

2<sup>nd</sup> Quarter Results 2014  
Spectrum ASA



## Summary Q2 - 14

(USD 1000)	SPECTRUM GROUP				
	Quarter ended	Quarter ended	6 months ended	6 months ended	12 months ended
	30.06.14 (Unaudited)	30.06.13 (Unaudited)	30.06.14 (Unaudited)	30.06.13 (Unaudited)	31.12.13 (Audited)
Gross operating revenue	64,158	31,138	116,428	96,453	162,001
Net operating revenue	44,590	29,354	82,591	89,424	143,023
EBIT	10,007	5,852	18,507	34,153	41,641
<b>Net Profit / (Loss)</b>	6,606	7,756	12,564	14,582	29,155
Cash flow from operating activities	27,675	51,949	61,088	68,221	78,571
Investment in Multi-Client library	38,266	35,900	55,975	55,478	85,200
Multi-Client library Net book value	125,366	107,999	125,366	107,999	112,400
Cash and cash equivalents	373	24,138	373	24,138	2,719

## Q2 Highlights

- Gross Multi-Client sales in the quarter totalled MUSD 63.4 (2013: MUSD 30.5)
- Revenue share on Multi-Client sales was 30.9%, mostly due to the revenue share on the Foz do Amazonas MC3D project, compared to 5.8% in Q2 2013, giving Net Multi-Client revenue of MUSD 43.8 (2013: MUSD 28.8)
- Gross Multi-Client revenues were comprised of late sales of MUSD 17.8 (2013: MUSD 14.2) and prefunding on Multi-Client investments of MUSD 45.6 (2013: MUSD 16.3)
- Net Multi-Client revenue were comprised of late sales of MUSD 18.0 (2013: MUSD 12.6) and prefunding on Multi-Client investments of MUSD 25.8 (2013: MUSD 16.1)
- EBIT for the quarter was MUSD 10.0 (2013: MUSD 5.9)
- Multi-Client investments were MUSD 38.3 with 67.4% prefunding based on costs incurred vs. net prefunding (2013: MUSD 35.9 with 44.9% prefunding)
- Operational cash flow before Multi-Client investments in Q2 was MUSD 27.7 (2013: MUSD 51.9)

## 6 months Highlights

- Gross Multi-Client sales totalled MUSD 115.0 (2013: MUSD 95.5)
- Revenue share on Multi-Client sales was 29.4% compared to 7.4% in 2013, giving Multi-Client net revenue of MUSD 81.1 (2013: MUSD 88.4)
- Multi-Client investments were MUSD 56.0 with 92.5% net prefunding (2013: MUSD 55.5 with 48.3% net prefunding)
- EBIT was MUSD 18.5 (2013: MUSD 34.2)
- Operational cash flow before Multi-Client investments was MUSD 61.1 (2013: MUSD 68.2)

## Second quarter report for Spectrum ASA

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### Statement of comprehensive income

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Gross Multi-Client revenues totaled MUSD 63.4 in the second quarter of 2014 (2013: MUSD 30.5). Prefunding recognized in the quarter was MUSD 45.6 (2013: MUSD 16.3) and Late sales ended at MUSD 17.8 (2013: MUSD 14.2). Total operating revenues for the group were MUSD 64.2 (2013: MUSD 31.1).

The revenue share to partners in the second quarter was MUSD 19.6 (2013: MUSD 1.8). This represented 30.9% (2013: 5.8%) of gross MC sales. The revenue share varies from quarter to quarter dependent on sales mix.

Operating expenses were MUSD 9.4 (2013: MUSD 8.7). The increase is mainly due to the expansion of the organization over the last year.

Multi-Client amortizations in the second quarter ended at 53.6 % of net MC revenue (2013: 49.4%). This is slightly higher than reported in the previous quarters and impacted by minimum amortizations of the Lebanon surveys.

EBIT for the second quarter was MUSD 10.0 (2013: MUSD 5.9).

Other financial items for the second quarter was USD 0.1 (2013: MUSD 5.4). This consists mainly of the fluctuation in the mark to market (MTM) value of the convertible loan issued in 2011.

Profit Before Tax in the second quarter ended at MUSD 9.5 (2013: MUSD 9.4).

Multi-Client sales for 1<sup>st</sup> half 2014 totaled MUSD 115.0 (1<sup>st</sup> half 2013: MUSD 95.5). Early sales 1<sup>st</sup> half 2014 came in at MUSD 81.2 (1<sup>st</sup> half 2013: MUSD 27.0) and Late sales 1<sup>st</sup> half 2014 ended at MUSD 33.8 (1<sup>st</sup> half 2013: MUSD 68.5). Total revenue for the group of MUSD 116.4 (1<sup>st</sup> half 2013: MUSD 96.5). The revenue share for 1<sup>st</sup> half 2014 was MUSD 33.8 (1<sup>st</sup> half 2013: MUSD 7.0).

