

Spectrum ASA

4th Quarter and Full Year Results 2018

Summary Q4 and 12 months – 18 (segment using APMs)

(USD 1000)	SPECTRUM GROUP			
	Quarter	Quarter	12 months	12 months
	ended	ended	ended	ended
	31.12.18	31.12.17	31.12.18	31.12.17
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Segment revenue	53,096	46,108	133,754	118,850
Segment EBIT	26,434	(6,884)	30,612	(16,037)
Segment Net Profit / (Loss)	21,103	(14,231)	17,180	(26,843)
Cash flow from operating activities	12,785	16,073	74,083	99,400
Investment in Multi-Client library	9,241	10,219	52,516	82,359
Segment Multi-Client Net book value	156,693	169,408	156,693	169,408
Cash and cash equivalents	37,730	14,155	37,730	14,155

Q4 Highlights

- Late sales in the quarter of MUSD 49.0 (2017: MUSD 35.7)
- Segment early sale on Multi-Client investments in the quarter was MUSD 4.1 (2017: MUSD 10.3), primarily related to Argentina surveys
- Multi-Client investments were MUSD 9.2 with 45% prefunding rate (2017: MUSD 10.2 with 101% prefunding)
- Gross Multi-Client investments were MUSD 14.1 (2017: MUSD 26.6)
- Operational cash flow in Q4 was MUSD 12.8 (2017: MUSD 16.1)

12 Months Highlights

- Late sales YTD of MUSD 103.2 (2017: MUSD 61.4)
- Segment early sale on Multi-Client investments was MUSD 30.4 (2017: MUSD 57.2), substantial part related to the Mozambique, Otway and Argentina surveys
- Multi-Client investments were MUSD 52.5 with 58% prefunding rate (2017: MUSD 82.4 with 70% prefunding)
- Gross Multi-Client investments were MUSD 110.5 (2017: MUSD 127.0)
- Operational cash flow was MUSD 74.1 (2017: MUSD 99.4)

Fourth Quarter Report for Spectrum ASA

New standard for revenue recognition (IFRS 15) effective from 1 January 2018 affects several measurements in the financial statements.

Spectrum has applied the modified retrospective approach for the transition, involving that the comparable figures in 2017 have not been adjusted except for equity, Multi-Client library, work in progress and other current liabilities in the restated statement of financial position as of 31.12.17. Accumulated USD 20.3 million had been recognised as revenue up to end 2017 using prior principles that would not have been recognised under IFRS 15. This is offset by USD 8.7 million in amortisation and other effects recognised that would not have been recognised under IFRS 15, and the net effect of USD 11.6 million before tax is adjusted in the equity in the restated statement of financial position.

Spectrum applies APMs as basis for internal/segment reporting. Spectrum will use Alternative Performance Measurements (APMs) to reflect revenue recognised on percentage of completion basis in all presentations and charts. The segment amounts (APMs) will be consistent with and comparable to prior periods. Spectrum considers this to give a more fair view of the company's performance, as revenues are gradually recognized and coincides with the progression of the projects, the resources applied and the valued created, and is not binary dependent on the delivery of the products.

Please see further details on page 11-14.

Statement of Comprehensive Income

Total net operating revenues for the group in Q4 2018 were MUSD 55.7 (2017: MUSD 46.1). Segment revenue, excluding the effect from IFRS 15, for Q4 2018 amounted to MUSD 53.1, resulting in an increase compared to Q4 2017.

Net Multi-Client revenues totalled MUSD 55.7 in the fourth quarter of 2018 (2017: MUSD 46.0). Early sales recognized in the quarter was MUSD 6.7 (2017: MUSD 10.3) and Late sales ended at MUSD 49.0 (2017: MUSD 35.7).

Operating expenses were MUSD 10.0 (2017: MUSD 8.5), increase mainly relates to bonus accruals.

EBIT for the fourth quarter was MUSD 28.5 (2017: MUSD (6.8)).

Financial items were net MUSD (0.3) (2017: MUSD (1.1)).

Profit Before Tax in the fourth quarter ended at MUSD 28.2 (2017: MUSD (7.9)).

Total net operating revenues for the group in 2018 were MUSD 138.8 (2017: MUSD 118.9). Segment revenue, excluding the effect from IFRS 15, for 2018 amounted to MUSD 133.8, resulting in an increase from 2017.

Net Multi-Client revenues totalled MUSD 138.7 in 2018 (2017: MUSD 118.6). Early sales recognized in 2018 were MUSD 35.5 (2017: MUSD 57.2). Late sales ended at MUSD 103.2 (2017: MUSD 61.4) and other revenue at MUSD 0.1 (2017: MUSD 0.1).

Operating expenses were MUSD 36.7 (2017: MUSD 26.1). Increase mainly relates to bonus accrual and cost, Brazil transaction taxes and decreased capitalisation of internal processing.

Multi-Client amortisations in 2018 ended at 49% of net MC revenue (2017: 69%).

EBIT for 2018 was MUSD 32.3 (2017: MUSD (16.0)).

Financial items were net MUSD (7.1) (2017: MUSD (2.5)), the increase is mainly due to an unrealised FX loss on Argentine VAT credit and Brazilian tax credits.

Profit Before Tax in 2018 ended at MUSD 25.3 (2017: MUSD (18.5)).

The Group's tax position and tax cost in the period are based on the preliminary tax calculations and tax returns in each subsidiary. The tax cost for 2018 was a cost of MUSD 6.4 (2017: cost of MUSD 8.4). Payable tax at MUSD 3.0 (2017: MUSD 0.3).

The Board will propose to the AGM a dividend of NOK 1.5 per share for 2018 (2017: NOK 0.5 per share).

Statement of Financial Position

The total assets of the group were MUSD 312.4 (end Q3 2018: MUSD 295.5) at the end of the quarter, split between non-current assets of MUSD 197.3 (end Q3 2018: MUSD 199.7), and current assets of MUSD 115.0 (end Q3 2018: MUSD 95.9). These were funded by equity of MUSD 165.7 (end Q3 2018: MUSD 139.9), long term liabilities of MUSD 20.8 (end Q3 2018: MUSD 33.1) and current liabilities of MUSD 125.8 (end Q3 2018: MUSD 122.5).

