

# Spectrum ASA

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2<sup>nd</sup> Quarter Results  
2018

## Summary Q2 and 6 months – 18 (segment using APMs)

	SPECTRUM GROUP				
	Quarter	Quarter	6 months	6 months	12 Months
	ended	ended	ended	ended	ended
(USD 1000)	30.06.18	30.06.17	30.06.18	30.06.17	31.12.17
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Segment revenue	23 462	30 403	50 373	55 727	118 850
Segment EBIT	(1 969)	(619)	(2 637)	(3 326)	(16 037)
<b>Segment Net Profit / (Loss)</b>	<b>(4 416)</b>	<b>(2 983)</b>	<b>(581)</b>	<b>(6 703)</b>	<b>(26 843)</b>
Cash flow from operating activities	22 653	24 774	53 273	60 334	99 400
Investment in Multi-Client library	15 563	31 331	37 799	58 611	82 359
Segment Multi-Client Net book value	173 315	205 105	173 315	205 105	169 408
Cash and cash equivalents	26 710	6 859	26 710	6 859	14 155

## Q2 Highlights

- Late sales in the quarter of MUSD 14.1 (2017: MUSD 8.2)
- Segment early sale on Multi-Client investments in the quarter was MUSD 9.3 (2017: MUSD 22.2), primarily related to the Mozambique, Argentina and Otway surveys
- Multi-Client investments were MUSD 15.6 with 60% prefunding rate (2017: MUSD 31.3 with 71% prefunding)
- Gross Multi-Client investments were MUSD 30.4 (2017: MUSD 39.8)
- Operational cash flow in Q2 was MUSD 22.7 (2017: MUSD 24.8)

## 6 Months Highlights

- Late sales YTD of MUSD 27.2 (2017: MUSD 18.1)
- Segment early sale on Multi-Client investments was MUSD 23.1 (2017: MUSD 37.5), substantial part related to the Mozambique, Argentina and Otway surveys
- Multi-Client investments were MUSD 37.8 with 61% prefunding rate (2017: MUSD 58.6 with 64% prefunding)
- Gross Multi-Client investments were MUSD 81.6 (2017: MUSD 75.8)
- Operational cash flow was MUSD 53.3 (2017: MUSD 60.3)

## Second Quarter Report for Spectrum ASA

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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 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 12-14.

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## Statement of Comprehensive Income

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Total net operating revenues for the group in Q2 2018 were MUSD 39.5 (2017: MUSD 30.4). Segment revenue, excluding the effect from IFRS 15, for Q2 2018 amounted to MUSD 23.5, resulting in a decrease from Q2 2017.

Net Multi-Client revenues totalled MUSD 39.4 in the second quarter of 2018 (2017: MUSD 30.4). Prefunding recognized in the quarter was MUSD 25.3 (2017: MUSD 22.2) and Late sales ended at MUSD 14.1 (2017: MUSD 8.2).

Operating expenses were MUSD 9.4 (2017: MUSD 6.1), increase mainly relates to MUSD 1.5 in cost of stock options (2017: MUSD 0.0), salary cost and decreased capitalization of internal processing.

EBIT for the second quarter was MUSD 6.4 (2017: MUSD (0.7)).

Profit Before Tax in the second quarter ended at MUSD 4.5 (2017: MUSD (2.3)).

Total net operating revenues for the group in the first half of 2018 were MUSD 55.1 (2017: MUSD 55.7). Segment revenue, excluding the effect from IFRS 15, for the first half of 2018 amounted to MUSD 50.4, resulting in a decrease from first half of 2017.

Net Multi-Client revenues totalled MUSD 55.0 in the first half of 2018 (2017: MUSD 55.7). Prefunding recognized in the first half was MUSD 27.8 (2017: MUSD 37.6). Late sales ended at MUSD 27.2 (2017: MUSD 18.1) and other revenue was MUSD 0.1 (2017: MUSD 0.0).

Operating expenses were MUSD 18.6 (2017: MUSD 12.1), increase mainly relates to MUSD 2.0 in cost of stock options (2017: MUSD 0.4), salary cost and decreased capitalization of internal processing.

Multi-Client amortisations in the first half ended at 67.8% of net MC revenue (2017: 83.0%).

EBIT for the first half was MUSD (1.4) (2017: MUSD (3.3)).

Profit Before Tax in the first half ended at MUSD (4.1) (2017: MUSD (5.0)).

Management has made an assessment of the Group's tax position and tax cost in the period based on the results, tax rate and tax treatment in each subsidiary. The estimated tax for the first half 2018 was an income of MUSD 0.8 (2017: cost of MUSD 1.7).

