



Spectrum ASA

2nd Quarter & Interim Results 2009

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2009 Summary

	<u>Q2</u>	<u>YTD</u>
Revenue	US\$11.78m	US\$25.37m
EBITDA	US\$2.62m	US\$4.93m
<i>% EBITDA/Revenue</i>	<i>22.2%</i>	<i>19.4%</i>
Cash flow from operations	US\$5.93m	US\$8.02m
Cash Balance		US\$17.39m

- On-board processing contract successfully completed
- GGS Atlantic finished Indian survey and mobilised to Gulf of Mexico for pre funded multi-client survey
- US\$2.75m investment in multi-client libraries during Q2
- Private Placement of 10m shares raised US\$7.7m for debt repayment scheduled July 09

SECOND QUARTER REPORT FOR SPECTRUM ASA

Spectrum has three operating segments, seismic data processing including on board data processing, the planning, compilation and licensing of multi-client seismic surveys and seismic data acquisition.

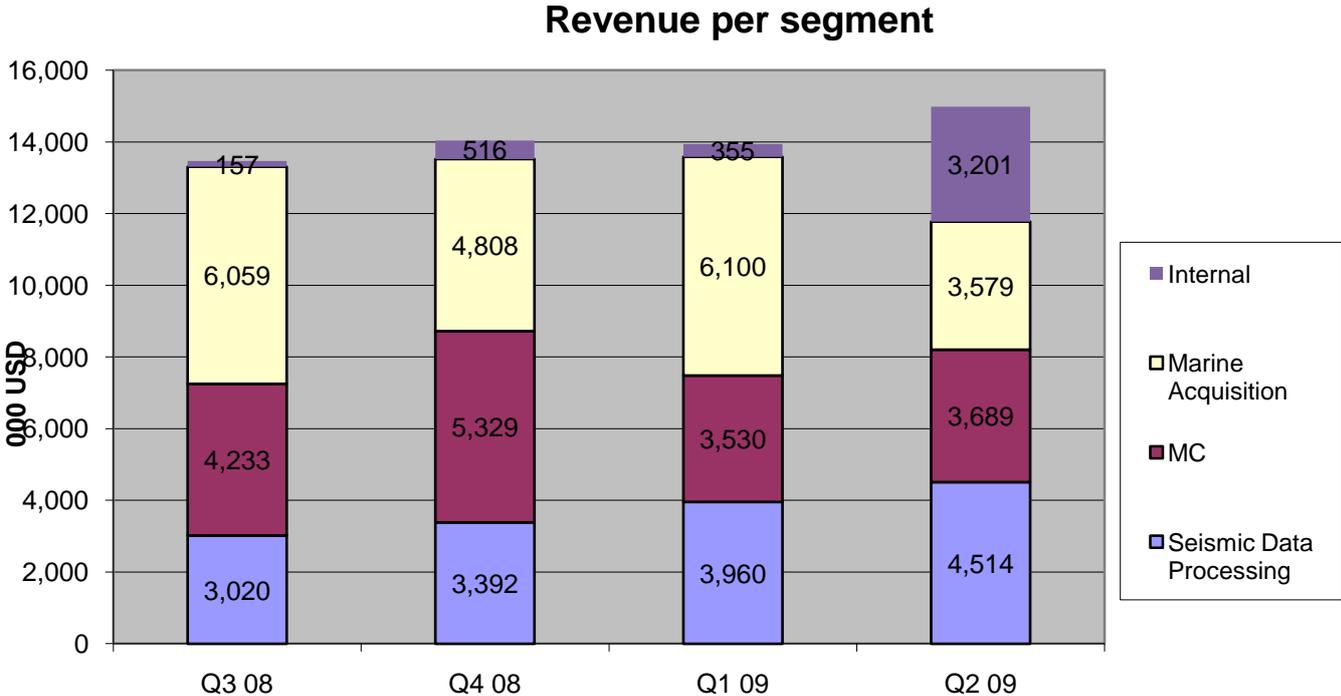
The market in Q2 continued to be challenging with Exploration & Production expenditure (E&P) being delayed or withdrawn by many international and national oil companies which has subsequently led to a slowing down in activity within the seismic markets.

The General Meeting held on 26th June as well as electing new board members, passed resolutions regarding the redemption of the NOK150m loan to Global Tender Barges ASA (GTB) (formerly Global Geo Services ASA), the private placement of 10m shares at NOK5.0 to raise MNOK50 and subsequent share issue of up to 2.5m shares at NOK5.0. The private placement was 100% completed while 982,027 shares were issued through the subsequent share issue with a total of MNOK54.9 raised before costs of MNOK3.5.

