

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

QUARTERLY REPORT
FOR THE SECOND QUARTER ENDED 30th JUNE 2022

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

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30th JUNE 2022

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 year ended 30th June 2022 which should be read in conjunction with the audited financial statements for the financial year ended 31st December 2021.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		CURRENT QUARTER ENDED (UNAUDITED) 30.06.2022 RM	CORRESPONDING QUARTER ENDED (UNAUDITED) 30.06.2021 RM	CURRENT YEAR ENDED (UNAUDITED) 30.06.2022 RM	CORRESPONDING YEAR ENDED (UNAUDITED) 30.06.2021 RM
Revenue	15.1 (i)	79,607,243	81,735,975	146,558,407	132,706,528
Cost of sales		(49,197,638)	(48,089,909)	(93,567,620)	(90,451,591)
Gross profit	15.1 (ii)	30,409,605	33,646,066	52,990,787	42,254,937
Other income		370,543	3,671,909	522,317	3,834,943
Administrative expenses	15.1 (iii)	(8,709,316)	(7,059,467)	(16,805,889)	(15,281,751)
Profit from operations		22,070,832	30,258,508	36,707,215	30,808,129
Finance costs		(8,270,854)	(9,204,772)	(16,748,543)	(18,391,929)
Profit before taxation		13,799,978	21,053,736	19,958,672	12,416,200
Taxation	15.1 (iv)	(4,048,066)	(4,159,322)	(7,307,638)	(4,803,659)
Profit for the quarter/year	15.1 (v)	9,751,912	16,894,414	12,651,034	7,612,541
Other comprehensive income: Items that will be classified subsequently to profit or loss:					
Currency translation differences		1,294,040	2,724	1,740,551	539,990
Total comprehensive income/(expense) for the quarter/year		11,045,952	16,897,138	14,391,585	8,152,531

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (continued)

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED (UNAUDITED)	CORRESPONDING QUARTER ENDED (UNAUDITED)	CURRENT YEAR ENDED (UNAUDITED)	CORRESPONDING YEAR ENDED (UNAUDITED)
Note	<u>30.06.2022</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2021</u>
	RM	RM	RM	RM
Profit attributable to:				
-Equity holders of the Company	7,312,155	14,681,606	10,274,365	3,529,433
-Non-controlling interests	<u>2,439,757</u>	<u>2,212,808</u>	<u>2,376,669</u>	<u>4,083,108</u>
	<u>9,751,912</u>	<u>16,894,414</u>	<u>12,651,034</u>	<u>7,612,541</u>
Total comprehensive income attributable to:				
-Equity holders of the Company	7,972,115	14,682,996	11,162,046	3,804,830
-Non-controlling interests	<u>3,073,837</u>	<u>2,214,142</u>	<u>3,229,539</u>	<u>4,347,701</u>
	<u>11,045,952</u>	<u>16,897,138</u>	<u>14,391,585</u>	<u>8,152,531</u>
Profit per share for profit attributable to the ordinary equity holders of the Company:				
Basic/diluted earnings per share (sen)	<u>0.27</u>	<u>0.55</u>	<u>0.38</u>	<u>0.13</u>