Operating expenses 1<sup>st</sup> half 2014 were MUSD 19.4, including MUSD 1.5 as cost of stock options (1<sup>st</sup> half 2013: MUSD 19.1 including MUSD 3.1 as cost of stock options). The increase is mainly due to the expansion of the organization over the last year.

Amortizations 1<sup>st</sup> half 2014 came in at 53.0% of net MC revenue (1<sup>st</sup> half 2013: 39.1%). The increase is mainly due to forced amortizations of the Lebanon surveys.

Group EBIT 1<sup>st</sup> half 2014 was MUSD 18.5 (1<sup>st</sup> half 2013: MUSD 34.2). EBIT represents 22.4% of reported net revenue (1<sup>st</sup> half 2013: 38.2%)

Management assesses that based on the current business mix the normalized operating consolidated tax rate is approximately 31%. Spectrum reports tax charges in accordance with IAS 12 for the full year.

## Statement of financial position

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The total assets of the group were MUSD 214.9 (*end Q1 2014: MUSD 222.5*) at the end of the quarter, split between non-current assets of MUSD 150.1 (*end Q1 2014: MUSD 135.6*), and current assets of MUSD 64.8 (*end Q1 2014: MUSD 86.9*). These were funded by equity of MUSD 145.7 (*end Q1 2014: MUSD 144.5*), long term liabilities of MUSD 1.1 (*end Q1 2014: MUSD 1.2*) and current liabilities, including accrued revenue share, of MUSD 68.1 (*end Q1 2014: MUSD 76.8*). Of the current liabilities MUSD 0.8 represents a contingent payment to a third party.

During Q2 2014 Spectrum invested MUSD 38.3 (*2013: MUSD 35.9*) in the Multi-Client library. This increase in net book value of the MC library was offset by amortization of MUSD 23.5 (*2013: MUSD 14.2*).

The cash and cash equivalents balance decreased by MUSD 17.0 from end Q1 2014 to MUSD 0.4. The group

has an additional liquidity reserve through a drawing facility with a Nordic bank. The facility has been increased from MUSD 10.0 to MUSD 20.0 in the quarter. Management considers that the Company has sufficient liquidity to meet its ongoing operational obligations.

The reported equity balance is MUSD 145.7 (*end Q1 2014: MUSD 144.5*).

Long term interest bearing debt was reduced by MUSD 0.1 to MUSD 1.1 (*end Q1 2014: MUSD 1.2*) and consist mainly of financial leases. 90% of the convertible loan that was issued to finance the 2D Marine Library acquisition from CGG in 2011 is now converted. The remaining part MUSD 3.7 (*end Q1 2014: MUSD 4.2*) is classified as current liabilities.

## Cash flow

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The cash and cash equivalents balance decreased by MUSD 17.0 from end Q1 2014 to MUSD 0.4.

Net cash flow from operating activities was MUSD 27.7 (*2013: MUSD 51.9*) for the quarter. Working capital increased by MUSD 3.2 (*2013: decrease of MUSD 36.5*).

Net cash outflow from investing activities was MUSD 39.0 in the quarter (*2013: MUSD 38.5*) of which MUSD 38.3 was investments in the Multi-Client library (*2013: MUSD 35.9*).

Net cash outflow in the quarter from financing activities was MUSD 5.6 (*2013: MUSD outflow 1.5*). This includes distribution of MUSD 5.3 in dividend.

Net cash flow from operating activities was MUSD 61.1 (*1<sup>st</sup> half 2013: MUSD 68.2*) for the 1<sup>st</sup> half. Working capital decreased by MUSD 5.8 (*1<sup>st</sup> half 2013: decrease of MUSD 5.2*).

Net cash outflow from investing activities was MUSD 58.0 in 1<sup>st</sup> half (*1<sup>st</sup> 2013: MUSD 58.9*) of which MUSD 55.9 was investments in the Multi-Client library (*1<sup>st</sup> half 2013: MUSD 55.5*).

Net cash outflow in 1<sup>st</sup> half from financing activities was MUSD 5.3 (*1<sup>st</sup> half 2013: MUSD outflow 2.1*). This includes distribution of MUSD 5.3 in dividend.

## Multi-Client Operations

Net Multi-Client revenues of MUS\$ 43.9 in the quarter represent an increase of 53% vs. 2<sup>nd</sup> quarter 2013 (2013: MUS\$ 28.8). Revenue share on Gross Revenue in Q2 2014 was high (30,9%), mostly due to the revenue share on the Foz do Amazonas MC3D project. 52% of the Net Multi-Client revenues in the quarter came from North and South America, 34% came from Europe and Middle East and 14% from Africa.

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 1.3 million km of 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. In addition Spectrum holds 5,360 km<sup>2</sup> of new 3D data sets offshore Lebanon. Furthermore, Spectrum holds 125.000 km<sup>2</sup> of seamless seismic merged 3D data on the Norwegian continental shelf.