PROFIT AND LOSS

The company was incorporated on 28 March 2008; the trading activity of the group began on 1 July 2008 following the acquisition of the seismic business operations of GTB, as a consequence this will be the last period for which no quarterly comparative trading figures are provided.

Group revenues (external) for the second quarter were US\$11.78m which exceeded management expectations although down on the preceding quarters (US\$13.59m), this was as a direct result of the seismic vessel, GGS Atlantic finishing proprietary work before mobilising for an internal multi-client project.



Despite the reduction in external revenue Group EBITDA of US\$2.62m was up from Q1 09 by US\$0.31m (13.4%) as the impact of cost controls started to materialize together with a reduction in the level of on board processing provisions. As a result of the on-board processing contracts being completed in June the order backlog that was acquired with the purchase of the business in July 2008 has been fully amortised.

During the quarter direct headcount was reduced to 111 at 30th June down 13% from yearend without any detriment to the company's key competencies.

The purchase price allocation of the seismic business from GTB was completed in May and resulted in changes being made between different asset categories, additional charges for amortisation and depreciation of multi client libraries, software and backlog were taken in Q2. The additional charge taken in Q2 relating to Q1 totalled US\$0.58m making a *like for like* comparison of amortisation and depreciation USD2.61m (Q2) to USD2.31m (Q1).

BALANCE SHEET

The total assets of the company are US\$65.7m split between intangible assets of US\$28.0m, tangible assets of US\$4.8m, financial assets of US\$1.4m and current assets of US\$31.4m which are funded by equity of US\$27.4m, long term liabilities of US\$29.7m and current liabilities of US\$8.6m

The Balance sheet has been update to reflect the final purchase price allocation and the associated intangible impairments charged in 2008, which had not been finalized when the Q1 earnings release was prepared and issued, the differences are shown below.

(US\$000's)	Q1 Released	Q1 Restated	Difference
Goodwill	8,356	10,926	2,570
Software	5,004	4,657	(347)
Multi client library	15,773	11,931	(3,842)
Intangible assets	29,133	27,514	(1,619)
Tangible assets	4,982	4,982	-
Financial assets	1,683	1,683	-
Receivables & inventory	17,504	17,584	80
Cash & cash equivalents	6,565	6,565	-
Total Assets	59,867	58,328	(1,539)
Share capital	1,596	1,596	-
Share Premium reserve	27,944	19,684	(8,260)
Other equity reserves	(6,202)	-	6,202
Equity	23,338	21,280	(2,058)
Deferred tax liability	3,176	2,770	(406)
Long term debt	23,002	23,002	-
Other long term liabilities	3,875	3,581	(294)
Long term liabilities	30,053	29,353	(700)
Short term debt	646	646	-
Tax payable	(914)	(38)	876
Other liabilities	6,744	7,087	343
Current liabilities	6,476	7,695	1,219
Total shareholders' equity & liabilities	59,867	58,328	(1,539)

In the period there were additions to the multi client library of US\$2.75m relating to the mobilisation of Big Wave Phase 2 and the completion of other data sets in the Black Sea and US East Atlantic coast.

The main changes within current assets in the quarter were the reduction in inventory following on from the board processing contract finishing together with a further reduction in the level of trade debtors. Since the end of June cash continues to be aggressively collected and invoice disputes settled, which has had no effect on future revenue.

On 29th June the US\$7.76m (NOK50m) proceeds of the Private Placement were received prior to the shares being listed on 1st July. This gave a balance of cash and equivalents of US\$17.4m as strong trade debtor inflows added US\$3.1m to the Q1 balance. The company continues to consider that it has sufficient liquidity to meet its ongoing operational obligations.

Short term debt of US\$24.4m is predominately made up of a loan from GTB of US\$23.5m (MNOK150) to part fund the acquisition of the seismic assets purchased at 30th June 2008. The loan attracted interest payable quarterly in arrears at a rate of NIBOR 3-months +300 bps and following agreement with GTB a US\$7.84m (MNOK50) payment was made on 3rd July 2009 in full settlement of all obligations under the loan agreement.

Other long term liabilities of US\$3.9m include accruals for the GGS Atlantic dry docking scheduled under her planned maintenance program. The short term liabilities are US\$7.8m representing accruals and accounts payables.

The final balance sheet restructuring was completed in mid July following the repayment of the loan to GTB and the issuing of 982,027 ordinary shares in the subsequent share issue, had these 2 transactions been completed at the end of Q2 the balance sheet would be as follows.