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As at 30.06.2022 RM	Audited As at 31.12.2021 RM
Non-current assets		
Property, plant and equipment	715,867,482	737,013,307
Intangible assets	1,993,820	1,993,820
Prepayments	-	4,846,768
Cash and bank balances	15,638,089	15,638,089
Right-of-use assets	1,038,896	1,311,360
Deferred tax assets	30,188,069	32,185,225
	<u>764,726,356</u>	<u>792,988,569</u>
Current assets		
Trade and other receivables	129,404,068	105,081,684
Inventories	651,117	1,069,617
Tax recoverable	2,045,292	2,021,159
Cash and bank balances	46,152,645	67,532,312
	<u>178,253,122</u>	<u>175,704,772</u>
Less: Current liabilities		
Trade and other payables	40,781,569	46,130,932
Amount due to immediate holding company	159,200,000	174,200,000
Lease liabilities	444,858	443,940
Borrowings	30,379,727	48,108,034
Taxation	2,880,210	1,688,797
	<u>233,686,364</u>	<u>270,571,703</u>
Net current liabilities	(55,433,242)	(94,866,931)
Less: Non-current liabilities		
Lease liabilities	622,681	896,063
Borrowings	266,853,954	271,692,756
Deferred tax liabilities	18,547,046	16,828,222
	<u>286,023,681</u>	<u>289,417,041</u>
	<u>423,269,433</u>	<u>408,704,597</u>
Equity attributable to equity holders of the Company		
Share capital	1,147,143,741	1,146,970,491
Warrants reserve	32,725,839	32,725,839
Currency translation reserve	1,674,210	786,529
Share based payment reserve	123,664	123,664
Capital contribution reserve	6,115,578	6,115,578
Accumulated losses	(801,665,957)	(811,940,322)
Non-controlling interest	37,152,358	33,922,818
Total equity	<u>423,269,433</u>	<u>408,704,597</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 2022	1,146,970,491	32,725,839	786,529	123,664	6,115,578	(811,940,322)	33,922,818	408,704,597	
Profit for the financial year	-	-	-	-	-	10,274,365	2,376,669	12,651,034	
Currency translation differences, representing total income and expense recognised directly in equity	-	-	887,681	-	-	-	852,870	1,740,551	
Total comprehensive income for the financial year	-	-	887,681	-	-	10,274,365	3,229,539	14,391,585	
Issuance of shares for ESOS	173,250	-	-	-	-	-	-	173,250	
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	-	-	
Share based payment	-	-	-	-	-	-	-	-	
Contribution of capital	-	-	-	-	-	-	-	-	
At 30 June 2022	<u>1,147,143,741</u>	<u>32,725,839</u>	<u>1,674,210</u>	<u>123,664</u>	<u>6,115,578</u>	<u>(801,665,957)</u>	<u>37,152,358</u>	<u>423,269,433</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 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 year	-	-	-	-	-	22,696,297	6,417,972	29,114,269		
Currency translation differences, representing total income and expense recognised directly in equity	-	-	373,984	-	-	-	359,132	733,116		
Total comprehensive income for the financial year	-	-	373,984	-	-	22,696,297	6,777,104	29,847,385		
Issuance of shares for early debt settlement	3,844,547	-	-	-	-	-	-	3,844,547		
Non-controlling interests on acquisition of subsidiary	-	-	-	-	-	-	86,379	86,379		
Issuances of shares for ESOS	306,900	-	-	(133,650)	-	-	-	173,250		
Share based payments	-	-	-	133,650	-	-	-	133,650		
Share option lapsed	-	-	-	(229,193)	-	229,193	-	-		
Contribution of capital	-	-	-	-	531,534	-	-	531,534		
At 31 December 2021	<u>1,146,970,491</u>	<u>32,725,839</u>	<u>786,529</u>	<u>123,664</u>	<u>6,115,578</u>	<u>(811,940,322)</u>	<u>33,922,818</u>	<u>408,704,597</u>		