## Statement of Financial Position

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The total assets of the group were MUSD 291.3 (end Q1 2018: MUSD 289.1) at the end of the quarter, split between non-current assets of MUSD 207.9 (end Q1 2018: MUSD 213.5), and current assets of MUSD 83.5 (end Q1 2018: MUSD 75.6). These were funded by equity of MUSD 139.0 (end Q1 2018: MUSD 138.3), long term liabilities of MUSD 40.9 (end Q1 2018: MUSD 54.4) and current liabilities of MUSD 111.4 (end Q1 2018: MUSD 96.4).

During Q2 2018 Spectrum had Multi-Client investments of MUSD 15.6 (Q1 2018: MUSD 22.2). This increase in carrying value of the Multi-Client library was offset by amortization of MUSD 23.5 (Q1 2018: MUSD 13.9). The net book value of the Multi-Client library at end Q2 is MUSD 178.6 (end Q1 2018: MUSD 186.5).

The cash and cash equivalents balance increased by MUSD 6.6 from end Q1 2018 to MUSD 26.7. 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 139.0 (end Q1 2018: MUSD 138.3). This equates to an equity ratio of 47.7% (end Q1 2018: 47.8%) Segment equity was MUSD 149.4 at the end of the second quarter giving an equity ratio of 51.1%.

Long term interest bearing debt was MUSD 16.3 (end Q1 2018: MUSD 23.4) and consist mainly of the revolving credit facility.

## Cash Flow

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The cash and cash equivalents balance increased by MUSD 6.6 from end Q1 2018 to MUSD 26.7.

Net cash flow from operating activities was MUSD 22.7 (2017: MUSD 24.8) for the quarter. Working capital increased by MUSD 6.1 (2017: decrease of MUSD 1.5).

Net cash outflow from investing activities was MUSD 15.6 (2017: MUSD 31.4) of which MUSD 15.6 was investments in the Multi-Client library (2017: MUSD 31.3).

Net cash outflow in the quarter from financing activities was MUSD 0.5 (2017: outflow of MUSD 3.6).

For the first half of 2018 the net cash flow from operating activities was MUSD 53.3 (2017: MUSD 60.3). Working capital decreased by MUSD 18.5 (2017: decrease of MUSD 17.2).

Net cash outflow from investing activities was MUSD 38.0 in the first half 2018 (2017: MUSD 58.9) of which MUSD 37.8 was investments in the Multi-Client library (2017: MUSD 58.6).

Net cash outflow in the first half from financing activities was MUSD 2.9 (2017: outflow of MUSD 10.8) of which the main part was down payment of the overdraft facility.

## Multi-Client Operations

Segment net Multi-Client revenues of MUSD 23.4 in the quarter represent a decrease of 23% vs. Q2 2017 (2017: MUSD 30.4). This is mainly due to 50% lower Multi-Client investments in Q2 2018 vs Q2 2017.

In Q2 59% of the Net Multi-Client revenues came from North and South America (NSA), 22% Africa, Mediterranean and Middle-East (AME), 12% Northwest Europe (NWE) and 7% 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 99.8% of total revenue in the second 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 will be processed with PSTM, PSDM and Broadband products and first deliveries were in Q4 2017. The acquisition and processing continues into 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 15<sup>th</sup> licensing round. The acquisition of the 4,500 km survey was completed in November. The data will be 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 14 November 2017 Spectrum announced the commencement of a Multi-Client 2D seismic survey covering the Austral and Malvinas basins offshore southern Argentina through the

authorization of the Ministry of Energy and Minerals. The expected survey size is around 14,500 km but may vary based on input from our participating clients. The data will be processed with PSTM, PSDM, FWI and Broadband products with first deliveries in early Q2 2018.

The new data will be utilized to assist the Ministry in placement and design of parcels for the future license rounds offshore Argentina. This survey is carried out in partnership with BGP Marine and is supported by Industry funding.

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 data will be processed to generate Broadband products with first deliveries in Q3 2018. This survey will be carried out in partnership with WesternGeco and is supported 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 7,950km<sup>2</sup> of 3D data from 16 existing 3D surveys and up to 7,000km of 2D data which will be 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 will be available for delivery during Q3 2018 with PSDM delivery shortly after. 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 will be processed in Spectrum's Houston

processing center with PSTM, PSDM (Kirchhoff and RTM) and Broadband products expected to be available 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 up to 5,500 sqkm of long offset broadband seismic data and will be 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 first deliveries in early Q3 2018 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 will be

processed in Spectrum's Houston processing center with final PSTM and PSDM Broadband products available in Q4 2018.