Revenue from Multi-Client sales was 98.8% of total revenue in the second quarter of 2014.

In July 2013 Spectrum signed a contract with the Ministry of Economy in Croatia for the rights to acquire Multi-Client 2D seismic data offshore Croatia. Spectrum completed the acquisition of approximately 14,700 kilometer of long offset seismic data in the first Quarter of 2014. This survey covers both the northern and southern parts of the Croatian Adriatic Sea and connects with Spectrum's reprocessed seismic data covering the Italian Adriatic. The finished products became available for late sale early April 2014.

The Government of Croatia officially opened Croatia's first offshore license round on 2<sup>nd</sup> April. Offshore Croatia is largely underexplored, but with proven presence of significant gas discoveries in the northern Adriatic and proven oil discoveries in the southern Italian Adriatic.

In December 2013 Spectrum and CGG announced that they jointly would launch a large, high-end BroadSeis™ 3D multi-client survey program offshore Brazil that focuses on a large proportion of open acreage in the very promising Foz do Amazonas Basin. The survey commenced in January 2014. The survey will cover 11,330 km<sup>2</sup>, and is acquired by the Oceanic Endeavour deploying Sercel's next-generation Sentinel RD solid streamer. The acquisition of data was carried on through Q2-14, and is expected to be completed late in Q3-14. The high-end BroadSeis™ data set will

be processed in CGG's Rio de Janeiro subsurface imaging center, and final products are planned to be available during the 2<sup>nd</sup> half of 2015.

In April 2014 Spectrum started Phase 2 of the Fingerdjupet-Hoop 2D seismic survey in the Barents Sea. Approximately 4,600 km was acquired as a continuation of the 2,226 km Phase 1 survey acquired last year.

Also, in April 2014, Spectrum started and completed a 2,700 km MC2D survey in the Orange basin in Namibia, infilling its existing data coverage in the basin.

Phase 2 of a 2,100 km joint MC2D survey with CGG in the Durban basin in South Africa, complementing the 4,800 km acquired last year, was also finished during the quarter.

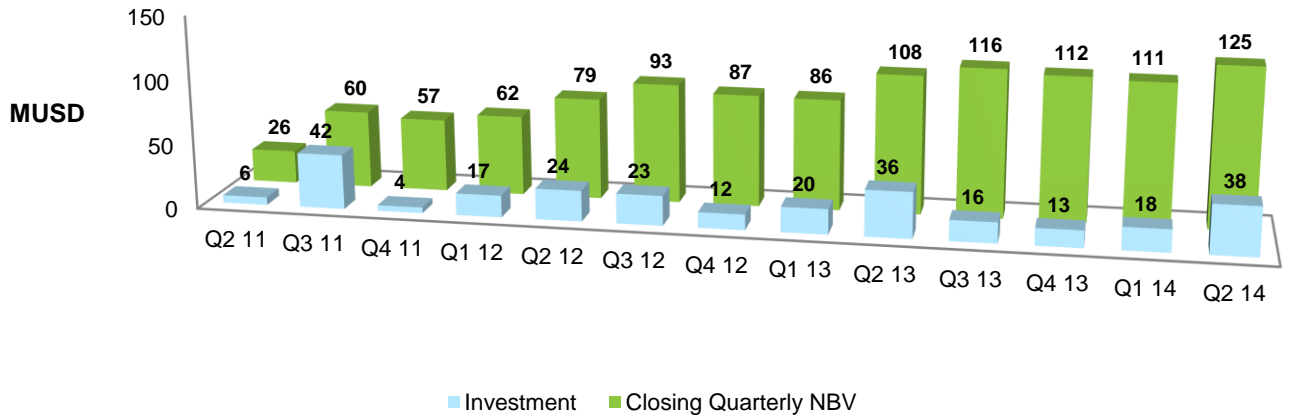
In May 2014, Spectrum commenced a 10,000 kilometer Multi-Client 2D seismic survey offshore Brazil in the Sergipe and Alagoas basins along the Eastern Margin of Brazil. PSTM and PSDM data will be available in Q4 2014.

All the surveys undertaken during the quarter were supported by industry funding.