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30th JUNE 2022

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	CURRENT PERIOD ENDED (UNAUDITED) 30.06.2022 RM	CORRESPONDING PERIOD ENDED (UNAUDITED) 30.06.2021 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	19,958,672	12,416,200
Adjustments for:		
Depreciation of property, plant and equipment	28,909,375	28,974,693
Depreciation of right-of-use assets	272,464	359,905
Interest expense	16,748,542	17,088,326
Interest income	(394,660)	(357,811)
Share-based payment expense	-	145,826
Loss on early debt settlement	-	1,303,603
Write down of Net Book Value (“NBV”) relating to AHFS	-	155,755
Unrealised loss on foreign exchange	-	(767,545)
Operating profit before working capital changes	<u>65,494,393</u>	<u>59,318,952</u>
Changes in working capital:		
Increase in inventories	418,500	358,316
Increase in receivables	(19,475,615)	(23,179,588)
(Decrease)/ Increase in payables	<u>(21,420,080)</u>	<u>4,092,803</u>
Cash generated from operations	25,017,198	40,590,483
Tax paid	<u>(2,424,379)</u>	<u>(239,697)</u>
Net cash generated from operating activities	<u>22,592,819</u>	<u>40,350,786</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,763,550)	(196,801,836)
Purchase of intangible assets	-	(2,074,750)
Acquisition of a subsidiary	-	(1,058,122)
Interest received	<u>394,660</u>	<u>357,811</u>
Net cash used in investing activities	<u>(7,368,890)</u>	<u>(199,576,897)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/ Drawdown of Shareholder’s Advance from immediate holding company	(15,000,000)	174,200,000
Repayment of lease liabilities	(130,349)	(386,902)
Repayment of borrowings	(16,554,397)	(16,435,134)
Interest paid	(6,832,652)	(14,153,669)
Issuance of shares	173,250	-
Increase/(Decrease) in deposits pledged as security	<u>11,636,788</u>	<u>(5,005,943)</u>
Net cash generated from financing activities	<u>(26,707,360)</u>	<u>138,218,352</u>
Unrealised foreign exchange gain on cash and bank balances	1,740,552	539,990
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(9,742,879)</u>	<u>(20,467,769)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>27,976,275</u>	<u>54,633,078</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>18,233,396</u>	<u>34,165,309</u>
Deposit pledged as security	<u>43,557,338</u>	<u>25,340,626</u>
CASH AND BANK BALANCES	<u>61,790,734</u>	<u>59,505,935</u>

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30th JUNE 2022

**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 31st December 2021.

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 31st December 2021, except on the following:

The Malaysian Accounting Standards Board had issued the following amendments to MFRS of which are effective for the financial year beginning after 1st January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for the following set out below:

- Annual Improvements to MFRS 9 ‘Fees in the 10% test for derecognition of financial liabilities’ (effective 1st January 2022);
- Amendments to MFRS 3 ‘Reference to Conceptual Framework’ (effective 1st January 2022);
- Amendments to MFRS 116 ‘Proceeds before intended use’ (effective 1st January 2022);
- Amendments to MFRS 137 ‘Onerous contracts - cost of fulfilling a contract’ (effective 1st January 2022);
- Amendments to MFRS 101 ‘Classification of liabilities as current or non-current’ (effective 1st January 2023); and
- Amendments to MFRS 112 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’ (effective 1st January 2023).

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.

3. UNUSUAL ITEMS

No unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group in the quarter and year ended 30th June 2022.

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 year ended 30th June 2022.

5. DEBT AND EQUITY SECURITIES

There were no debt and equity securities issued in the quarter and year ended 30th June 2022.

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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 year ended 30th June 2022.

7. SEGMENT RESULTS AND REPORTING

7.1 Reportable Segment

Effective from 2nd 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 30th June 2022 is as follows:

Individual Quarter Ended 30.06.2022	OSV RM'000	Drilling RM'000	Group RM'000
Revenue	50,589	29,018	79,607
<u>Results</u>			
Profit from operations	11,989	10,082	22,071
Finance cost	(3,905)	(4,366)	(8,271)
Taxation	(2,708)	(1,340)	(4,048)
Profit for the financial period	5,376	4,376	9,752

Cumulative Period Ended 30.06.2022	OSV RM'000	Drilling RM'000	Group RM'000
Revenue	90,291	56,267	146,558
<u>Results</u>			
Profit from operations	15,605	21,103	36,708
Finance cost	(7,929)	(8,820)	(16,749)
Taxation	(4,261)	(3,047)	(7,308)
Profit for the financial year	3,415	9,236	12,651

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 30.06.2022		CORRESPONDING QUARTER ENDED 30.06.2021		CURRENT YEAR ENDED 30.06.2022		CORRESPONDING YEAR ENDED 30.06.2021	
	%	RM	%	RM	%	RM	%	RM
Revenue								
Malaysia	74	58,531,261	71	58,425,422	75	110,590,753	68	90,534,028
Others	26	21,075,982	29	23,310,553	25	35,967,654	32	42,172,500
Total	100	79,607,243	100	81,735,975	100	146,558,407	100	132,706,528

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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 30.06.2022 RM	CORRESPONDING QUARTER ENDED 30.06.2021 RM	CURRENT YEAR ENDED 30.06.2022 RM	CORRESPONDING YEAR ENDED 30.06.2021 RM
Analysis of revenue by category:				
- Charter hire own vessel and rig	73,171,142	78,240,453	138,446,580	127,752,468
		78,240,453		127,752,468
- Others ⁽¹⁾	6,436,101	3,495,522	8,111,827	4,954,060
	79,607,243	81,735,975	146,558,407	132,706,528

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 30th June 2022.