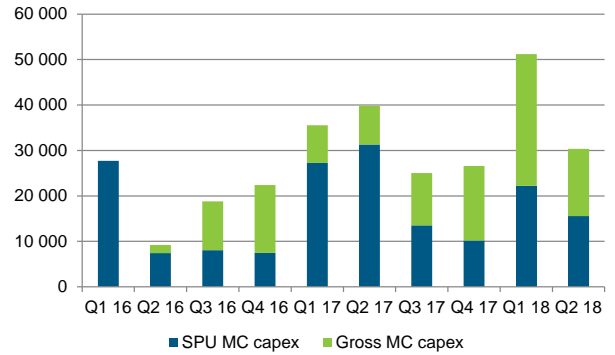
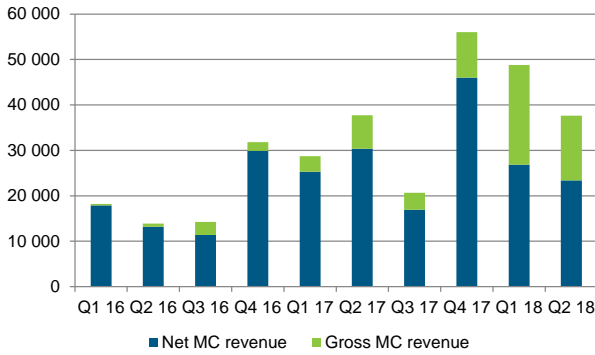
On 26 June 2018 Spectrum announced the commencement of an offshore Multi-Client 2D seismic survey, located in the Eastern Turkish Black Sea. The first phase of this campaign comprises 7,000 km of 2D data and is focused on an area identified to have significant hydrocarbon potential. The project is carried 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. Fast track data will be available for the round expected in the second half of 2019. 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.

#### Multi-Client Key Figures

(USD 1000)	Spectrum Group	
	Q2 18	Q2 17
Segment early sales	9 322	22 231
Net late sales	14 085	8 170
Other revenue MC	-	(19)
Segment MC revenue	23 407	30 382
Investment	15 563	31 331

## Spectrum Risk Share Projects



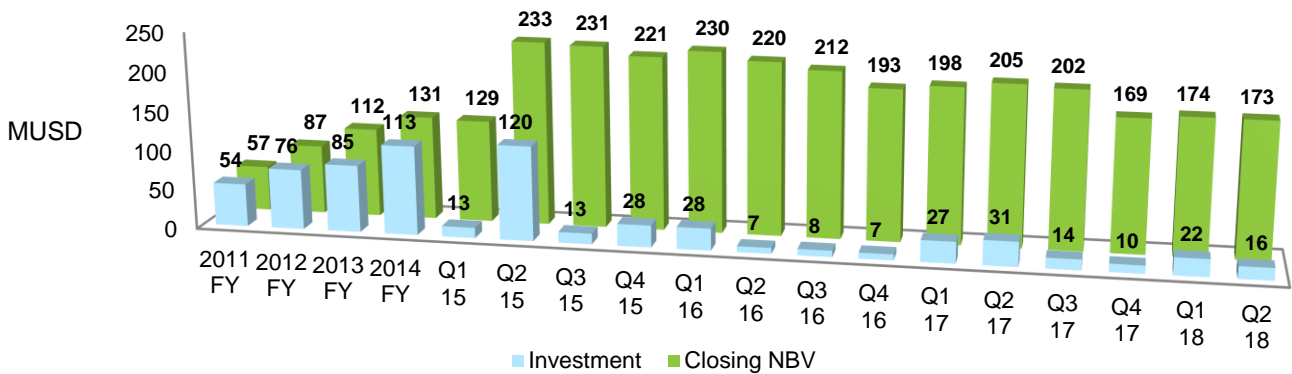
\* Segment revenue used in graph for 2018.