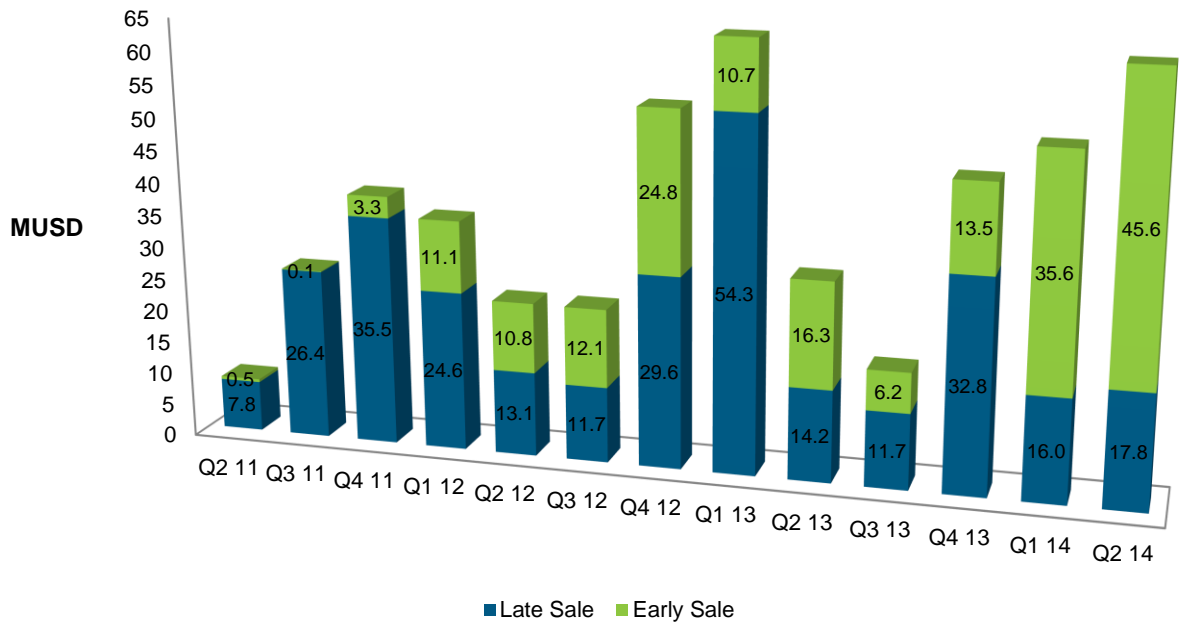
### Multi-Client Key Figures

(USD 1000)	Spectrum Group	
	Q2 14	Q2 13
Gross late sales	17 759	14 234
Gross early sales	45 648	16 303
Total gross revenue	63 407	30 537
Revenue share	(19 568)	(1 784)
Net late sales	18 038	12 629
Net early sales	25 802	16 124
Total net revenue	43 839	28 753
Investment	38 266	35 900

### Investment in the Multi-Client Library



### Gross Multi-Client Revenues



\*See Note 3 for further information

## Seismic Data Processing

Seismic data processing is provided from the group's processing centres in UK, US, Egypt and Indonesia. Spectrum's seismic processing technology is based on carefully selected third party software complemented by Spectrum's production processing platform, which is constantly being enhanced with new processing techniques. In addition some seismic processing is also performed on board chartered vessels.

The seismic data processing division had proprietary revenues of MUSD 0.75 (2013: MUSD 0.60) in the quarter. In the second quarter, 81% (2013: 86%) of the capacity of Spectrum's seismic data processing business unit was utilized in processing data for the Multi-Client library.

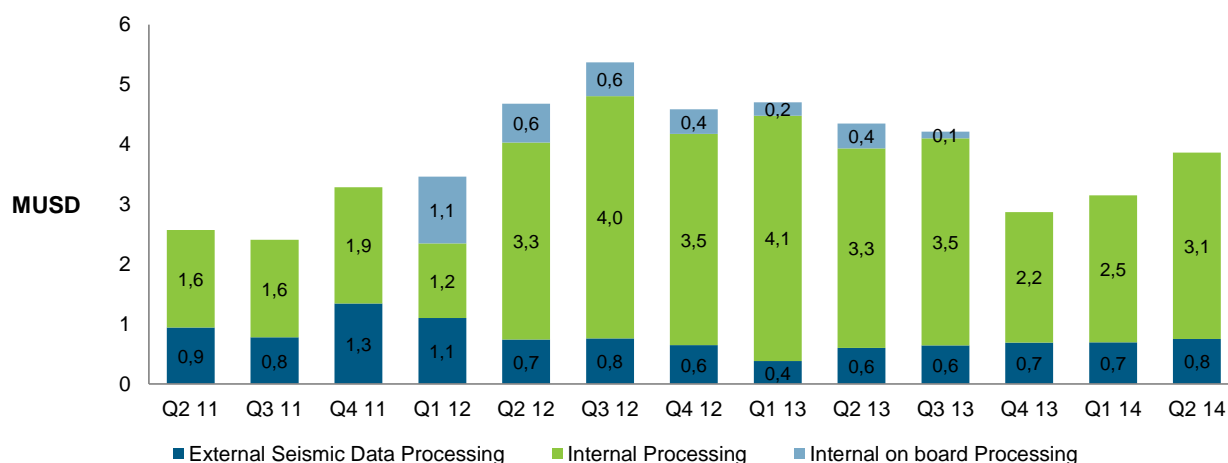
The seismic data processing division provides a valuable service to the Spectrum Multi-Client segment

and was reprocessing approximately 66,000 km in second quarter in addition to processing of data from ongoing new acquisitions.