(US\$000's)	Q2 actual	Proforma	Difference
Non-current assets	34,318	34,318	-
Receivables & inventory	14,138	14,138	-
Cash & cash equivalents	17,386	9,733	(7,653)
Total Assets	65,842	58,189	(7,653)
Share capital	3,155	3,285	130
Share Premium	23,525	23,578	53
Other equity reserves	(572)	15,102	15,674
Equity	26,108	41,965	15,857
Long term liabilities	6,992	6,992	-
Short term debt	24,382	872	(23,510)
Taxes payable	494	494	-
Other short term liabilities	7,865	7,865	-
Current liabilities	32,742	9,232	(23,510)
Total shareholders' equity & liabilities	65,842	58,189	(7,653)

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## SEGMENTAL UPDATES

## SEISMIC DATA PROCESSING



Seismic data processing services are provided from processing centers in UK, US, China, Egypt and on board seismic vessels. 2D and 3D processing is undertaken for a range of National and International oil companies in both time and depth. One of the core strengths of Spectrum is the experience of our processing geophysicists combined with carefully selected third party software to complement our own production processing platform, which is constantly being enhanced

with new processing techniques. All centers are connected with a high speed Virtual Private Network which facilitates continuous support from the primary computer centre in Houston, Texas.

As expected the on-board data processing contract was successfully completed during June following the completion of the acquisition of data for ONGC. The computer systems have been decommissioned and exported from India and were successfully installed in the Cairo data processing centre more than quadrupling capacity, which has been well received by the local market. In Q2 On-board processing contributed revenues of USD\$3.16m in line with expectations.

On shore based data processing revenue continues to be hit by the down turn and while there is some increase in the level of bid activity there remains intense pressure on margins. Spectrum continues to increase its profile in all geographic markets and raise awareness of its technical abilities both directly and through sales agents.

The Seismic data processing division contributed USD4.51m of revenue in the quarter up from USD3.96m in Q1. In addition they have been working on a number of internal projects for the multi-client team which had a market based internal revenue equivalent to \$0.9m during the period.

## MULTI-CLIENT SERVICES



Spectrum's multi-client library is composed of data and reports from many of the major oil producing as well as more frontier regions. The library includes newly acquired data as well as reprocessing of existing surveys. The library is comprised of more than 40 surveys with a total of more than 210,000km of 2D data together with a geoscan library covering in excess of 185,000km. These libraries are replenished and continually enhanced with the addition of new projects and the reprocessing of older components, and have increased by over 25% in

the last 12 months. There is currently 38,000km of 2D data being processed including the reprocessing of 15,800 km of North West Australian shelf data, extending from Exmouth Plateau to the Browse Basin commenced and is expected to be completed by the end of Q4 2009. Spectrum's multi-client teams are based in UK, US and Singapore.

The announcements in Q1 by Noble Energy of gas discoveries offshore Israel has maintained an increased level of interest in the Eastern Mediterranean data sets covering over 20,000kms held by Spectrum with a further significant sale made during the quarter. The eastern Gulf of Mexico also continues to be of significant interest with sales of existing Big

Wave Phase 1 and Phase 3 data sets and additional prefunding of Phase 2 being achieved in the period.

The Multi Client division produced revenues of US\$3.69m in the quarter but due to their nature sales tend to be lumpy with relatively short term visibility. All sales to date have been late sales from existing multi-client libraries.

Accounting principles - The multi-client library comprises completed seismic surveys and projects under development that can be licensed to a number of customers. The multi-client library is capitalised at cost less accumulated impairment losses and amortisation. Amortisation is a percentage of the book value by comparing the value of actual revenue in the period to the total forecast revenue of each project. In addition, the Group has a minimum amortisation policy where the carrying amount one year after completion is at a maximum 60% of cost. This maximum level is reduced by 20 percentage points for each of the three subsequent years.

Spectrum has taken an overview of the value of its libraries at the end of Q2 and as a result has not taken any additional impairment charges during Q2 2009, it will be undertaking a formal valuation effective the end of Q3 in accordance with its accounting practices.

MARINE ACQUISITION



On 12<sup>th</sup> May the GGS Atlantic completed the acquisition of the outstanding 4,400km of 2D seismic data offshore the East Coast of India thereby fulfilling its contractual obligations to GTB and Reliance Industries Limited.

The GGS Atlantic then mobilised through the Suez Canal to the Eastern Gulf of Mexico to acquire a 14,000km survey as part of Spectrum’s Big Wave Multi Client program.

As a result of the mobilisation to Gulf of Mexico revenue was US\$3.58m, which is in line with expectations for the quarter, the cost of mobilisation together with the acquisition of the survey will be internally charged to Multi Client and capitalised in accordance with our accounting policies. The acquisition of the internal project will continue through Q3 and into Q4 as a Well Tie extension of 2,000km has been added to the original Phase 2 survey.

Spectrum recognize that although there has been a reduction in seismic vessels in 2009 there remains over capacity in the market. Acquisition rates have fallen however a number of external opportunities are being pursued in conjunction with additional internal multi-client projects.