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

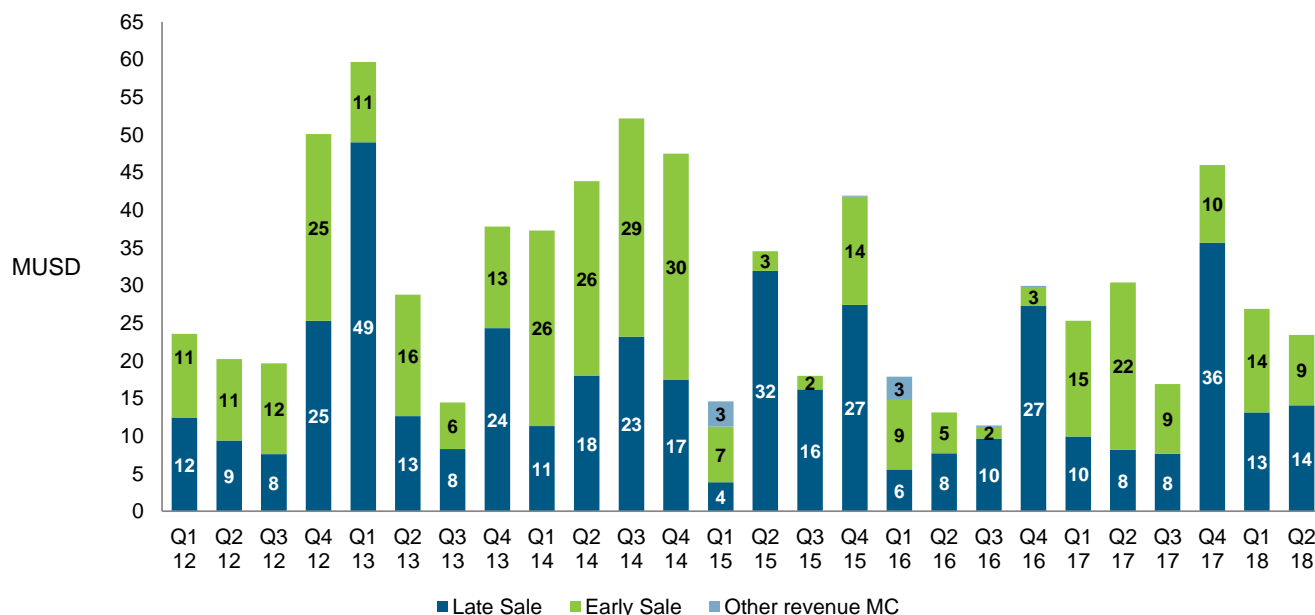
\* Segment Multi-Client library used in graph for 2018.





## 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 0.0) in the quarter. In the second quarter 98% (2017: 99%) 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	
	Q2 18	Q2 17
External revenue	55	21
Internal revenue	3 436	3 251
<b>Total gross revenue</b>	<b>3 491</b>	<b>3 272</b>

## Future Prospects

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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 2018.

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 during second half 2018 and early 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 signs of increasing demand for Multi-Client seismic from clients in 2018. Spectrum believes a combination of a higher oil price, a significant reduction of breakeven 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 a gradual recovery in the seismic market in 2018 and into 2019. 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.

## Statement of Financial Compliance

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Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Spectrum ASA unaudited consolidated interim financial statements as of 30 June 2018.

To the best of our knowledge, we confirm that:

The Spectrum ASA consolidated interim financial statements for the first half of 2018 have been prepared in accordance with IAS 34 Interim Financial Statements and additional disclosure requirements in the Norwegian Securities Trading Act, and that the interim financial statements for the first half of 2018 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 interim financial statements gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the group.

Oslo, 17 August 2018



Pål Stampe  
*Chairman of the Board*



Ingrid Leisner  
*Board member*



Glen Rødland  
*Board member*



Maria Tallaksen  
*Board member*



Rune Eng  
*CEO*

## Alternative Performance Measurements (APM)

IFRS 15 Revenue from Contracts with customer 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 be 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.

	30.06.18	31.03.18	31.12.17
Deferred prefunding	15 607	31 605	20 323
of which invoiced to customers	9 559	11 580	
of which un-invoiced to customers	6 048	20 025	
Recognised prefunding	25 320	2 449	
Increase in deferred prefunding	9 322	13 731	

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.

	30.06.18	31.03.18
Early Sale	25 320	2 449
Less recognised prefunding	(25 320)	(2 449)
Added increase in deferred revenue	9 322	13 731
<b>Segment Early Sale</b>	<b>9 322</b>	<b>13 731</b>
Late Sale	14 085	13 143
Other revenue	55	37
<b>Segment Revenue</b>	<b>23 462</b>	<b>26 911</b>

### 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.

	30.06.18	31.03.18
Amortisation	(23 452)	(13 873)
Amortisation on adjustment of segment early sale	7 601	(4 168)
<b>Segment amortisation</b>	<b>(15 851)</b>	<b>(18 041)</b>

## Alternative Performance Measurements (APM)

### Segment EBIT

EBIT using segment revenue and segment amortisation.

	30.06.18	31.03.18
EBIT	6 428	(7 783)
Less operating revenue	(39 460)	(15 629)
Added segment revenue	23 462	26 911
Less amortisation	23 452	13 873
Added segment amortisation	(15 851)	(18 041)
<b>Segment EBIT</b>	<b>(1 969)</b>	<b>(669)</b>

### Segment EBITDA

Segment EBIT with depreciation, segment amortisation and impairments added.

	30.06.18	31.03.18
Segment EBIT	(1 969)	(669)
Added segment amortisation	15 851	18 041
Added depreciation	228	250
Added impairment	-	-
<b>Segment EBITDA</b>	<b>14 112</b>	<b>17 624</b>

### Segment Multi-Client Library

Multi-Client library using segment amortisation.