9. CAPITAL COMMITMENTS

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

	AS AT 30.06.2022 RM	AS AT 30.06.2021 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 RM159.2 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 30.06.2022 RM</u>	<u>CORRESPONDING QUARTER ENDED 30.06.2021 RM</u>	<u>CURRENT PERIOD ENDED 30.06.2022 RM</u>	<u>CORRESPONDING PERIOD ENDED 30.06.2021 RM</u>
Interest expense to immediate holding company	<u>4,366,005</u>	<u>4,747,406</u>	<u>8,819,649</u>	<u>8,189,786</u>

On 22nd 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 31st 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. On 30th December 2021, Second Variation Notice was agreed and signed by both parties to extend the tenure with final repayment date to be set on 31st December 2022, or upon completion of any fund raising and/or bank financing exercise, whichever is earlier. The Group has made a repayment of principal amount to HOSB of RM10,000,000 on 1st January 2022 and RM5,000,000 on 1st April 2022.

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 30.06.2022	AS AT 31.12.2021	AS AT 30.06.2022	AS AT 31.12.2021
	RM	RM	RM	RM
Fixed rate term loans	<u>70,265,965</u>	<u>77,823,679</u>	<u>70,180,333</u>	<u>69,480,709</u>

12. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment during the quarter and year ended 30th June 2022 except for vessels for the purpose of impairment review. As at 30th June 2022, 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 30th June 2022, 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 30th June 2022) against the corresponding quarter (Quarter ended 30th June 2021):

(i) Revenue

Revenue decreased by RM2.1 million or 3%, from RM81.7 million in the corresponding quarter to RM79.6 million in the current quarter, mainly due to lower revenue from OSV Segment as result of lower current quarter utilisation.

(ii) Gross profit

The cost of sales increased by RM1.1 million or 2% from RM48.1 million in the quarter ended 30th June 2021 to RM49.2 million in the quarter ended 30th June 2022.

Consequently, the Group gross profit decreased by RM3.2 million or 10%, from RM33.6 million in the corresponding quarter to RM30.4 million in the current quarter primarily due to lower gross profit contribution from OSV Segment.

(iii) Administrative expenses

The administrative expenses increased by RM0.1 million or 2%, from RM7.3 million for the quarter ended 30th June 2021 to RM8.7 million for the quarter ended 30th June 2022 primarily due to higher administrative expenses from Drilling Segment.

(iv) Taxation

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2022	CORRESPONDING QUARTER ENDED 30.06.2021	CURRENT PERIOD ENDED 30.06.2022	CORRESPONDING PERIOD ENDED 30.06.2021
	RM	RM	RM	RM
Current tax	1,598,703	186,401	3,608,908	1,275,796
Deferred tax	2,449,363	1,386,001	3,698,730	3,527,863
Tax expense for the financial year	<u>4,048,066</u>	<u>4,159,322</u>	<u>7,307,638</u>	<u>4,803,659</u>
Effective tax rate	29%	20%	37%	13%

The effective tax rate for the current quarter and current year are 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 RM9.8 million in the second quarter compared to profit after tax of RM16.9 million in the corresponding quarter. OSV Segment contributed profit after taxation of RM5.4 million and Drilling Segment contributed RM4.4 million of profit after taxation in the current quarter.

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BURSA SECURITIES LISTING REQUIREMENTS**

15 ANALYSIS OF PERFORMANCE (continued)

15.2 Review of performance for the current period ended 30th June 2022 against the corresponding period ended 30th June 2021:

(i) Revenue

Revenue increased by RM13.9 million or 10%, from RM132.7 million in the corresponding year to RM146.6 million in the current year, mainly due to higher revenue from Drilling Segment offset with lower revenue from OSV Segment for the current year.