**SUBSEQUENT EVENTS**

On 3<sup>rd</sup> July 2009 a payment of USD7.84m (MNOK50) was paid to GTB in full and final settlement of all obligations under the loan agreement dated 28<sup>th</sup> May 2008.

On 17<sup>th</sup> July 2009 Spectrum issued 982,027 shares at a price of NOK 5.0 through a share Issue raising MNOK5.0 and MNOK1.39m after costs for both the private placement and subsequent share issue were accounted for. The total number of shares in issue after the transaction as recorded in the Company certificate is 19,088,479.

On 23<sup>rd</sup> July the GGS Atlantic started the acquisition of Spectrum’s Big Wave Phase 2 multi-client survey in the eastern Gulf of Mexico further expanding library coverage in the frontier region. The data processing sequence will include both Kirchhoff and Wave Equation pre stack depth migration (PSDM) initially processed on-board and then by Spectrum’s Houston data processing centre for delivery starting towards the end of 2009 and into Q1 10. This area is of significant industry interest and despite the continued market expectations of a drop in expenditure in 2009, this project is over 95% pre funded.



**FUTURE PROSPECTS**

The oil industry continues to investigate ways of matching long term supply and demand for gas and oil, making the seismic industry an attractive sub sector. It is Spectrum’s long term strategy to develop its expertise in core areas of data processing, multi-client services and marine acquisition.

With the demise of the on board processing contract during Q2 data processing revenues and margins will be reduced, Spectrum remains focused on securing new data processing contracts for its processing centers. It is anticipated that ONGC will release a tender for the next contracts during Q3 and we will use the experience gained over the last 15 months to gain a competitive advantage during this process.

The GGS Atlantic has been mobilized from India to the Eastern Gulf of Mexico to acquire Big Wave Phase 2 for our Multi client business unit. The Phase 2 program has been designed to enhance our already strong reputation in the Eastern Gulf of Mexico and consequently Spectrum has secured significant pre-funding for the project, which will allow Spectrum to recognize early sales revenue in addition to the late sales that have made up the total revenue for the past 12 months. With the additional Well Tie program the acquisition of this data is scheduled for completion by the end of November 2009 and processing in Q1 10.

Follow on work for the GGS Atlantic is being sought to maintain continuity of revenue. It is recognized that offshore acquisition is very competitive during the current market conditions hence the decision to mobilise the GGS Atlantic to the Gulf of Mexico rather than subcontract, a third party vessel.

In addition, Spectrum continues to capitalise on its expertise of evaluating targeted multi-client investment projects with a high level of pre-funding and securing new low risk re-processing opportunities. There are a number of such opportunities that are reaching latter

stages of evaluation, while the processing of some existing re-processing projects will be completed during Q3 and Q4 adding to Spectrum's extensive worldwide library.

Spectrum's management continue to monitor the capacity and resources available to the company in order to maximise revenue generating opportunities while controlling costs and retaining cash. Following the repayment of the long term debt the company is in a strong position to profitably leverage any strategic opportunities that are provided in an uncertain market.

Having reviewed the current strength of the Multi Client prospect list, level of data processing bid activity together with the commencement of data acquisition by the GGS Atlantic in Gulf of Mexico for the largely prefunded Big Wave survey, the Board continues to adopt a cautious but positive outlook for the Group's future activities.

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DIRECTORS RESPONSIBILITIES

We confirm that, to the best of our knowledge, the condensed financial statements for the 6 months ended 30th June 2009 have been prepared in accordance with IFRS as adopted by the EU in accordance with the Norwegian Accounting Act, giving a true and fair view of the Group's assets, liabilities, financial position and results of operation for the period.

Glen Ole Rødland
Chairman

Tone Bjørnov

Viggo Leisner

Anne Múrer

Sjur B Talstad

David Rowlands
Chief Executive Officer

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These condensed consolidated interim financial statements are prepared in accordance with the rules and regulations of the Oslo Axess Stock Exchange and International Financial Reporting Standard (IFRS) IAS 34, 'Interim Financial Reporting'. The accounting principles adopted in the preparation of these interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements. They are unaudited.

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All statements in this earnings release other than statements of historical fact are forward-looking statements which involve known and unknown risks, uncertainties and other factors which may cause Spectrum's actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements.