	30.06.18	31.03.18
Multi-Client library	178,605	186,494
Added restated amortisations in prior periods	(12,891)	(8,723)
Less amortisation in the period	23,452	13,873
Added segment amortisation in the period	(15,851)	(18,041)
<b>Segment Multi-Client Library</b>	<b>173,315</b>	<b>173,603</b>

### Segment Work in Progress

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

	30.06.18	31.03.18
Work in progress	1 822	5 744
Un-invoiced prefunding in deferred revenue	6 048	20 025
<b>Segment work in progress</b>	<b>7 870</b>	<b>25 769</b>

### 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.

	30.06.18	31.03.18
Other current liabilities	70 625	58 868
Invoiced prefunding in deferred revenue	(9 559)	(11 580)
<b>Segment other current liabilities</b>	<b>61 066</b>	<b>47 288</b>

## Alternative Performance Measurements (APM)

### Segment Equity

Equity using segment revenue and segment amortisation.

	30.06.18	31.03.18
Equity	139,043	138,292
Added IFRS 15 adjustment in prior periods	18,714	11,600
Less operating revenue in the period	(39,460)	(15,629)
Added segment revenue in the period	23,462	26,911
Less amortisation in the period	23,452	13,873
Added segment amortisation in the period	(15,851)	(18,041)
<b>Segment Equity</b>	<b>149,359</b>	<b>157,006</b>

### 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.

	30.06.18	31.03.18
Profit before tax	4 450	(8 513)
Less operating revenue	(39 460)	(15 629)
Added segment revenue	23 462	26 911
Less amortisation	23 452	13 873
Added segment amortisation	(15 851)	(18 041)
<b>Segment Profit before tax</b>	<b>(3 948)</b>	<b>(1 400)</b>
Depreciation, amortisation and impairment	23 680	14 123
Less amortisation	(23 452)	(13 873)
Added segment amortisation	15 851	18 041
<b>Segment depreciation, amortisation and impairment</b>	<b>16 079</b>	<b>18 291</b>
Working capital changes	(6 131)	22 664
Adjusted for change in deferred prefunding	15 998	(11 282)
<b>Segment working capital changes</b>	<b>9 867</b>	<b>11 382</b>

## Interim Statement of Comprehensive Income

		SPECTRUM GROUP				
		Quarter	Quarter	6 months	6 months	12 months
		ended	ended	ended	ended	ended
		30.06.18	30.06.17	30.06.18	30.06.17	31.12.17
(USD 1000)	Note	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
<b>Net operating revenue</b>	<b>3</b>	<b>39 460</b>	<b>30 403</b>	<b>55 090</b>	<b>55 727</b>	<b>118 850</b>
Amortisation		(23 452)	(24 587)	(37 324)	(46 227)	(81 714)
Impairment		-	-	-	-	(25 598)
Operating expenses		(7 878)	(6 109)	(16 653)	(11 646)	(25 264)
Cost of share options		(1 475)	16	(1 989)	(404)	(811)
Share of profit/(loss) of joint ventures		-	-	-	-	(82)
Depreciation		(228)	(343)	(479)	(777)	(1 418)
<b>EBIT</b>		<b>6 428</b>	<b>(619)</b>	<b>(1 355)</b>	<b>(3 326)</b>	<b>(16 037)</b>
Interest expense, net		(518)	(396)	(768)	(811)	(1 533)
Foreign exchange profit / (loss)		(1 372)	(1 224)	(1 757)	(731)	(762)
Other financial items		(89)	(19)	(184)	(93)	(162)
<b>Profit / (Loss) before tax</b>		<b>4 450</b>	<b>(2 258)</b>	<b>(4 063)</b>	<b>(4 961)</b>	<b>(18 493)</b>
Tax income / (expense)		(468)	(725)	819	(1 742)	(8 350)
<b>Net Profit / (Loss) to equity holders</b>		<b>3 981</b>	<b>(2 983)</b>	<b>(3 244)</b>	<b>(6 703)</b>	<b>(26 843)</b>
<b>Total Comprehensive income / (loss) for the period</b>		<b>3 981</b>	<b>(2 983)</b>	<b>(3 244)</b>	<b>(6 703)</b>	<b>(26 843)</b>
Earnings per share		0,07	(0,05)	(0,06)	(0,12)	(0,49)
Diluted earnings per share		0,07	(0,05)	(0,06)	(0,12)	(0,49)
(Shares 1000)						
Basic shares outstanding average		54 449	54 449	54 449	54 068	54 260
Diluted shares outstanding average		59 128	59 075	59 126	58 961	59 080
Basic shares issued end of the quarter		54 449	54 449	54 449	54 449	54 449
Diluted shares issued end of the quarter		59 132	59 172	59 132	59 172	59 152

