u>	<u>2,694,530,708</u>	<u>2,276,989,501</u>
Basic/diluted EPS (sen)	<u>0.53</u>	<u>0.02</u>	<u>0.66</u>	<u>1.22</u>

As at 30 September 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
28 October 2021