### Seismic Data Processing Key Figures

	Spectrum Group	
(USD 1000)	Q2 14	Q2 13
External revenue	751	601
Internal revenue	3 111	3 747
<b>Total gross revenue</b>	<b>3 862</b>	<b>4 348</b>

### Seismic Data Processing



## Subsequent events

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On July 18 the Croatian Government launched their 1<sup>st</sup> onshore licensing round to close during the first half of 2015. The round comprises 6 exploration blocks

covering approximately 15,000 sq. km. Spectrum offers 14,000 km reprocessed MC2D data and well data to support the industry for this round.

## Future prospects

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Spectrum has a robust pipeline of sales leads, but we do experience that oil companies are more focused in their spending. In total Spectrum estimate seismic spending from oil companies in 2014 to be down compared to 2013.

Spectrum is continuously working on a pipeline of new Multi-Client 2D (MC2D) and Multi-Client 3D (MC3D) acquisition projects. Sales from the existing MC library impact directly the cash in the company. It is cash from the operations and prefunding from oil companies that funds new investments in MC projects.

In order to maintain a modern library we routinely do reprocessing of selected projects to enhance quality and value. During the second quarter a total of 66,000 km of 2D data was being reprocessed.

MC3D surveys are a natural extension of our growing MC2D business and in line with our strategy to diversify

the Multi-Client library. Spectrum has so far acquired MC3D in Lebanon and started in January 2014, in cooperation with CGG, the ongoing MC3D project in Brazil.

Spectrum stringently evaluates potential investments in new multi-client surveys with focus on prefunding levels and cash flow generated by the current MC library. We do experience that the right projects attracts prefunding.

Spectrum is currently working on a project pipeline that we present to the oil companies for securing prefunding. We expect the total MC investment for 2014 to be in excess of MUS\$ 100.



## Statement on financial compliance


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Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Spectrum ASA consolidated financial statements as of 30 June 2014.

To the best of our knowledge, we confirm that:

the Spectrum ASA consolidated financial statements for the first half of 2014 have been prepared in accordance with IFRSs and IFRICs as adopted by the European Union (EU), IFRSs as issued by the International Accounting Standards Board (IASB) and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that the information presented in the financial statements gives a true and fair view of the company's and the group's assets, liabilities, financial position and results for the period viewed in their entirety, and that the information presented in the financial statements gives a true and fair view of the development, performance, financial position and principle risks of the group.


Oslo 14<sup>th</sup> August 2014



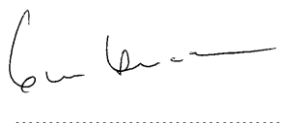
**Ingrid Leisner**



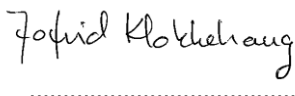
**Glen Rødland**  
(Chairman)



**Øystein Stray Spetalen**



**Gunnar Hvammen**



**Jofrid Klokkehaug**



**Linda Rudolfson Myklebust**



**Rune Eng**  
CEO

## Interim Statement of Comprehensive Income

		SPECTRUM GROUP				
		Quarter	Quarter	6 months	6 months	12 months
		ended	ended	ended	ended	ended
		30.06.14	30.06.13	30.06.14	30.06.13	31.12.13
(USD 1000)	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Gross operating revenue	3	64,158	31,138	116,428	96,453	162,001
Revenue share		(19,568)	(1,784)	(33,837)	(7,029)	(18,978)
<b>Net operating revenue</b>		<b>44,590</b>	<b>29,354</b>	<b>82,591</b>	<b>89,424</b>	<b>143,023</b>
Amortisation of Multi-Client library		(23,504)	(14,190)	(43,010)	(34,566)	(59,886)
Operating expenses		(9,436)	(8,700)	(17,963)	(16,007)	(34,553)
Cost of share options		(756)	258	(1,471)	(3,153)	(3,810)
Depreciation		(887)	(870)	(1,641)	(1,545)	(3,131)
<b>EBIT</b>		<b>10,007</b>	<b>5,852</b>	<b>18,507</b>	<b>34,153</b>	<b>41,641</b>
Interest expense, net		(120)	(397)	(282)	(707)	(1,231)
Foreign exchange profit / (loss)		(433)	(1,499)	80	(1,289)	(1,397)
Other financial items	4	53	5,394	(94)	(7,120)	3,892
<b>Profit / (Loss) before tax</b>		<b>9,507</b>	<b>9,350</b>	<b>18,211</b>	<b>25,038</b>	<b>42,905</b>
Tax expense		(2,901)	(1,595)	(5,646)	(10,455)	(13,750)
<b>Net Profit / (Loss) to equity holders</b>		<b>6,606</b>	<b>7,756</b>	<b>12,564</b>	<b>14,582</b>	<b>29,155</b>
Other Comprehensive income:		-	-	-	-	-
<b>Total Comprehensive income / (loss) for the period</b>		<b>6,606</b>	<b>7,756</b>	<b>12,564</b>	<b>14,582</b>	<b>29,155</b>
Earnings per share		0.16	0.20	0.30	0.37	0.72
Diluted earnings per share		0.14	0.16	0.26	0.31	0.62
(Shares 1000)						
Basic shares outstanding average		42,219	39,123	42,332	39,470	40,311
Diluted shares outstanding average		47,593	47,097	47,588	47,275	47,376
Basic shares issued end of the quarter		42,308	40,207	42,308	40,207	42,110
Diluted shares issued end of the quarter		47,585	47,461	47,585	47,461	47,683