During Q4 2018 Spectrum had Multi-Client investments of MUSD 9.2 (Q3 2018: MUSD 5.5). This increase in carrying value of the Multi-Client library was offset by amortisation of MUSD 16.8 (Q3 2018: MUSD 14.4). The net book value of the Multi-Client library at end Q4 is MUSD 162.1 (end Q3 2018: MUSD 169.7).

The cash and cash equivalents balance increased by MUSD 1.2 from end Q3 2018 to MUSD 37.7. Management monitors and forecast cash closely, and considers that the Company has sufficient liquidity to meet its ongoing operational and financial obligations.

The reported equity balance is MUSD 165.7 (end Q3 2018: MUSD 139.9). This equates to an equity ratio of 53.1% (end Q3 2018: 47.3%) Segment equity was MUSD 175.6 at the end of 2018 giving an equity ratio of 56.8%.

Long term interest bearing debt was MUSD 13.2 (end Q3 2018: MUSD 14.3) and consist mainly of the revolving credit facility.

Cash Flow

The cash and cash equivalents balance increased by MUSD 1.2 from end Q3 2018 to MUSD 37.7.

Net cash flow from operating activities was MUSD 12.8 (2017: MUSD 16.1) for the quarter. Working capital increased by MUSD 32.4 (2017: increase of MUSD 20.9).

Net cash outflow from investing activities was MUSD 9.5 (2017: MUSD 10.8) of which MUSD 9.2 was investments in the Multi-Client library (2017: MUSD 10.2).

Net cash outflow in the quarter from financing activities was MUSD 1.5 (2017: outflow of MUSD 1.9).

In 2018 the net cash flow from operating activities was MUSD 74.1 (2017: MUSD 99.4). Working capital increased by MUSD 21.1 (2017: decrease of MUSD 7.0).

Net cash outflow from investing activities was MUSD 55.1 in 2018 (2017: MUSD 83.3) of which MUSD 52.5 was investments in the Multi-Client library (2017: MUSD 82.4).

Net cash inflow in 2018 from financing activities was MUSD 2.2 (2017: outflow of MUSD 18.2) of which the main part was proceeds from borrowings offset by payment of borrowings and dividends.

Multi-Client Operations

Segment net Multi-Client revenues of MUS\$ 53.1 in the quarter represent an increase of 15% vs. Q4 2017 (2017: MUS\$ 46.0). This is mainly due to increase in net late sales of MUS\$ 13.3, partially offset by a decrease in net early sales by MUS\$ 6.2. The decrease in early sales is mainly due to lower Multi-Client investments in Q4 2018 vs Q4 2017.

In Q4 31% of the Net Multi-Client revenues came from North and South America (NSA), 46% Africa, Mediterranean and Middle-East (AME), 7% Northwest Europe (NWE) and 16% Asia Pacific (AP).

Spectrum's Multi-Client library is composed of data and reports from many of the major oil producing and frontier regions of the world. The library comprises approximately 3.3 million km of 2D data, making Spectrum the market leader in Multi-Client 2D data. The 2D Multi-Client library presents a number of new opportunities to enhance the value of these datasets through reprocessing in addition to the pipeline of new acquisition surveys that are being developed around the world. Spectrum also holds approximately 200,000 sqkm of 3D data sets. Furthermore, Spectrum holds 125,000 sqkm of seamless seismic merged 3D data on the Norwegian continental shelf.

Revenue from Multi-Client sales was 100% of total revenue in the fourth quarter of 2018.

On 20 April 2017 Spectrum commenced a 35,000 km Multi-Client 2D seismic survey covering 435,000 sqkm offshore the deep waters of Argentina. The survey is designed in cooperation with YPF S.A. and carried out under the authorization of the Ministry of Energy and Minerals. The data are processed with PSTM, PSDM and Broadband products and first deliveries were in Q4 2017. The processing was completed in Q4 2018.

On 16 October 2017 Spectrum announced the commencement of a Multi-Client 2D seismic survey covering the Ceara Basin within the Equatorial Margins of Northern Brazil, which contains sectors of the 15th licensing round. The acquisition of the 4,500 km survey was completed in November 2017. The data are processed with PSTM, PSDM and Broadband products and first products were ready in Q1 2018. The survey was carried out in partnership with BGP Marine.

On 8 December 2017 Spectrum announced the commencement of a 2D seismic survey of up to 19,000 km offshore Mozambique on behalf of the Institute of National Petroleum (INP) and in anticipation of future license rounds. The survey is acquired to complement existing 2013 seismic data located in the Mozambique Channel area which is also available through Spectrum. The processing was completed in Q4 2018. This survey was carried out in partnership with WesternGeco with support by industry funding.

On 19 December 2017 Spectrum commenced a new Multi-Client Broadband 3D and 2D Reprocessing Project in the Otway Basin offshore Australia. This unique dataset comprises 7,950km² of 3D data from 16 existing 3D surveys and up to 7,000km of 2D data which are reprocessed through a high-end PSTM and PSDM broadband sequence. The project focuses around the 2018 Offshore Petroleum Exploration Acreage Release Proposed Areas in the Otway Basin announced by the Australian Government. PSTM data was available for delivery during Q4 2018 with PSDM delivery expected in Q1 2019. The project is supported by industry funding.

On 20 December 2017 Spectrum commenced Phase III of the Brazilian Santos Campos Multi-Client 2D Campaign. The new acquisition program is a further extension of Spectrum's 2017 Santos Campos Phase II survey, covering an area in the southern Santos Basin. The area covered is included in the proposed sectors for the licensing round scheduled for 2019, Round 16. With this additional program, Spectrum will provide over 47,000 2D kilometers of modern long offset seismic data to industry for evaluation of this highly prolific Santos Campos hydrocarbon province. The data are processed in Spectrum's Houston processing center with PSTM, PSDM (Kirchhoff and RTM) and Broadband products were available for first delivery in Q3 2018. The survey is carried out in partnership with BGP Marine.