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CONDENSED INCOME STATEMENT (UNAUDITED)

Spectrum ASA  
Group Consolidated Income Statement

| (US\$000's)                              | Quarter<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.08 |
|------------------------------------------|------------------------------|-------------------------------|-------------------------------|
| Revenue                                  | 11,782                       | 25,371                        | -                             |
| Operating expenses                       | 9,162                        | 20,441                        | -                             |
| <b>EBITDA</b>                            | <b>2,620</b>                 | <b>4,930</b>                  | -                             |
| Depreciation / amortization              | (3,192)                      | (4,915)                       | -                             |
| <b>EBIT</b>                              | <b>(572)</b>                 | <b>15</b>                     | -                             |
| Interest expense, net                    | (268)                        | (705)                         | -                             |
| Foreign exchange loss                    | (1,983)                      | (3,039)                       | -                             |
| Share of profit / (loss) from associates | (275)                        | (275)                         | -                             |
| Other financial items                    | (26)                         | (24)                          | -                             |
| <b>Profit before tax</b>                 | <b>(3,124)</b>               | <b>(4,028)</b>                | -                             |
| Tax expense                              | 494                          | 512                           | -                             |
| <b>Net profit to equity holders</b>      | <b>(3,618)</b>               | <b>(4,540)</b>                | -                             |
| Earnings per share                       | (0.45)                       | (0.56)                        | -                             |
| Diluted earnings per share               | (0.45)                       | (0.56)                        | -                             |
| Basic shares outstanding average         | 8,106,452                    | 8,106,452                     | 8,106,452                     |
| Diluted shares outstanding average       | 8,106,452                    | 8,106,452                     | 8,106,452                     |

Spectrum ASA  
Group Consolidated Statement of Comprehensive Income

| (US\$000's)                                                             | Quarter<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.08 |
|-------------------------------------------------------------------------|------------------------------|-------------------------------|-------------------------------|
| Net profit / (loss)                                                     | (2,283)                      | (3,014)                       | -                             |
| Exchange differences on translation of foreign operations               | 650                          | 599                           | -                             |
| <b>Comprehensive income for the period net of tax to equity holders</b> | <b>(1,633)</b>               | <b>(2,415)</b>                | -                             |

## CONDENSED BALANCE SHEET (UNAUDITED)

Spectrum ASA  
Group Consolidated Balance Sheet

| (US\$000's)                                       | 30.06.09 | 30.06.08 |
|---------------------------------------------------|----------|----------|
| <b>Assets</b>                                     |          |          |
| <b>Non-current assets</b>                         |          |          |
| <b>Intangible assets</b>                          |          |          |
| Goodwill                                          | 10,926   | 13,089   |
| Software                                          | 4,310    | 5,835    |
| Order Backlog                                     | -        | 1,429    |
| Multi-client library, net                         | 12,786   | 22,718   |
| Total intangible assets                           | 28,022   | 43,071   |
| <b>Tangible assets</b>                            |          |          |
| Machinery and equipment                           | 2,208    | 2,194    |
| Fixtures, Fittings & Office Equipment             | 2,630    | 2,558    |
| Total tangible assets                             | 4,838    | 4,752    |
| <b>Financial assets</b>                           |          |          |
| Investment in joint ventures                      | 1,449    | 1,728    |
| Other investments                                 | 9        | 575      |
| Total financial assets                            | 1,458    | 2,303    |
| <b>Total non-current assets</b>                   | 34,318   | 50,126   |
| <b>Current assets</b>                             |          |          |
| Inventory                                         | 509      | 2,453    |
| Accounts receivable                               | 12,173   | 2,194    |
| Other receivables                                 | 1,456    | 8,840    |
| Total receivables and inventory                   | 14,138   | 13,487   |
| Cash and cash equivalents                         | 17,386   | 31,116   |
| <b>Total current assets</b>                       | 31,524   | 44,603   |
| <b>Total assets</b>                               | 65,842   | 94,729   |
| <b>Shareholders' Equity and Liabilities</b>       |          |          |
| <b>Shareholders' equity</b>                       |          |          |
| Share capital                                     | 3,155    | 1,596    |
| Share premium reserve                             | 23,525   | 27,953   |
| Other equity reserves                             | (572)    | (1,536)  |
| Total equity                                      | 26,108   | 28,013   |
| <b>Liabilities</b>                                |          |          |
| <b>Long term liabilities</b>                      |          |          |
| Deferred tax liability                            | 2,770    | 3,944    |
| Long term debt                                    | 313      | 30,296   |
| Other liabilities                                 | 3,909    | 216      |
| Total long term liabilities                       | 6,992    | 34,456   |
| <b>Current liabilities</b>                        |          |          |
| Short term debt                                   | 24,382   | 26,897   |
| Payable tax                                       | 494      | 145      |
| Other liabilities                                 | 7,865    | 5,218    |
| Total current liabilities                         | 32,742   | 32,260   |
| <b>Total shareholders' equity and liabilities</b> | 65,842   | 94,729   |