## Interim Consolidated Statement of Financial Position

(USD 1000)	Note	SPECTRUM GROUP		
		30.06.14 (Unaudited)	31.03.14 (Unaudited)	31.12.13 (Audited)
<b>Assets</b>				
<b>Non-current assets</b>				
Deferred tax assets		5,425	5,425	5,425
Goodwill		12,481	12,481	12,481
Software		1,810	1,646	2,090
Multi-client library		125,366	110,604	112,400
Investment in Joint Ventures		1,720	1,720	1,720
Fixtures, fittings and office equipment		3,348	3,700	2,993
<b>Total non-current assets</b>		<b>150,149</b>	<b>135,574</b>	<b>137,109</b>
<b>Current assets</b>				
Work in Progress		15,687	13,974	9,216
Accounts receivable		35,288	39,483	39,219
Other receivables		13,412	16,095	8,049
Cash and cash equivalents		373	17,369	2,719
<b>Total current assets</b>		<b>64,760</b>	<b>86,921</b>	<b>59,203</b>
<b>Total assets</b>		<b>214,909</b>	<b>222,495</b>	<b>196,313</b>
<b>Shareholders' Equity and Liabilities</b>				
<b>Shareholders' equity</b>				
Share capital		7,384	7,351	7,351
Share premium		28,087	27,517	27,509
Other paid-in capital		58,238	57,901	57,415
Retained earnings		55,492	54,192	48,233
Foreign translation reserve		(2,467)	(2,467)	(2,467)
<b>Total equity</b>		<b>146,734</b>	<b>144,493</b>	<b>138,041</b>
<b>Liabilities</b>				
<b>Long term liabilities</b>				
Long term interest bearing debt		1,061	1,131	723
Other liabilities		43	43	43
<b>Total long term liabilities</b>		<b>1,104</b>	<b>1,174</b>	<b>766</b>
<b>Current liabilities</b>				
Short term interest bearing debt		2,553	3,031	2,860
Accounts payable		8,517	3,201	13,343
Tax and other public duties payable		10,538	8,303	8,577
Other liabilities		45,464	62,294	32,726
<b>Total current liabilities</b>		<b>67,072</b>	<b>76,829</b>	<b>57,506</b>
<b>Total shareholders' equity and liabilities</b>		<b>214,909</b>	<b>222,495</b>	<b>196,313</b>

## Interim consolidated statement of changes in equity

SPECTRUM GROUP						
(USD 1000)	Issued Capital	Share Premium	Other Paid-in Capital	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
<b>At 31 December 2012</b>	<b>6,847</b>	<b>21,627</b>	<b>56,163</b>	<b>23,222</b>	<b>(2,467)</b>	<b>105,391</b>
Share options granted			2,168			2,168
Share issues	187	1,887				2,074
Profit / (Loss) for period				14,582		14,582
Dividends				(4,145)		(4,145)
<b>At 30 June 2013</b>	<b>7,034</b>	<b>23,514</b>	<b>58,331</b>	<b>33,659</b>	<b>(2,467)</b>	<b>120,072</b>
Share options granted			(916)			(916)
Share issues	317	3,995				4,312
Profit / (Loss) for period				14,573		14,573
Dividends						-
<b>At 31 December 2013</b>	<b>7,351</b>	<b>27,509</b>	<b>57,415</b>	<b>48,233</b>	<b>(2,467)</b>	<b>138,041</b>
Share options granted			823			823
Share issues	33	578				611
Profit / (Loss) for period				12,564		12,564
Dividends				(5,306)		(5,306)
<b>At 30 June 2014</b>	<b>7,384</b>	<b>28,087</b>	<b>58,238</b>	<b>55,492</b>	<b>(2,467)</b>	<b>146,734</b>