On 3 January 2018 Spectrum, in collaboration with the Direction Generale des Hydrocarbures (DGH) commenced the next phase of its shallow water 3D Multi-Client seismic acquisition campaign offshore Gabon with a 3D survey in the north of the country. The campaign is focused on acquiring seismic programs in under-explored shallow water open blocks with the objective of offering the most up-to-date 3D imaging of the area. The DGH

intends to make these blocks available through future shallow water license rounds so to accelerate exploration; this data will facilitate immediate activity when the blocks are awarded. The survey will cover 5,346 sqkm of long offset broadband seismic data and is acquired alongside gravity and magnetic recordings. This follows the 11,400 sqkm Gabon South 3D survey completed in 2017 and complements over 20,000 km of 2D Multi-Client seismic data offshore Gabon also held by Spectrum on behalf of the DGH, which gives a regional overview and highlights key areas of exploration. The new 3D data will be processed with PSTM, PSDM and Broadband products with PSTM deliveries in mid Q4 2018 and PSDM in Q1 2019, ahead of anticipated licensing rounds. The survey is carried out in partnership with China Oilfield Services (COSL).

On 6 April 2018 Spectrum commenced a 6,000 kilometer 2D program over the lightly explored Pernambuco-Paraiba basins along the Eastern Margins of Brazil. The survey covers an area north of the prolific Sergipe Basin that will be included in Round 16 scheduled for 2019. Data are processed in Spectrum's Houston processing center with final PSTM and PSDM Broadband products available in Q4 2018.

On 26 June 2018 Spectrum announced the commencement of an offshore Multi-Client 2D seismic survey, located in the Eastern Turkish Black Sea. The first phase of this campaign comprises 7,000 km of 2D data and is focused on an area identified to have significant hydrocarbon potential. The project is carried out in partnership with BGP, utilizing a long offset configuration optimized for broadband data processing. Final processed products are expected to be available in Q1 2019.

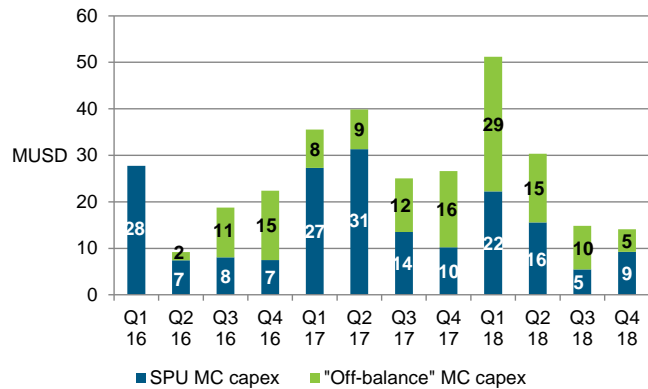
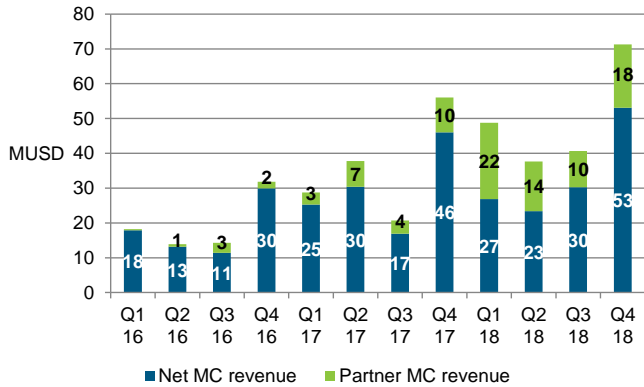
On 23 July 2018 Spectrum announced the commencement of a 10 000 sqkm 3D Multi-Client seismic project over the Southern Santos Basin in Brazil. This survey covers an area south of the major oil and gas discoveries in the Santos Basin and the recent highly sought after blocks offered in Rounds 2, 3, 4 and 15. The 3D project builds on Spectrum's extensive 2D database in the region and marks the opening of the highly prospective deep water area in the Santos basin. On 16 October 2018 Spectrum announced an expansion of the program to 15 000 sqkm in collaboration with TGS. Fast track data will be available for the round expected in the second half of 2019.

On December 10 2018 Spectrum announced the commencement of a 10 700 sqkm 3D survey in the Potiguar basin offshore the Equatorial Margins of Brazil. The survey is covering blocks that were recently awarded in the 15th license round and open acreage blocks scheduled for the 17th round in 2020. The Potiguar survey is supported by industry funding. Spectrum is the sole operator of the project. The survey is being acquired with a twelve cable long offset configuration in continuous recording mode. Acquisition parameters are optimized for broadband processing which will assist in the high definition mapping of prospects and drilling targets. First products will be available in Q3 of 2019.

Multi-Client Key Figures

(USD 1000)	Spectrum Group	
	Q4 18	Q4 17
Segment early sales	4,114	10,327
Net late sales	48,973	35,665
Other revenue MC	-	12
Segment MC revenue	53,087	46,004
Investment	9,241	10,219

Spectrum Risk Share Projects



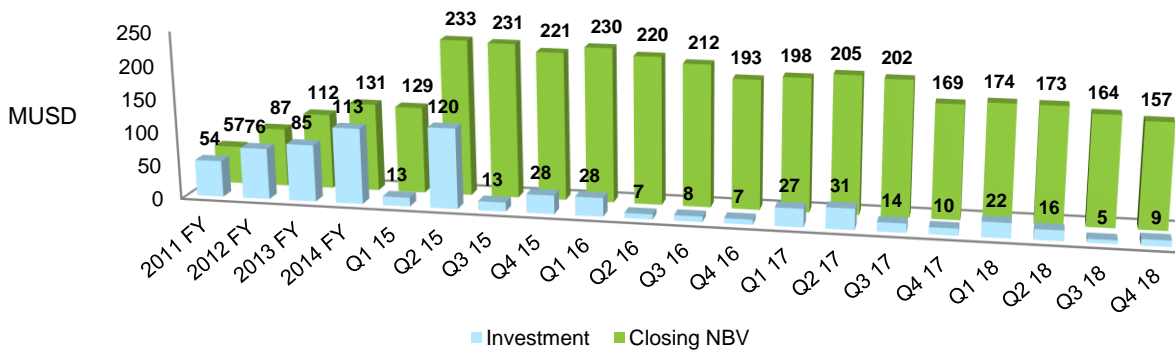
* Segment revenue used in graph for 2018.