## EQUITY RECONCILIATION (UNAUDITED)

## Spectrum ASA Changes in Group Consolidated Equity

| (US\$000's)                | Issued<br>Capital | Share<br>Premium | Retained<br>Earnings | Other<br>Capital<br>Reserves | Total<br>Equity |
|----------------------------|-------------------|------------------|----------------------|------------------------------|-----------------|
| Balance @ 31 Dec 08        | 1,596             | 21,637           | -                    | (1,171)                      | 22,062          |
| Profit for period          | -                 | (731)            | -                    | -                            | (731)           |
| Other comprehensive income | -                 | -                | -                    | (51)                         | (51)            |
| Balance @ 31 Mar 09        | 1,596             | 20,906           | -                    | (1,222)                      | 21,280          |
| Share Issue                | 1,559             | 6,237            | -                    | -                            | 7,796           |
| Profit for period          | -                 | (2,283)          | -                    | -                            | (2,283)         |
| Other comprehensive income | -                 | -                | -                    | 650                          | 650             |
| <b>Balance @ 30 Jun 09</b> | <b>3,155</b>      | <b>24,860</b>    | <b>-</b>             | <b>(572)</b>                 | <b>27,443</b>   |

### CONDENSED CASHFLOW STATEMENT (UNAUDITED)

## Spectrum ASA Group Consolidated Cash Flows Statement

| (US\$000's)                                    | Quarter<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.08 |
|------------------------------------------------|------------------------------|-------------------------------|-------------------------------|
| Cash flows from operating activities:          |                              |                               |                               |
| Loss before tax                                | (2,283)                      | (2,184)                       | -                             |
| Depreciation and amortisation                  | 3,192                        | 4,916                         | -                             |
| Interest expense, net                          | 268                          | 709                           | -                             |
| Share of loss of associated undertakings       | 275                          | 275                           | -                             |
| Working capital changes                        | 4,473                        | 4,302                         | -                             |
| <b>Net cash flow from operating activities</b> | <b>5,925</b>                 | <b>8,018</b>                  | <b>-</b>                      |
| Cash flows from investing activities:          |                              |                               |                               |
| Acquisition of subsidiaries – cash acquired    | -                            | -                             | 1,380                         |
| Investment in multi-client library – new       | (2,756)                      | (3,112)                       | -                             |
| Investment in tangible assets                  | (396)                        | (550)                         | -                             |
| <b>Net cash flow from investing activities</b> | <b>(3,152)</b>               | <b>(3,662)</b>                | <b>1,380</b>                  |
| Cash flows from financing activities:          |                              |                               |                               |
| Issued share capital                           | 7,683                        | 7,683                         | 29,736                        |
| Equity transaction costs                       | -                            | -                             | -                             |
| Interest paid (net)                            | (268)                        | (709)                         | -                             |
| <b>Net cash flow from financing activities</b> | <b>7,415</b>                 | <b>6,974</b>                  | <b>29,736</b>                 |
| Net change in cash and cash equivalents        | 10,188                       | 11,330                        | 31,116                        |
| Net foreign exchange differences (unrealised)  | 633                          | 1,443                         | -                             |
| Cash & cash equivalents @:start                | 6,566                        | 4,613                         | -                             |
| <b>Cash and cash equivalents @ end</b>         | <b>17,386</b>                | <b>17,386</b>                 | <b>31,116</b>                 |

## Notes to the condensed interim financial statements

### Note 1 - General information

Spectrum (the Spectrum Group) consists of Spectrum ASA (the Company), its subsidiaries and associated undertakings. Spectrum ASA was established on 28 March 2008 as a limited company incorporated in Norway, with a share capital of 1,000,000 shares, each of nominal value of NOK 1. The address of the Company's registered office is Sjølyst plass 2, 0278 Oslo.

On 27 June 2008 the Company successfully placed its share offerings amongst new shareholders. The offering comprised 8,052,767 shares, with a subscription price of NOK 18.63 per share.

On 30 June 2008, the Company acquired the seismic business operations of GTB. The analysis of the final purchase price consideration was completed during Q2 2009 and reported in the Annual Report for 2008.

On 1 July 2008, the Company listed its shares on the Oslo Axess Stock Exchange.

On 27 June 2009 the Company successfully completed a private placement comprising 10,000,000 shares, with a subscription price of NOK 5 per share. On 17 July 2009 Spectrum had a subsequent share issue placing 982,027 shares, with a subscription price of NOK 5 per share. The proceeds of these transactions are to repay the loan from GTB having agreed the terms of the repayment and receiving approval at Spectrum's General Meeting on 26<sup>th</sup> June 2009.

### Note 2 – Accounting policies

The principal accounting policies applied by the Spectrum in the preparation of these condensed consolidated interim financial statements are set out below.

#### Principles of consolidation

The condensed consolidated interim financial statements comprise the financial statements of the Company and its subsidiaries and Spectrum's interest in equity accounted joint ventures as at 30<sup>th</sup> June 2009. 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.