(ii) Gross profit

The cost of sales increased by RM3.1 million or 3%, from RM90.5 million in the year ended 30th June 2021 to RM93.6 million in the year ended 30th June 2022 mainly due to cost of sales of Drilling Segment in the current period.

The Group gross profit increased by RM10.7 million or 25%, from RM42.3 million in the corresponding year to RM53.0 million in the current year mainly due to contribution from the Drilling Segment.

(iii) Administrative expenses

The administrative expenses increased by RM1.5 million or 10%, from RM15.3 million to RM16.8 million for the year ended 30th June 2021 primarily due to administrative expenses from Drilling Segment

(v) Profit after taxation

The Group recorded profit after taxation of RM12.6 million in the current year compared to profit after taxation of RM7.6 million. The corresponding year profit after taxation included other income from expenses relating to Drilling segment of RM0.8 million and loss on fair value on early debt settlement amounting to RM1.3 million.

The following table reflects the adjusted comparative figures: -

	Current Quarter Ended 30 June 2022 (mil RM)	Corresponding Quarter Ended 30 June 2021 (mil RM)
Profit After Taxation	12.6	7.6
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)
Adjusted Profit After Taxation	12.6	8.3

15.3 Review of performance for the current quarter (Quarter ended 30th June 2022) against the preceding quarter (Quarter ended 31st March 2022):

The Group revenue increased by RM12.7 million or 19% from RM67.0 million in the quarter ended 31st March 2022 to RM79.6 million in the quarter ended 30th June 2022 mainly due to higher utilisation of vessels in OSV Segment.

The Group recorded profit after taxation of RM9.7 million in current quarter compared to profit after taxation of RM2.9 million for the preceding quarter ended 31st March 2022 due to higher revenue.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30th JUNE 2022

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

16. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31st DECEMBER 2022

The outlook of upstream exploration and production activities in Malaysia and the region is expected to be favorable this year on the back of strong rebound in Brent crude oil prices.

The Order Book as at 30th June 2022 stands at RM639.6 million, comprising of RM616.2 million for OSV Segment and RM23.4 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 remain focused on improvement initiatives and synergistic business opportunities. The Board is cautiously optimistic on achieving a stronger financial performance in the second half of the year at the back of initiatives implemented and favourable outlook in the Oil and Gas sector.

With the strong order book and long-term contracts providing earning stability and cash flow certainty, ICON is also keen to venture into strategic M&A opportunities to propel ICON's growth phase.

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 31st December 2021.

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

19. PROFIT BEFORE TAX

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

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	CURRENT QUARTER ENDED 30.06.2022 RM	CORRESPONDING QUARTER ENDED 30.06.2021 RM	CURRENT YEAR ENDED 30.06.2022 RM	CORRESPONDING YEAR ENDED 30.06.2021 RM
Depreciation of property, plant and equipment	14,297,894	15,042,422	28,909,375	28,974,693
Depreciation of right-of-use assets	136,232	179,952	272,464	359,905
Approved insurance claim	-	(3,477,132)	-	(3,477,132)
Insurance expenses	2,293,676	2,054,669	4,493,363	3,869,846
Interest income	(370,543)	(194,777)	(394,660)	(357,811)
Interest expense	8,270,854	9,204,772	16,748,542	17,088,326
Realised loss on foreign exchange	198,232	37,596	262,861	98,658
Unrealised loss on foreign exchange	-	(778,469)	-	(767,545)
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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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE
BURSA SECURITIES LISTING REQUIREMENTS (continued)**

20. BORROWINGS

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

	AS AT 30.06.2022	AS AT 31.12.2021
	RM	RM
Short term:		
<u>Secured</u>		
Bank borrowings		
- term loans	20,842,100	38,824,366
Redeemable preference shares	9,537,627	9,283,668
	30,379,727	48,108,034
Long-term:		
<u>Secured</u>		
Bank borrowings		
- term loan	260,818,229	265,796,120
- Revolving credit (Commodity Murabahah Financing-i)	6,045,725	5,896,636
	266,863,954	271,692,756
Total borrowings	297,243,681	319,800,790

Total term loan in currency other than MYR is BND3.7 million (equivalent to RM11.6 million) which is a secured loan.