Spectrum treats joint risk projects as joint operations based on the contractual terms. Spectrum's part of the investment is recorded as investment, and the partner share of revenues is recorded as revenue share reducing Spectrum's net revenues.

The joint risk projects significantly reduce the uncovered risk and increase the potential return on investment for Spectrum. Given contractual terms that to a lesser degree limits the uncovered risk for Spectrum; the partner share of the investment could have been treated as an additional investment, and as such increased both the investment and net revenue for Spectrum.

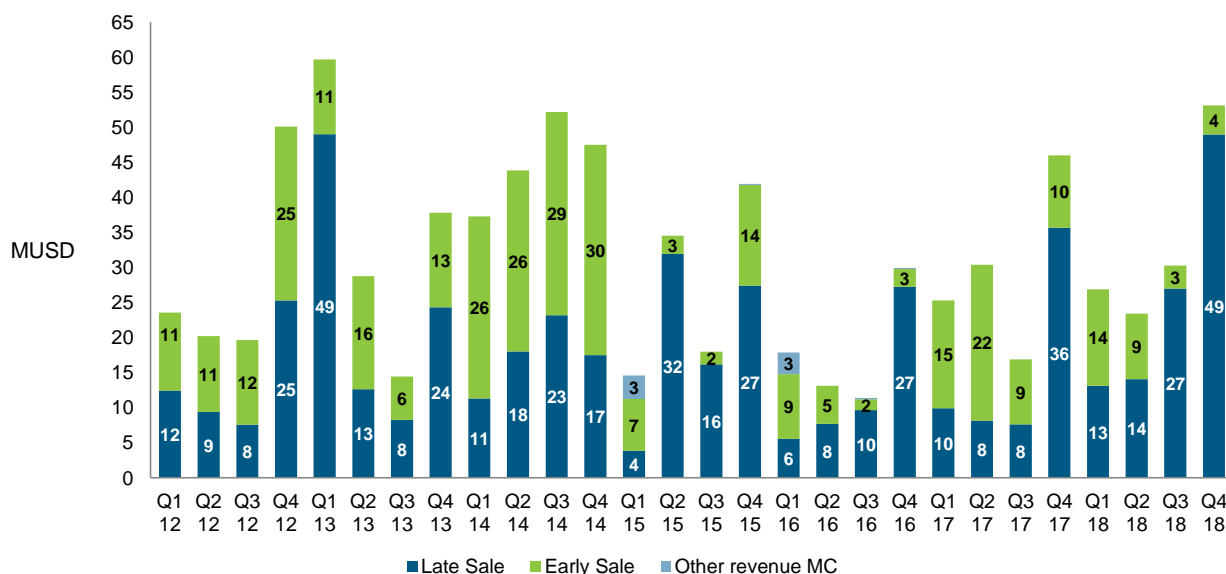
Investment in the Multi-Client Library

* Segment Multi-Client library used in graph for 2018.



Net Multi-Client Revenues

* Segment early sale used in graph for 2018.



Seismic Imaging

Seismic imaging is provided from the Group's processing centres in UK, US, Egypt and Indonesia. Spectrum's seismic processing technology is based on third party software complemented by Spectrum's production processing platform, which is constantly being enhanced with new processing techniques.

The seismic imaging division had proprietary revenues of MUSD 0.0 (2017: MUSD 0.1) in the quarter. In the fourth quarter 99.8% (2017: 97%) of the capacity of Spectrum's seismic imaging business unit was utilized in processing data for the Multi-Client library.

The seismic data imaging division provides a valuable service to the Spectrum Multi-Client segment and provides reprocessing projects in addition to processing of data from on-going new acquisitions.

Seismic Imaging Key Figures

(USD 1000)	Spectrum Group	
	Q4 18	Q4 17
External revenue	9	104
Internal revenue	4,141	3,466
Total gross revenue	4,150	3,570

Future Prospects

Spectrum is continuously working on a pipeline of new Multi-Client 2D (MC2D) and Multi-Client 3D (MC3D) acquisition projects. Sales from the Multi-Client library and prefunding of new projects constitute the main revenue streams for the Company and fund the operation and new investments in Multi-Client projects.

In order to maintain a modern library Spectrum reprocesses selected projects to enhance quality and value.

Multi-Client 3D surveys are a natural extension of Spectrum's growing Multi-Client 2D business and in line with our strategy to diversify the Multi-Client library.

Spectrum is an asset light company that stringently evaluates potential investments in new Multi-Client surveys with focus on prefunding levels, project models and future sale triggers.

It is of outmost importance to carefully evaluate all potential new projects based on prefunding and sales potential. Project funding structures are actively utilized to reduce Spectrum's uncovered risk and maximize return on investments. Spectrum has an attractive pipeline of Multi-Client investment projects for 2019.

Key triggers for MC late sales are 1) licence rounds, 2) significant discoveries of new O&G resources and 3) M&A transaction in the O&G

industry. Spectrum expects several licence rounds in key Spectrum offshore areas to be announced in 2019. An expected increased exploration drilling activity in 2019 and beyond should lead to more discoveries and contribute to growth in MC late sale. Finally, we have seen an increase in M&A transactions within the O&G industry especially in mature petroleum basins as the North Sea, Australia and GoM.