All intra-group balances, income and expenses resulting from intra-group transactions are eliminated in full.

#### *Subsidiaries*

A subsidiary is defined as an entity where Spectrum ASA directly or indirectly has an ownership of more than 50% of the voting rights and is exercising financial and operational control over the entity. The subsidiaries are consolidated in full from the date on which the control was obtained by the group and are no longer consolidated from the date when control ceases. Acquisitions are accounted for using the purchase method. The purchase price is allocated to acquired assets and liabilities using fair value on the acquisition date. Any value exceeding fair value of identified assets and liabilities is recognized as goodwill.

### *Joint Ventures*

Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are accounted for using equity method in accordance with IAS 31, 'Interest in joint ventures', where consolidated financial statements include the group's share of profit and loss from the date on which joint control is attained and until such control ceases.

### *Subsidiaries with functional currency other than US\$*

The balance sheets of subsidiaries with functional currency other than US\$ are translated into US\$ at the rate prevalent on the balance sheet date. The income statement items are translated at the average period exchange rates. Exchange rate differences arising from the translation of financial statements of such subsidiaries are reflected in a separate component of the shareholders' equity.

### **Revenue Recognition**

Revenue is recognized when it is probable that the economic benefits from a transaction will flow to Spectrum and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts and sales taxes or duties. The following describes the specific principles:

#### *Acquisition*

Revenue is recognized for sales of units of work completed according to the terms of each particular agreement.

#### *Seismic data processing*

Revenue from seismic data processing is recognized in the same way as work in progress (percentage completion) according to the specific agreement.

#### *Multi-client surveys*

Revenue is recognized for sales of finished data at the time of the transaction; i.e. when the client has gained access to the data under a binding agreement.

#### *Work in progress*

Revenue from work in progress at the balance sheet date is recognized on a percentage completion basis under binding contracts, normally measured according to the acquired and processed volume of data in relation to the estimated total size of the project.

### **Income taxes**

#### *Current income tax*

For the full year income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by balance sheet date. For interim reporting periods the tax charge is calculated using an estimate of the effective tax rate expected for the full year.

#### *Deferred income tax*

Deferred income tax is provided using the liability method on all temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### **Accounting judgments, estimates and assumptions**

In the process of preparing financial statements, management is required to apply judgment, make estimates and assumptions that affect the amounts reported in the statements and accompanying notes. Management bases their estimates and assumptions on historical experience and other factors that believed to be reasonable under the circumstances. These estimates are the basis for judging the carrying value of assets and liabilities that do not appear directly from other sources. Actual results may differ from these estimates. The key sources of judgment and estimation of uncertainty at the balance sheet date and that have a significant risk of causing a material adjustment to the carrying amounts of these assets and liabilities within the next financial year, are discussed below.

#### *Acquisition of Subsidiaries*

Assets and liabilities acquired in the business combination are to be recognized at their fair value on the acquisition date according to IFRS 3. This requires an estimation of the fair value of individual assets, liabilities and contingent liabilities acquired, with the estimation of future cash flows from revenue generating units and discount rate to calculate the net present value of those cash flows.

#### *Multi-client library amortisation*

Amortisation is calculated as a percentage of the book value by comparing the value of actual revenue in the period to the total forecast revenue of each part of the library. The assumptions behind the total forecast revenue are based upon management assumptions.

### **Intangible assets**

#### *Business combinations and goodwill*

Business combinations are accounted for using the purchase method, which requires recognition of identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities) acquired at the fair value. Goodwill acquired in the business combination is initially recognized at cost being the difference between the purchase price and the net identifiable assets acquired. Following initial recognition, goodwill is to be measured at cost less any accumulated impairment loss.

#### *Multi-client library*

The multi-client library comprises completed seismic surveys and projects under development that can be licensed to a number of customers. The multi-client library is capitalised at cost less accumulated impairment losses and amortisation. Amortisation is a percentage of the book value by comparing the value of actual revenue in the period to the total forecast revenue of each project. In addition, the Group has a minimum amortisation policy where the carrying amount one year after completion is at a maximum 60% of cost. This maximum level is reduced by 20 percentage points for each of the three subsequent years.

The gross value of the multi client library includes the direct costs associated with the data acquisition and processing or purchased surveys for fully and partially completed surveys.

**Tangible non-current assets and principles of depreciation**

Tangible non-current assets are presented at historical cost less accumulated depreciation and impairment charges. If an indication of impairment exists an impairment test is performed. If the fair value of a non-current asset is lower than book value, the asset will be written down to the higher of fair value less cost to sell and value in use. Depreciation is determined in the life of an asset's useful life, varying from 3 to 7 years. Depreciation begins when assets are available for use.