As at 30th June 2022, the Group has provided bank guarantees, tender bonds and bid bonds amounting to RM6.3 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 30th June 2022.

22. CHANGES IN MATERIAL LITIGATION

(i) Labuan Shipyard & Engineering Sdn. Bhd. vs Icon Ship Management Sdn. Bhd.

Reference is made to the Company's announcements on 27th June 2019, 12th July 2021, 27th October 2021 and 14th March 2022 in respect of a Writ of Summons together with the Statement of Claim dated 20th June 2019 (the "Suit") filed by Labuan Shipyard & Engineering Sdn. Bhd. ("LSE" or the "Plaintiff") against the Company's wholly owned subsidiary, Icon Ship Management Sdn. Bhd. ("ISM" or the "Defendant").

The Company wishes to announce that the solicitors for LSE had on 28th July 2022 filed a Notice of Discontinuance dated 21st July 2022 to discontinue the Suit against ISM, with no order as to cost. In view thereof, the matter is now concluded.

(ii) Icon Offshore Group Sdn. Bhd. vs Sapura Offshore Sdn. Bhd.

Further to the Q1 2022 Bursa announcement in respect of a winding up petition filed against Sapura Offshore Sdn. Bhd. by the Company's wholly owned subsidiary, Icon Offshore Group Sdn. Bhd., the Court had vacated the hearing scheduled on 24th May 2022 and fixed the matter for further case management on 13th June 2022.

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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30th JUNE 2022

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

22. CHANGES IN MATERIAL LITIGATION (continued)

(ii) Icon Offshore Group Sdn. Bhd. vs Sapura Offshore Sdn. Bhd. (continued)

Case Management was held on 13th June 2022 wherein IOG's solicitor had been informed by Sapura's solicitor - Rahmat Lim & Partners that they had on 8th June 2022 obtained an extension of the Restraining Order for 9 months and that will expire on 10th March 2023; Therefore, the Court has now fixed the matter for further case management on 13th March 2023.

(iii) Icon Offshore Group Sdn. Bhd. vs Sapura Pinewell Sdn. Bhd.

Icon Offshore Group Sdn. Bhd., a wholly-owned subsidiary of Icon Offshore Berhad, had on 24th February 2022 initiated an action towards Sapura Pinewell Sdn. Bhd. ("Sapura Pinewell") for an amount outstanding of RM2,842,272 due to failure on Sapura Pinewell to pay the amount outstanding. A Judgment in Default was entered wherein Sapura Pinewell is to pay IOG the total sum of RM2,842,272 together with the interest at the rate of 1 % on the outstanding amounts for each invoice from date of maturity till date of judgment and interest at the rate of 5% on RM2,842,272 from date of judgement until full settlement.

Upon failure of Sapura Pinewell to comply with the payment pursuant to the Judgment in Default and noting the Restraining Order was granted by the High Court of Malaya to Sapura Energy and its subsidiaries including Sapura Pinewell Sdn. Bhd, under Sections 366 and 368 of the Companies Act 2016, the winding up action is now vacated pending the outcome of the Restraining Order.

23. EARNINGS/(LOSS) PER SHARE ("EPS"/("LPS"))

The basic EPS/(LPS) 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 30.06.2022	CORRESPONDING QUARTER ENDED 30.06.2021	CURRENT PERIOD ENDED 30.06.2022	CORRESPONDING PERIOD ENDED 30.06.2021
Profit attributable to equity holders (RM)	7,312,154	14,681,606	10,274,365	3,529,433
Weighted average number of ordinary shares in issue	2,704,419,450	2,689,020,178	2,703,995,454	2,689,020,178
Basic/diluted EPS/(LPS) (sen)	0.27	0.55	0.38	0.13

As at 30th June 2022, the Company has 2,110,000 potential ordinary shares outstanding pursuant to the issuance of the Employees' Share Option Scheme on 28th December 2016 and 17th 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
25th August 2022