The Board sees continued increasing demand for Multi-Client seismic from clients. Spectrum believes a combination of a stable oil price, a significant reduction of breakeven cost for offshore O&G projects in general, and deep-water projects especially, and a record low reserve replacement ratio (RRR) for the oil industry will lead to an accelerating recovery in the seismic market in 2019. Spectrum expects 2019 to be the first year of a multi-year recovery for global offshore O&G investment spending since the peak in 2014. The recovery is expected to especially benefit offshore exploration including seismic.

There are clear indications that several of the large international oil companies are moving more resources and exploration budgets to the south Atlantic, especially Brazil. Spectrum's investments have predominantly been in the less developed O&G regions in the South Atlantic over the last years, and believe that this strategy will prove advantageous.

Alternative Performance Measurements (APM)

IFRS 15 Revenue from Contracts with Customers is effective from 1 January 2018. Under the new standard all revenue will be recognised upon delivery of data, while revenue previously were recognised based on the percentage of completion (POC) of the projects. Spectrum will for reporting use POC principles for revenue as it is considered to give a more fair view of the company's performance. When applying POC the revenues are gradually recognized and coincides with the progression of the projects, the resources applied and the valued created, and is not binary dependent on the delivery of the products. Furthermore, all amounts will then be reported consistently with prior practice, and as such are comparable to amounts in prior periods.

The new standard affects several measurements in the financial statements, and Spectrum will use APM's for these measurements to reflect revenue recognised on percentage of completion basis.

Deferred Prefunding

Deferred prefunding is POC applied to the existing signed contracts related to products that are not ready for delivery. This is not recognised as revenue under IFRS 15 but would have been recognised under prior principles. The balance at 31.12.17 equals accumulated revenue recognized at that time using prior principles that would not have been recognised under IFRS 15, and is part of the adjustment in the restated equity.

(USD 1000)	Quarter ended 31.12.18	12 months ended 31.12.18
Deferred prefunding	15,281	15,281
of which invoiced to customers	13,231	13,231
of which un-invoiced to customers	2,050	2,050
Recognised prefunding	6,685	35,482
Increase in deferred prefunding	4,114	30,439

Recognised prefunding is the amount that has been recognised as early sale based on deliveries of processed data and not on production in the period.

Increase in deferred prefunding is the result of production (increased POC) in the period and new sales contract for products not ready for delivery. Prior to the IFRS 15 standard taking effect this was presented as early sale in the Profit/Loss statement.

Segment Revenue

Net operating revenue adjusted for recognised prefunding and increase in deferred prefunding. The segment revenue reflects the value of the production and the sales contracts executed in the period.

(USD 1000)	Quarter ended 31.12.18	12 months ended 31.12.18
Early Sale	6,685	35,482
Less recognised prefunding	(6,685)	(35,482)
Added increase in deferred revenue	4,114	30,439
Segment Early Sale	4,114	30,439
Late Sale	48,973	103,210
Other revenue	9	105
Segment Revenue	53,096	133,754

Alternative Performance Measurements (APM)

Segment Amortisation

Amortisations adjusted for the effects of segment early sale.

On-going projects amortised based on prefunding vs estimated sales potential. As the early sale is adjusted this will affect the amortisation recognised in the period.

	Quarter ended 31.12.18	12 months ended 31.12.18
(USD 1000)		
Amortisation	(16,804)	(68,544)
Amortisation on adjustment of segment early sale	469	3,313
Segment amortisation	(16,336)	(65,232)

Segment EBIT

EBIT using segment revenue and segment amortisation.

	Quarter ended 31.12.18	12 months ended 31.12.18
(USD 1000)		
EBIT	28,535	32,338
Less operating revenue	(55,667)	(138,793)
Added segment revenue	53,096	133,754
Less amortisation	16,804	68,544
Added segment amortisation	(16,336)	(65,232)
Segment EBIT	26,434	30,612

Segment EBITDA

Segment EBIT with depreciation, segment amortisation and impairments added.

	Quarter ended 31.12.18	12 months ended 31.12.18
(USD 1000)		
Segment EBIT	26,434	30,612
Added segment amortisation	16,336	65,232
Added depreciation	390	1,330
Added impairment	-	-
Segment EBITDA	43,159	97,173

Segment Multi-Client Library

Multi-Client library using segment amortisation.

	Quarter ended 31.12.18	12 months ended 31.12.18
(USD 1000)		
Multi-Client library	162,102	162,102
Added restated amortisations in prior periods	(5,878)	(8,723)
Less amortisation in the period	16,804	68,544
Added segment amortisation in the period	(16,336)	(65,232)
Segment Multi-Client Library	156,693	156,693

Alternative Performance Measurements (APM)

Segment Work in Progress

Work in progress adjusted for deferred prefunding. Un-invoiced prefunding is under IFRS 15 not recognised.

	Quarter ended	12 months ended
(USD 1000)	31.12.18	31.12.18
Work in progress	13,931	13,931
Un-invoiced prefunding in deferred revenue	2,050	2,050
Segment work in progress	15,981	15,981

Segment Other Current Liabilities

Other current liabilities adjusted for deferred prefunding. Invoiced prefunding is under IFRS 15 included in other current liabilities as prepayments from customer.

	Quarter ended	12 months ended
(USD 1000)	31.12.18	31.12.18
Other current liabilities	56,778	56,778
Invoiced prefunding in deferred revenue	(13,231)	(13,231)
Segment other current liabilities	43,546	43,546

Segment Equity

Equity using segment revenue and segment amortisation.

	Quarter ended	12 months ended
(USD 1000)	31.12.18	31.12.18
Equity	165,735	165,735
Added IFRS 15 adjustment in prior periods	11,976	11,600
Less operating revenue in the period	(55,667)	(138,793)
Added segment revenue in the period	53,096	133,754
Less amortisation in the period	16,804	68,544
Added segment amortisation in the period	(16,336)	(65,232)
Segment Equity	175,610	175,610

Alternative Performance Measurements (APM)

Segment Net Cash Flow from Operating Activities

Cash flow using segment revenue, segment amortisation and segment other current liabilities will impact profit before tax, amortisation and working capital changes, but will have no impact on the total net cash flow from operating activities.