## Interim Consolidated Statement of Financial Position

(USD 1000)	Note	SPECTRUM GROUP		
		30.06.18 (Unaudited)	31.03.18 (Unaudited)	31.12.17 (Audited)
<b>Assets</b>				
<b>Non-current assets</b>				
Deferred tax assets		5 774	5 282	4 501
Goodwill		11 563	11 563	11 563
Software		179	182	228
Multi-Client library		178 605	186 494	169 408
Investment in Joint Ventures		2 430	2 430	2 430
Fixtures, fittings and office equipment		1 349	1 504	1 596
Other receivables		7 966	6 041	6 248
<b>Total non-current assets</b>		<b>207 866</b>	<b>213 496</b>	<b>195 973</b>
<b>Current assets</b>				
Work in Progress		1 822	5 744	13 016
Accounts receivable		31 935	25 762	43 437
Other receivables		23 008	23 952	21 875
Cash and cash equivalents		26 710	20 123	14 155
<b>Total current assets</b>		<b>83 475</b>	<b>75 582</b>	<b>92 484</b>
<b>Total assets</b>		<b>291 340</b>	<b>289 077</b>	<b>288 457</b>
<b>Shareholders' Equity and Liabilities</b>				
<b>Shareholders' equity</b>				
Share capital		8 945	8 945	8 945
Share premium		71 164	71 164	71 164
Other paid-in capital		61 191	61 054	60 959
Retained earnings		210	(404)	18 422
Foreign translation reserve		(2 467)	(2 467)	(2 467)
<b>Total equity</b>		<b>139 043</b>	<b>138 292</b>	<b>157 024</b>
<b>Liabilities</b>				
<b>Long term liabilities</b>				
Deferred tax liability		4 326	4 496	5 123
Long term interest bearing debt	<b>4</b>	16 318	23 384	23 438
Other liabilities		20 273	26 501	21 180
<b>Total long term liabilities</b>		<b>40 917</b>	<b>54 381</b>	<b>49 741</b>
<b>Current liabilities</b>				
Short term interest bearing debt	<b>4</b>	7 309	337	2 402
Accounts payable		32 371	35 890	30 159
Tax and other public duties payable		1 074	1 310	2 354
Other liabilities		70 625	58 868	46 782
<b>Total current liabilities</b>		<b>111 379</b>	<b>96 405</b>	<b>81 696</b>
<b>Total shareholders' equity and liabilities</b>		<b>291 340</b>	<b>289 077</b>	<b>288 457</b>



## 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			
<b>At 31 December 2016</b>	<b>8,826</b>	<b>69,885</b>	<b>60,336</b>	<b>45,265</b>	<b>(2,467)</b>	<b>181,845</b>	
Share options			318			318	
Share issues	120	1,279				1,399	
Profit / (Loss) for the period				(6,703)		(6,703)	
<b>At 30 June 2017</b>	<b>8,945</b>	<b>71,164</b>	<b>60,654</b>	<b>38,562</b>	<b>(2,467)</b>	<b>176,858</b>	
Share options			305			305	
Profit / (Loss) for the period				(20,140)		(20,140)	
<b>At 31 December 2017</b>	<b>8,945</b>	<b>71,164</b>	<b>60,959</b>	<b>18,422</b>	<b>(2,467)</b>	<b>157,024</b>	
IFRS 15 adjustment *				(11,600)		(11,600)	
<b>Opening balance at 1 January 2018</b>	<b>8,945</b>	<b>71,164</b>	<b>60,959</b>	<b>6,822</b>	<b>(2,467)</b>	<b>145,423</b>	
Share options			232			232	
Profit / (Loss) for the period				(3,244)		(3,244)	
Dividends				(3,368)		(3,368)	
<b>At 30 June 2018</b>	<b>8,945</b>	<b>71,164</b>	<b>61,191</b>	<b>210</b>	<b>(2,467)</b>	<b>139,043</b>	