## Interim Consolidated Statement of cash flows

(USD 1000)	SPECTRUM GROUP				
	Quarter	Quarter	6 months	6 months	12 months
	ended	ended	ended	ended	ended
	30.06.14	30.06.13	30.06.14	30.06.13	31.12.13
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities:					
Profit / (Loss) before tax	9,507	9,350	18,211	25,038	42,905
Income taxes/other taxes paid	(3,313)	(2,500)	(8,558)	(7,872)	(15,315)
Depreciation and amortisation	24,392	15,060	44,651	36,111	63,017
Interest expense, net	120	397	282	707	1,232
Other financial items	(171)	(5,621)	(70)	6,872	(4,133)
Share options granted	337	(1,249)	823	2,162	2,821
Working capital changes	(3,196)	36,512	5,750	5,203	(11,955)
<b>Net cash flow from operating activities</b>	<b>27,675</b>	<b>51,949</b>	<b>61,088</b>	<b>68,221</b>	<b>78,571</b>
Cash flows from investing activities:					
Investment in multi-client library	(38,266)	(35,900)	(55,975)	(55,478)	(85,200)
Investment in other assets	(701)	(2,555)	(1,875)	(3,481)	(4,372)
Disposal of tangible assets	-	-	(159)	-	-
<b>Net cash flow from investing activities</b>	<b>(38,967)</b>	<b>(38,455)</b>	<b>(58,009)</b>	<b>(58,959)</b>	<b>(89,572)</b>
Cash flows from financing activities:					
Issued share capital	32	2,074	33	2,074	2,075
Repayment of capital and dividends	(5,306)	(4,145)	(5,306)	(4,145)	(4,145)
Proceeds of borrowings	286	796	1,193	796	2,081
Payment of borrowings	(538)	-	(1,024)	(576)	(1,570)
Interest paid	(122)	(208)	(268)	(245)	(561)
<b>Net cash flow from financing activities</b>	<b>(5,647)</b>	<b>(1,483)</b>	<b>(5,371)</b>	<b>(2,096)</b>	<b>(2,120)</b>
Net change in cash and cash equivalents, discontinued operations	(16,939)	12,011	(2,292)	7,166	(13,121)
Net change in cash and cash equivalents, discontinued operations	-	-	-	(16)	(16)
Net foreign exchange diff (unrealised)	(57)	-	(54)	-	(1,131)
Cash & cash equivalents at start of period	17,369	12,127	2,719	16,988	16,988
<b>Cash and cash equivalents at end of period</b>	<b>373</b>	<b>24,138</b>	<b>373</b>	<b>24,138</b>	<b>2,719</b>

## Notes to accounts

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### 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 Sjølyst Plass 2, N-0278 Oslo, Norway.

### NOTE 2 – BASIS OF PREPARATION

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 30<sup>th</sup> June 2014. 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 31<sup>st</sup> December 2013. 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. There have been no changes in the group's accounting policies and principles in 2014.

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

#### Intangible assets

Multi-Client libraries represent seismic surveys for which Spectrum has the right to license copies to

multiple different customers. These surveys can be complete or in progress at the date of financial position, and are categorized as non-current intangible assets. They are recorded at cost (or fair value/cost where purchased from a third party) less accumulated amortization and impairment losses.

#### Amortization of Multi Client library

Amortization is calculated as the higher of amortization according to sales or Spectrum's minimum amortization policy. Sales amortization is based on the ratio of estimated revenue of a survey to the cost of the survey, and this ratio is applied to the revenue recognized for the survey. The Spectrum Group has a minimum amortization policy whereby the carrying amount 12 months after completion of a survey is no more than 60 % of cost. This maximum level is reduced by 20 % points for each of the three subsequent years.

#### Revenue recognition

Early sales – When the Spectrum Group obtains funding for a particular survey before it is completed in data processing, revenue is recognized on a percentage of completion basis.

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 libraries when there are events and changes in circumstances that indicate that the carrying value of the survey may not be recoverable. A formal impairment review of all Multi-Client surveys is performed once a year based on 30<sup>th</sup> September figures.

**NOTE 3 – MULTI-CLIENT REVENUE**

(USD 1000)	Spectrum Group				
	Quarter ended	Quarter ended	6 months ended	6 months ended	12 months ended
	30.06.14	30.06.13	30.06.14	30.06.13	31.12.13
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Late sales	17,759	14,234	33,765	68,496	113,040
Early sales	45,648	16,303	81,218	26,977	46,649
<b>Multi-Client revenue</b>	<b>63,407</b>	<b>30,537</b>	<b>114,983</b>	<b>95,472</b>	<b>159,689</b>

Spectrum ASA classifies Multi-Client revenue as early sales or late sales based on the products sold. PSTM (Time) and PSDM (Depth) is treated as separate products. E.g.: A sale of a completed PSTM product will be classified as late even if the PSDM product has not been completed. The issue has become more relevant in 2014 due to surveys with long PSDM processing times.

Since Spectrum is a pure play Multi-Client company management has organized the entity as one segment based upon services provided. Consequently the company has one segment as defined in IFRS 8, operating segments. Multi-Client consist of 98.8% of the group's total revenue.

**NOTE 4 – OTHER FINANCIAL ITEMS**

(USD 1000)	Spectrum Group				
	Quarter ended	Quarter ended	6 months ended	6 months ended	12 months ended
	30.06.14	30.06.13	30.06.14	30.06.13	31.12.13
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Mark to market changes options related to convertible rights	75	6,559	(27)	(6,842)	4,132
Taxes on financial transactions/broker fees	(10)	(77)	(15)	(147)	(51)
Other financial /bank charges	(12)	(1,088)	(52)	(131)	(188)
<b>Total</b>	<b>53</b>	<b>5,394</b>	<b>(94)</b>	<b>(7,120)</b>	<b>3,892</b>

Other financial items consist mainly of changes in the mark to market valuation of the conversion right.