(USD 1000)	Quarter ended 31.12.18	12 months ended 31.12.18
Profit before tax	28,244	25,266
Less operating revenue	(55,667)	(138,793)
Added segment revenue	53,096	133,754
Less amortisation	16,804	68,544
Added segment amortisation	(16,336)	(65,232)
Segment Profit before tax	26,142	23,540
Depreciation, amortisation and impairment	17,194	69,875
Less amortisation	(16,804)	(68,544)
Added segment amortisation	16,336	65,232
Segment depreciation, amortisation and impairment	16,725	66,562
Working capital changes	(32,388)	(21,072)
Adjusted for change in deferred prefunding	2,571	5,042
Segment working capital changes	(29,817)	(16,030)

Interim Statement of Comprehensive Income

		SPECTRUM GROUP			
		Quarter	Quarter	12 months	12 months
		ended	ended	ended	ended
		31.12.18	31.12.17	31.12.18	31.12.17
(USD 1000)	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net operating revenue	3	55,667	46,108	138,793	118,850
Amortisation		(16,804)	(18,502)	(68,544)	(81,714)
Impairment		-	(25,598)	-	(25,598)
Operating expenses		(11,587)	(8,241)	(35,789)	(25,264)
Cost of share options		1,554	(246)	(887)	(811)
Share of profit/(loss) of joint ventures		96	(82)	96	(82)
Depreciation		(390)	(324)	(1,331)	(1,418)
EBIT		28,535	(6,884)	32,338	(16,037)
Interest expense, net		(414)	(360)	(1,542)	(1,533)
Foreign exchange profit / (loss)		382	(671)	(4,779)	(762)
Other financial items		(259)	(34)	(750)	(162)
Profit / (Loss) before tax		28,244	(7,948)	25,266	(18,493)
Tax income / (expense)		(5,039)	(6,282)	(6,361)	(8,350)
Net Profit / (Loss) to equity holders		23,205	(14,231)	18,905	(26,843)
Total Comprehensive income / (loss) for the period		23,205	(14,231)	18,905	(26,843)
Earnings per share		0.42	(0.26)	0.35	(0.49)
Diluted earnings per share		0.39	(0.26)	0.32	(0.49)
(Shares 1000)					
Basic shares outstanding average		54,785	54,449	54,559	54,260
Diluted shares outstanding average		59,272	59,152	59,135	59,080
Basic shares issued end of the quarter		54,785	54,449	54,785	54,449
Diluted shares issued end of the quarter		59,200	59,152	59,135	59,152

Interim Consolidated Statement of Financial Position

(USD 1000)	Note	SPECTRUM GROUP		
		31.12.18 (Unaudited)	30.09.18 (Unaudited)	31.12.17 (Audited)
Assets				
Non-current assets				
Deferred tax assets		11,897	5,168	4,501
Goodwill		11,563	11,563	11,563
Software		1,987	1,996	228
Multi-Client library		162,102	169,665	169,408
Investment in Joint Ventures		2,524	2,430	2,430
Fixtures, fittings and office equipment		1,108	1,244	1,596
Other receivables		6,162	7,594	6,248
Total non-current assets		197,343	199,659	195,973
Current assets				
Work in Progress		13,931	5,020	13,016
Accounts receivable		49,733	31,299	43,437
Other receivables		12,509	23,068	21,875
Restricted cash		1,111	-	-
Cash and cash equivalents		37,730	36,483	14,155
Total current assets		115,014	95,871	92,484
Total assets		312,357	295,528	288,457
Shareholders' Equity and Liabilities				
Shareholders' equity				
Share capital		8,985	8,985	8,945
Share premium		72,433	72,433	71,164
Other paid-in capital		61,874	61,786	60,959
Retained earnings		24,910	(845)	18,422
Foreign translation reserve		(2,467)	(2,467)	(2,467)
Total equity		165,735	139,892	157,024
Liabilities				
Long term liabilities				
Deferred tax liability		2,997	3,694	5,123
Long term interest bearing debt	4	13,224	14,271	23,438
Other liabilities		4,624	15,128	21,180
Total long term liabilities		20,845	33,093	49,741
Current liabilities				
Short term interest bearing debt	4	18,193	18,266	2,402
Accounts payable		42,701	57,516	30,159
Tax and other public duties payable		8,105	2,947	2,354
Other liabilities		56,778	43,815	46,782
Total current liabilities		125,777	122,544	81,696
Total shareholders' equity and liabilities		312,357	295,528	288,457

Interim Consolidated Statement of Changes in Equity

(USD 1000)	SPECTRUM GROUP					Foreign Currency Translation Reserve	Total Equity
	Issued Capital	Share Premium	Other Paid in Capital	Retained Earnings			
At 31 December 2016	8,826	69,885	60,336	45,265	(2,467)	181,845	
Share options			623			623	
Share issues	120	1,279				1,399	
Profit / (Loss) for the period				(26,843)		(26,843)	
At 31 December 2017	8,945	71,164	60,959	18,422	(2,467)	157,024	
IFRS 15 adjustment *				(9,050)		(9,050)	
Opening balance at 1 January 2018	8,945	71,164	60,959	9,372	(2,467)	147,974	
Share options			915			915	
Share issues	40	1,269				1,309	
Profit / (Loss) for the period				18,905		18,905	
Dividends				(3,368)		(3,368)	
At 31 December 2018	8,985	72,433	61,874	24,910	(2,467)	165,735	

* IFRS 15 adjustment

Revenue recognized as of 31 December 2017 that would not have been recognised under IFRS 15	20,323
Amortisation and other effects recognized as of 31 December 2017 that would not have been recognised under IFRS 15	(8,723)
IFRS 15 adjustment before tax	11,600
Tax **	(2,550)
IFRS 15 adjustment	9,050