\* 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	11,600

## Interim Consolidated Statement of Cash Flows

(USD 1000)	SPECTRUM GROUP				
	Quarter	Quarter	6 months	6 months	12 months
	ended	ended	ended	ended	ended
	30.06.18	30.06.17	30.06.18	30.06.17	31.12.17
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flows from operating activities:					
Profit / (Loss) before tax	4 450	(2 258)	(4 063)	(4 961)	(18 493)
Income taxes/other taxes paid	-	-	-	-	-
Depreciation, amortisation and impairment	23 680	24 930	37 803	47 004	108 729
Interest expense, net	518	396	768	811	1 533
Share options granted	137	157	232	306	611
Working capital changes	(6 131)	1 549	18 534	17 174	7 020
<b>Net cash flow from operating activities</b>	<b>22 653</b>	<b>24 774</b>	<b>53 273</b>	<b>60 334</b>	<b>99 400</b>
Cash flows from investing activities:					
Investment in Multi-Client library	(15 563)	(31 331)	(37 799)	(58 611)	(82 359)
Investment in other assets	(86)	(130)	(199)	(310)	(969)
Sale / Disposal of assets	16	19	16	19	18
<b>Net cash flow from investing activities</b>	<b>(15 633)</b>	<b>(31 442)</b>	<b>(37 982)</b>	<b>(58 902)</b>	<b>(83 310)</b>
Cash flows from financing activities:					
Issued share capital	-	-	-	1 399	1 399
Proceeds of borrowings	-	-	-	-	2 505
Payment of borrowings	(203)	(3 163)	(2 296)	(11 357)	(20 518)
Interest paid	(329)	(400)	(617)	(821)	(1 574)
<b>Net cash flow from financing activities</b>	<b>(532)</b>	<b>(3 563)</b>	<b>(2 913)</b>	<b>(10 779)</b>	<b>(18 188)</b>
Net change in cash and cash equivalents	6 488	(10 231)	12 378	(9 347)	(2 098)
Net foreign exchange diff (unrealised)	99	409	177	380	426
Cash and cash equivalents at start of period	20 123	16 681	14 155	15 827	15 827
<b>Cash and cash equivalents at end of period</b>	<b>26 710</b>	<b>6 859</b>	<b>26 710</b>	<b>6 859</b>	<b>14 155</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 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 30<sup>th</sup> June 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 31<sup>st</sup> 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 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 Q2 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 99.8% 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.

	Spectrum Group				
	Quarter ended	Quarter ended	6 months ended	6 months ended	12 months ended
	30.06.18 (Unaudited)	30.06.17 (Unaudited)	30.06.18 (Unaudited)	30.06.17 (Unaudited)	31.12.17 (Audited)
(USD 1000)					
<b>Gross revenue</b>	<b>37 641</b>	<b>37 755</b>	<b>86 514</b>	<b>66 474</b>	<b>143 195</b>
<b>Revenue share</b>	<b>(14 234)</b>	<b>(7 373)</b>	<b>(36 141)</b>	<b>(10 787)</b>	<b>(24 346)</b>
Net early sales	9 322	22 231	23 053	37 606	57 216
Net late sales	14 085	8 170	27 228	18 090	61 384
Other revenue MC	-	(19)	4	(10)	17
<b>Net Multi-Client revenue</b>	<b>23 407</b>	<b>30 382</b>	<b>50 285</b>	<b>55 686</b>	<b>118 617</b>
Other revenue	-	-	-	-	-
Seismic imaging	55	21	88	42	233
<b>Net revenue</b>	<b>23 462</b>	<b>30 403</b>	<b>50 373</b>	<b>55 727</b>	<b>118 850</b>

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.

	Spectrum Group					
	Quarter ended	Africa /		Northwest	Group functions	
	30.06.18 (Unaudited)	South America	Mediterranean / Middle-East	Europe	Asia Pacific	Seismic imaging incl. Consolidated
(USD 1000)						
<b>Net revenue</b>		<b>13 891</b>	<b>5 092</b>	<b>2 766</b>	<b>1 670</b>	<b>43</b>
<b>Operating profit/(loss)</b>		<b>5 301</b>	<b>1 943</b>	<b>(508)</b>	<b>(907)</b>	<b>(7 799)</b>

	Spectrum Group					
	Quarter ended	Africa /		Northwest	Group functions	
	30.06.17 (Unaudited)	South America	Mediterranean / Middle-East	Europe	Asia Pacific	Seismic imaging incl. Consolidated
(USD 1000)						
<b>Net revenue</b>		<b>7 382</b>	<b>21 570</b>	<b>532</b>	<b>906</b>	<b>14</b>
<b>Operating profit/(loss)</b>		<b>(2 003)</b>	<b>10 327</b>	<b>(3 461)</b>	<b>(1 441)</b>	<b>(4 042)</b>

		Spectrum Group					
(USD 1000)	6 months ended 30.06.18 (Unaudited)	North and South America	Africa / Mediterranean / Middle-East	Northwest Europe	Asia Pacific	Group functions incl. Seismic imaging	Consolidated
<b>Net revenue</b>		<b>31 323</b>	<b>9 827</b>	<b>4 959</b>	<b>4 187</b>	<b>77</b>	<b>50 373</b>
<b>Operating profit/(loss)</b>		<b>11 993</b>	<b>2 671</b>	<b>(1 633)</b>	<b>(363)</b>	<b>(15 305)</b>	<b>(2 637)</b>