The convertible loan is presented in the statement of Financial Position under Short term interest bearing debt at amortized cost of USD 1.1 million (*end Q1 2014: USD 1.4 million*) and the conversion right under other short term debt at USD 2.6 million (*end Q1 2014: USD 2.8 million*).

**NOTE 5 - TWENTY LARGEST SHAREHOLDERS PER 13<sup>TH</sup> OF AUGUST 2014**

	Shareholders	Shares	%	Country
1	FERNCLIFF LISTED DAI AS	6,472,077	15.3%	NOR
2	SPENCER TRADING INC	4,597,822	10.9%	NOR
3	GROSS MANAGEMENT AS	3,768,462	8.9%	NOR
4	SOLAN CAPITAL AS	2,706,040	6.4%	NOR
5	FOLKETRYGDFONDET	2,057,113	4.9%	NOR
6	DEUTSCHE BANK AG	2,054,359	4.9%	GBR
7	BNY MELLON SERV KAP MBH FRANKF AKT	1,564,308	3.7%	BEL
8	SPENCER ENERGY AS	1,542,582	3.6%	NOR
9	SKANDINAVISKA ENSKILDA BANKEN AB	1,497,149	3.5%	NOR
10	J.P. MORGAN CHASE BANK N.A. LONDON	1,345,000	3.2%	GBR
11	THE BANK OF NEW YORK MELLON SAVV	1,000,000	2.4%	BEL
12	UBS (LUXEMBOURG) S.A.	681,159	1.6%	LUX
13	J.P. MORGAN CHASE BANK N.A. LONDON	674,259	1.6%	GBR
14	UBS AG, LONDON BRANCH	661,543	1.6%	GBR
15	SÆTER, HAAKON MORTEN	635,347	1.5%	NOR
16	PERSHING LLC	560,254	1.3%	USA
17	FIDELITY FUNDS	537,692	1.3%	GBR
18	VERDIPAPIRFONDET DNB SMB	450,512	1.1%	NOR
19	J.P. MORGAN CHASE BANK N.A. LONDON	441,185	1.0%	GBR
20	INVESCO PERP EUR SMALL COMP FD	439,363	1.0%	BEL
	Other	8,621,446	20.3%	
	<b>Total number of shares</b>	<b>42,307,672</b>	<b>100.0%</b>	



**NOTE 6 – SHARES OWNED BY THE SPECTRUM BOARD OF DIRECTORS, MANAGEMENT AND INSIDERS AT 13<sup>TH</sup> OF AUGUST 2014**

	Shareholder	Shares	%	Country
1	Øystein Stray Spetalen (1)	8,376,630	19.80%	NOR
2	Glen Rødland (2)	1,904,553	4.50%	NOR
3	Gunnar Hvammen (3)	2,706,040	6.40%	NOR
4	Rune Eng	35,000	0.08%	NOR
5	Jan Schoolmeesters	15,000	0.04%	NOR
6	David Rowlands	70,000	0.17%	GBR
7	Richie Miller	97,445	0.23%	USA
8	Arne Helland (4)	34,152	0.08%	NOR
9	Graham Mayhew	4,000	0.01%	GBR
10	Mike Ball	5,000	0.01%	USA
11	Bjarte Bakke	2,000	0.01%	NOR

**Notes:**

1. Shares held by Gross Management AS and its wholly owned subsidiary Ricin Invest AS, and shares held by Ferncliff DAI 1 AS. Mr. Spetalen has a 50% interest in Gross Management AS and 100% interest in Ferncliff DAI 1 AS.
2. Shares held by Gross Management AS and its wholly owned subsidiary Ricin Invest AS. Mr. Rødland has a 50% interest in Gross Management AS.
3. Shares in Solan Capital AS is owned by Lauvheim Holding AS (90.62%) and 9.38% by Mr. Hvammen. Lauvheim Holding AS is wholly owned by Mr. Hvammen.
4. Shares in Turning point AS, wholly owned by Mr. Helland.

Of the total outstanding convertible bonds in Spectrum ASA, 95.7% are held directly/indirectly by members of the board of directors and management.

**NOTE 7 – SUBSEQUENT EVENTS**

On July 18<sup>th</sup> the Croatian Government launched their 1st onshore licensing round to close during the first half of 2015. The round comprises 6 exploration blocks covering approximately 15,000 sq. km. Spectrum offers 14,000 km reprocessed MC2D data and well data to support the industry for this round.

**REPORTING DATES 2014**

24-Oct-2014: Q3 2014 Earnings Release (unaudited)

13-Feb-2015: Q4 2014 Earnings Release (unaudited)

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