** Adjustment in Q4 2018. Reflected in opening balance at 1 January 2018.

Interim Consolidated Statement of Cash Flows

(USD 1000)	SPECTRUM GROUP			
	Quarter ended	Quarter ended	12 months ended	12 months ended
	31.12.18 (Unaudited)	31.12.17 (Unaudited)	31.12.18 (Unaudited)	31.12.17 (Audited)
Cash flows from operating activities:				
Profit / (Loss) before tax	28,244	(7,948)	25,266	(18,493)
Income taxes/other taxes paid	(766)	-	(2,443)	-
Depreciation, amortisation and impairment	17,194	44,423	69,875	108,729
Interest expense, net	414	360	1,542	1,533
Share options granted	87	141	914	611
Working capital changes	(32,388)	(20,903)	(21,072)	7,020
Net cash flow from operating activities	12,785	16,073	74,083	99,400
Cash flows from investing activities:				
Investment in Multi-Client library	(9,241)	(10,219)	(52,516)	(82,359)
Investment in other assets	(260)	(576)	(2,633)	(969)
Sale / Disposal of assets	15	-	31	18
Net cash flow from investing activities	(9,486)	(10,795)	(55,118)	(83,310)
Cash flows from financing activities:				
Issued share capital	-	-	1,309	1,399
Dividends	-	-	(3,368)	-
Proceeds from borrowings	-	2,505	10,000	2,505
Payment of borrowings	(1,086)	(4,023)	(4,389)	(20,518)
Interest paid	(439)	(356)	(1,371)	(1,574)
Net cash flow from financing activities	(1,525)	(1,874)	2,181	(18,188)
Net change in cash and cash equivalents	1,774	3,405	21,146	(2,098)
Net foreign exchange diff (unrealised)	(527)	80	2,429	426
Cash and cash equivalents at start of period	36,483	10,670	14,155	15,827
Cash and cash equivalents at end of period	37,730	14,155	37,730	14,155

Notes to Accounts

NOTE 1 – GENERAL INFORMATION

Spectrum ASA (the company) is a public limited company listed on the Oslo Stock Exchange. The address of the registered office is Karenslyst Allé 11, N-0278 Oslo, Norway.

NOTE 2 – BASIS OF PREPARATION

The consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as approved by EU and additional requirements in the Norwegian Securities Trading Act. The consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries, Spectrum's interest in equity accounted joint ventures and the proportionate share of the assets, liabilities, income and expenses of jointly controlled operations as at 31st December 2018. The reporting period of subsidiaries coincides with that of the Group, and the financial statements of the subsidiaries are prepared using accounting policies consistent with the Group's policies. The accounting policies used in the preparation of these accounts are consistent with those followed to prepare the Company's Consolidated Financial Statements for the year ended 31st December 2017, expect for impact of IFRS 15 effective from 1 January 2018, see description under Revenue Recognition. Full details of the policies are described in note 1 of those accounts and are available from the registered office and on the company's website.

All intra-group balances, income and expenses resulting from intra-group transactions are eliminated in full. The accounting policies for Multi-Client libraries and revenue recognition are considered by management to have a significant effect on the company's accounts and are listed below.

Revenue Recognition

IFRS 15 "Revenue from contracts with customers" is effective from 1 January 2018. The Group has applied the modified retrospective approach for the transition. Accumulated USD 20.3 million had been recognised as revenue up to end 2017 using prior principles that would not have been recognised under IFRS 15. This is offset by USD 8.7 million in amortisation recognised that would not have been recognised under IFRS 15, and the net effect of USD 11.6 million before tax is adjusted in the equity in the 2018 opening balance.

Early sales – When the Spectrum Group obtains funding for a particular survey before it is completed in data processing, revenue is recognized upon delivery of products. All received prefunding is accounted for as a prepayment liability under other current liabilities. Amortisation is recognised at the same time as the revenue.

Late sales – Revenue earned on completed surveys is recognized at the time of the transaction when the customer executes a valid license agreement and has the right to access the licensed data.

Impairment

Spectrum reviews the carrying value of its Multi-Client surveys when there are events and changes in circumstances that indicate that the carrying value of a survey may not be recoverable. In addition the carrying values of all surveys are reviewed annually regardless of indications that the carrying value may not be recoverable. No impairments were recognised for Q4 2018.

Notes to Accounts

NOTE 3 – SEGMENT INFORMATION

Spectrum is a pure play Multi-Client company, and management has organised the entity as four reporting segments identified on a geographical basis. Consequently the Company has four segments as defined in IFRS 8 operating segments. Multi-Client constitutes 99.9% of the Group's net revenue.

Segment information is given consistently with how it is reported for management accounting purposes to executive management and Board of Directors, and as such Alternative Performance Measurements (APMs) are used.

(USD 1000)	Spectrum Group			
	Quarter ended	Quarter ended	12 months ended	12 months ended
	31.12.18 (Unaudited)	31.12.17 (Unaudited)	31.12.18 (Unaudited)	31.12.17 (Unaudited)
Gross revenue	71,267	56,042	198,322	142,962
Revenue share	(18,180)	(9,934)	(64,672)	(24,346)
Net early sales	4,114	10,327	30,439	57,216
Net late sales	48,973	35,665	103,210	61,384
Other revenue MC	-	12	-	17
Net Multi-Client revenue	53,087	46,004	133,649	118,617
Other revenue	-	-	-	-
Seismic imaging	9	104	105	233
Net revenue	53,096	46,108	133,754	118,850

Spectrum classifies Multi-Client revenue as early sales or late sales based on the products sold. PSTM (Time) and PSDM (Depth) are treated as separate products. E.g.: A sale of a completed PSTM product will be classified as late sale even if the PSDM product has not been completed.

The Multi-Client segment is divided into operating segments identified on a geographical basis. Assets and liabilities are not reported by operating segment in management reporting and are not disclosed separately. The Group does not allocate all cost items to its reportable operating segments during the year, unallocated cost items are reported as Group functions incl. seismic imaging.