		Spectrum Group					
(USD 1000)	6 months ended 30.06.17 (Unaudited)	North and South America	Africa / Mediterranean / Middle-East	Northwest Europe	Asia Pacific	Group functions incl. Seismic imaging	Consolidated
<b>Net revenue</b>		<b>11 325</b>	<b>38 088</b>	<b>4 845</b>	<b>1 436</b>	<b>33</b>	<b>55 727</b>
<b>Operating profit/(loss)</b>		<b>(6 633)</b>	<b>17 454</b>	<b>(2 334)</b>	<b>(3 230)</b>	<b>(8 583)</b>	<b>(3 326)</b>

## NOTE 4 – BANK FACILITIES

### *Revolving credit facility:*

As of 30 June 2018 Spectrum had a fully utilized credit facility of MUSD 23.1. MUSD 16.1 is classified as long term interest bearing debt in the financial statements. MUSD 7 is due within 12 months and is classified as short term interest bearing debt in the financial statements.

### *Overdraft facility:*

In Q4 2017 Spectrum secured a new overdraft facility of up to MUSD 5. As of 30 June 2018 the overdraft facility was unutilized. When the facility is utilized it is classified as short term interest bearing debt in the financial statements.

### *Covenants as of 30 June 2018:*

- Equity ratio (excl. goodwill) > 40.0%
- NIBD / 12 months EBITDA less MC cash CAPEX < 1.50

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

In July 2018 the overdraft facility was increased from MUSD 5 to MUSD 30.

**NOTE 5 - TWENTY LARGEST SHAREHOLDERS AT 8<sup>TH</sup> OF AUGUST 2018**

	Shareholders	Shares	%	Country
1	ALTOR INVEST 1 AS	8 000 232	14,7%	NOR
2	ALTOR INVEST 2 AS	8 000 232	14,7%	NOR
3	SWEDBANK ROBUR SMABOLAGSFOND	2 898 964	5,3%	GBR
4	SKANDINAVISKA ENSKILDA BANKEN S.A.	2 574 069	4,7%	LUX
5	GROSS MANAGEMENT AS	2 493 995	4,6%	NOR
6	SOCIETE GENERALE	1 958 000	3,6%	BEL
7	JPMORGAN CHASE BANK, N.A., LONDON	1 886 482	3,5%	GBR
8	VERDIPAPIRFONDET PARETO INVESTMENT	1 798 000	3,3%	NOR
9	STATE STREET BANK AND TRUST COMP	1 615 212	3,0%	USA
10	HOLBERG NORGE	1 308 082	2,4%	NOR
11	JPMORGAN CHASE BANK, N.A., LONDON	974 112	1,8%	GBR
12	INVESCO PERP EURAN SMLER COMPS FD	822 427	1,5%	BEL
13	VPF NORDEA NORGE VERDI	767 908	1,4%	NOR
14	VEVLEN GÅRD AS	715 000	1,3%	NOR
15	STATE STREET BANK AND TRUST COMP	702 417	1,3%	USA
16	NORRON SICAV - TARGET	642 000	1,2%	LUX
17	EUROCLEAR BANK S.A./N.V.	586 717	1,1%	BEL
18	VPF NORDEA KAPITAL	567 649	1,0%	NOR
19	BNP PARIBAS SECURITIES SERVICES	501 361	0,9%	FRA
20	VERDIPAPIRFONDET DNB SMB	495 416	0,9%	NOR
	Other	15 140 828	27,8%	
	<b>Total number of shares</b>	<b>54 449 103</b>	<b>100,0%</b>	

**NOTE 6 – SHARES OWNED BY THE SPECTRUM BOARD OF DIRECTORS, MANAGEMENT AND INSIDERS AT 8<sup>TH</sup> OF AUGUST 2018**

	Shareholder	Shares	%	Country
1	Glen Rødland (1)	2,493,995	4.58 %	NOR
2	Richie Miller	219,505	0.40 %	USA
3	Rune Eng	131,694	0.24 %	NOR
4	Jan Schoolmeesters	34,461	0.06 %	NOR
5	Kim Gunn Maver	8,000	0.01 %	DEN
6	Henning Olset	8,000	0.01 %	NOR
7	Svein Staaen	7,333	0.01 %	NOR
8	Graham Mayhew	4,000	0.01 %	GBR
9	Bjarte Bakke	2,000	0.01 %	NOR
10	Ian Setterfield	1,586	0.01 %	GBR
11	Pål Stampe (2)	-	0.00 %	NOR
12	Maria Tallaksen (2)	-	0.00 %	NOR

**Notes:**

1. Shares held by Gross Management AS, wholly owned by Mr. Rødland
2. 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 2018**

Date	Report
26.10.2018	Quarterly Report – Q3
08.02.2019	Quarterly Report – Q4

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