**Note 3 – Business Combinations**

During the period there were no business combinations or disposals.

## Note 4 – Segmental Reporting

| (US\$000's)                                    | Quarter<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.09 | 6 months<br>ended<br>30.06.08 |
|------------------------------------------------|------------------------------|-------------------------------|-------------------------------|
| <b>Revenue – Gross</b>                         |                              |                               |                               |
| Seismic Data Processing                        | 5,417                        | 9,703                         | -                             |
| Multi Client                                   | 3,689                        | 7,203                         | -                             |
| Marine Acquisition                             | 5,877                        | 12,001                        | -                             |
|                                                | <b>14,983</b>                | <b>28,907</b>                 | <b>-</b>                      |
| <b>Revenue – Inter Group Sales Elimination</b> |                              |                               |                               |
| Seismic Data Processing                        | 903                          | 1,238                         | -                             |
| Multi Client                                   | -                            | -                             | -                             |
| Marine Acquisition                             | 2,298                        | 2,298                         | -                             |
|                                                | <b>3,201</b>                 | <b>3,536</b>                  | <b>-</b>                      |
| <b>Revenue – Net</b>                           |                              |                               |                               |
| Seismic Data Processing                        | 4,514                        | 8,465                         | -                             |
| Multi Client                                   | 3,689                        | 7,203                         | -                             |
| Marine Acquisition                             | 3,579                        | 9,703                         | -                             |
|                                                | <b>11,782</b>                | <b>25,371</b>                 | <b>-</b>                      |
| <b>EBITDA</b>                                  |                              |                               |                               |
| Seismic Data Processing                        | 17                           | (426)                         | -                             |
| Multi Client                                   | 1,290                        | 2,779                         | -                             |
| Marine Acquisition                             | 1,313                        | 2,577                         | -                             |
|                                                | <b>2,620</b>                 | <b>4,930</b>                  | <b>-</b>                      |
| <b>EBIT</b>                                    |                              |                               |                               |
| Seismic Data Processing                        | (1,169)                      | (1,854)                       | -                             |
| Multi Client                                   | (628)                        | (373)                         | -                             |
| Marine Acquisition                             | 1,225                        | 2,242                         | -                             |
|                                                | <b>(572)</b>                 | <b>15</b>                     | <b>-</b>                      |

## Note 5 – Non Current Intangible Assets

| (US\$000's)                  | Goodwill | Software | Multi Client<br>Libraries | Total   |
|------------------------------|----------|----------|---------------------------|---------|
| Balance @ 31 Dec 08          | 10,926   | 4,657    | 12,803                    | 28,386  |
| Additions                    | -        | -        | 3,112                     | 3,112   |
| Amortisation                 | -        | (347)    | (3,129)                   | (3,476) |
| Foreign exchange differences | -        | -        | 580                       | 580     |
| Balance @ 30 Jun 09          | 10,926   | 4,310    | 12,786                    | 28,022  |

## Note 6 – Tangible Assets

| (US\$000's)                  | Machinery<br>&<br>Equipment | Fixtures &<br>Office<br>Equipment | Total   |
|------------------------------|-----------------------------|-----------------------------------|---------|
| Balance @ 31 Dec 08          | 3,240                       | 2,084                             | 5,324   |
| Additions                    | -                           | 550                               | 550     |
| Depreciation                 | (516)                       | (520)                             | (1,036) |
| Foreign exchange differences | (94)                        | 94                                | -       |
| Balance @ 30 Jun 09          | 2,630                       | 2,208                             | 4,838   |

## Note 7 – Analysis of Debt

| (US\$000's)                   | <1 year | >1 year<br><5years | >5 years |
|-------------------------------|---------|--------------------|----------|
| Loan notes                    | 23,510  | -                  | -        |
| HP loans                      | 872     | 313                | -        |
| Taxation – current & deferred | 494     | 2,770              | -        |
| Other liabilities             | 7,774   | 3,909              | -        |
|                               | 32,630  | 6,992              | -        |

## Note 8 – Related Party Transactions

An analysis of related party transactions during 2009 are:

| (US\$000's)       | Spectrum-<br>Geopex<br>Joint<br>Venture | Geobridge<br>Pte<br>Joint<br>Venture | Global<br>Tender<br>Barges<br>Related<br>Party |
|-------------------|-----------------------------------------|--------------------------------------|------------------------------------------------|
| Revenue to        | -                                       | -                                    | 6,934                                          |
| Purchases from    | 100                                     | -                                    | -                                              |
| Interest from     | -                                       | -                                    | 683                                            |
| Amounts owed to   | -                                       | -                                    | -                                              |
| Amounts owed from | 281                                     | -                                    | 2,565                                          |

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