(USD 1000)	Spectrum Group						Consolidated
	Quarter ended	North and South America	Africa / Mediterranean / Middle-East	Northwest Europe	Asia Pacific	Group functions incl. Seismic imaging	
	31.12.18 (Unaudited)						
Net revenue		16,350	24,362	4,008	8,367	9	53,096
Operating profit/(loss)		6,804	21,051	623	6,448	(8,493)	26,434

(USD 1000)	Spectrum Group						Consolidated
	Quarter ended	North and South America	Africa / Mediterranean / Middle-East	Northwest Europe	Asia Pacific	Group functions incl. Seismic imaging	
	31.12.17 (Unaudited)						
Net revenue		25,129	10,496	1,746	8,632	104	46,108
Operating profit/(loss)		(391)	4,482	(2,030)	(954)	(7,992)	(6,884)

		Spectrum Group					
(USD 1000)	12 months ended 31.12.18 (Unaudited)	North and South America	Africa / Mediterranean / Middle-East	Northwest Europe	Asia Pacific	Group functions incl. Seismic imaging	Consolidated
Net revenue		71,269	35,247	10,606	16,527	105	133,754
Operating profit/(loss)		33,535	20,987	(2,659)	7,564	(28,815)	30,612

		Spectrum Group					
(USD 1000)	12 months ended 31.12.17 (Unaudited)	North and South America	Africa / Mediterranean / Middle-East	Northwest Europe	Asia Pacific	Group functions incl. Seismic imaging	Consolidated
Net revenue		42,366	54,478	10,602	11,179	224	118,850
Operating profit/(loss)		(11,528)	25,593	(3,652)	(5,533)	(20,917)	(16,037)

NOTE 4 – BANK FACILITIES

Revolving loan facility:

As of 31 December 2018 Spectrum had a loan facility of MUSD 21.2. MUSD 13.2 is classified as long term interest bearing debt in the financial statements. MUSD 8.0 is due within 12 months and is classified as short term interest bearing debt in the financial statements.

Overdraft facility:

In Q3 2018 Spectrum secured a new overdraft facility of up to MUSD 30.0. As of 31 December 2018 MUSD 10.0 of the overdraft facility was utilized. When the facility is utilized it is classified as short term interest bearing debt in the financial statements.

Covenants as of 31 December 2018:

- Equity ratio (excl. goodwill) > 40.0%
- NIBD / 12 months EBITDA less MC CAPEX < 1.50
- Aggregate amount of Cash held by the Group > MUSD 2.0
- Sum of relevant trade receivables and cash > MUSD 12.0

Covenants are measured using the Alternative Performance Measurements (APM).

NOTE 5 – TWENTY LARGEST SHAREHOLDERS AT 6TH OF FEBRUARY 2019

	Shareholders	Shares	%	Country
1	ALTOR INVEST 1 AS	8,000,232	14.6%	NOR
2	ALTOR INVEST 2 AS	8,000,232	14.6%	NOR
3	SWEDBANK ROBUR SMABOLAGSFOND	2,898,964	5.3%	SWE
4	CREDIT SUISSE AG DUBLIN BRANCH	2,637,000	4.8%	CHE
5	GROSS MANAGEMENT AS	2,493,995	4.6%	NOR
6	SKANDINAVISKA ENSKILDA BANKEN S.A.	2,434,679	4.4%	LUX
7	VERDIPAPIRFONDET PARETO INVESTMENT	1,815,439	3.3%	NOR
8	The Bank of New York Mellon SA/NV	1,309,115	2.4%	GBR
9	VEVLEN GÅRD AS	1,000,000	1.8%	NOR
10	Skandinaviska Enskilda Banken AB	893,010	1.6%	SWE
11	VERDIPAPIRFONDET ALFRED BERG GAMBA	860,046	1.6%	NOR
12	VPF NORDEA NORGE VERDI	767,908	1.4%	NOR
13	HOLBERG NORGE	765,000	1.4%	NOR
14	Norron Sicav - Target	750,000	1.4%	LUX
15	VJ INVEST AS	723,061	1.3%	NOR
16	State Street Bank and Trust Comp	683,398	1.2%	USA
17	AAT INVEST AS	660,000	1.2%	NOR
18	Euroclear Bank S.A./N.V.	593,785	1.1%	BEL
19	Invesco European Smaller Compan Fd	581,827	1.1%	BEL
20	VERDIPAPIRFONDET DNB SMB	571,177	1.0%	NOR
	Other	16,346,235	29.8%	
	Total number of shares	54,785,103	100.0%	

NOTE 6 – SHARES OWNED BY THE SPECTRUM BOARD OF DIRECTORS, MANAGEMENT AND INSIDERS AT 6TH OF FEBRUARY 2019

	Shareholder	Shares	%	Country
1	Glen Rødland (1)	2,493,995	4.55 %	NOR
2	Richie Miller	219,505	0.40 %	USA
3	Rune Eng (2)	141,694	0.26 %	NOR
4	Jan Schoolmeesters	46,961	0.09 %	NOR
5	Graham Mayhew	11,000	0.02 %	GBR
6	Svein Staaen	10,549	0.02 %	NOR
7	Kim Gunn Maver	8,000	0.01 %	DEN
8	Ian Setterfield	6,033	0.01 %	GBR
9	Mike Mellen	4,810	0.01 %	USA
10	Bjarte Bakke	2,000	0.01 %	NOR
11	Ian T Edwards	1,030	0.01 %	GBR
12	Magnus Undeli Bekkelund	1,000	0.01 %	NOR
13	Duncan Woolmer	312	0.01 %	GBR
14	Pål Stampe (3)	-	0.00 %	NOR
15	Maria Tallaksen (3)	-	0.00 %	NOR

Notes:

1. Shares held by Gross Management AS, wholly owned by Mr. Rødland
2. Shares held by Eng Invest AS, wholly owned by Mr. Eng
3. Mr. Stampe and Ms. Tallaksen have limited ownership through Altor Fund IV, which is the wholly owner of Altor Invest 1 AS and Altor Invest 2 AS.

REPORTING DATES 2019

Date	Report
11.04.2019	Annual Report – 2018
10.05.2019	Quarterly Report – Q1
24.05.2019	Annual General Meeting
16.08.2019	Quarterly Report – Q2
25.10.2019	Quarterly Report – Q3
07.02.2020	Quarterly Report – Q4

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