



# **Spectrum ASA**

## **2<sup>nd</sup> Quarter & Interim Results 2011**



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## Summary

(US\$000's)

|                                      | <u>Quarter ended</u> |             | <u>6 Months ended</u> |             |
|--------------------------------------|----------------------|-------------|-----------------------|-------------|
|                                      | <u>30 Jun</u>        |             | <u>30 Jun</u>         |             |
|                                      | <u>2011</u>          | <u>2010</u> | <u>2011</u>           | <u>2010</u> |
| Revenue*                             | 9,198                | 6,305       | 18,207                | 12,981      |
| EBITDA*                              | 4,797                | 1,635       | 5,883                 | 2,070       |
| % EBITDA/Revenue*                    | 52.2%                | 25.9%       | 32.3%                 | 15.9%       |
| EBIT                                 | 1,847                | (486)       | 1,558                 | (980)       |
| Net profit / (Loss)                  | 977                  | (1,682)     | 402                   | (2,424)     |
| Cash flow from operating activities* | 4,246                | 2,496       | 3,313                 | 4,026       |
| Investment in Multi Client Libraries | 5,918                | 8,138       | 7,271                 | 9,883       |
| Cash Balance                         | 6,161                | 12,446      | 6,161                 | 12,446      |

\*: Figures include both continuing and discontinued (marine acquisition) operations

### Quarter Highlights

- Multi Client revenue was US\$8.28m (10: US\$5.09m) with early sales of US\$0.5 (10: US\$ 2.4m) and late sales of US\$7.8m (10: US\$2.7m) recognised representing the second highest reported late sales in Spectrum's history. Multi Client reported a positive EBIT of US\$1.2m (10:US\$0.4m).
- Investment in multi-client libraries was US\$5.92m (10: US\$8.14m).
- The operation of the GGS Atlantic was transferred to SeaBird Exploration FZ LLC with effect from May 21<sup>st</sup>. Under the terms of the agreement SeaBird reimburse Spectrum for the bare boat charter and Spectrum transferred all service contracts for the operation of the vessel to SeaBird. As a consequence of this event, financial results for the marine acquisition operations have been presented as "discontinued operations" for both the current and comparative periods in the statements of comprehensive income and cashflows.
- From the date of transfer to June 10<sup>th</sup> the GGS Atlantic continued acquisition of Spectrum's Big Wave Phase V survey in the Gulf of Mexico.
- Spectrum will purchase USD 23m of 2D seismic acquisition services from SeaBird over a period of 36 months at fixed rates.
- Time processing for the Adriatic and East Mediterranean reprocessing surveys were both completed in June.

### 6 Months Highlights

- Multi-client revenue was US\$ 11.6m for the first half of the year (10: US\$7.08m) with early sales of US\$ 1.81m (10: US\$ 3.00m) and late sales of US\$9.81m (10: US\$4.08m)
- Investment in multi-client libraries was US\$7.27m (10: US\$9.88m).
- Acquisition of Spectrum's **Big Wave** Phase V survey was completed in June and processing of this data has commenced in-house.
- A geophysical interpretation report tying all of Spectrum's **Big Wave** data in the Gulf of Mexico together was commissioned in the first half of 2011 and was near to completion at June 30th.
- A new office was established in Brazil in preparation for acquisition activity later in 2011.
- Acquisition of a 150 sq km proprietary 3D contract offshore Trinidad completed generating external revenue of US\$4.37m (10: US\$3.7m).

## SECOND QUARTER REPORT FOR SPECTRUM ASA

Spectrum has three operating segments, licensing of multi-client seismic surveys "MC", seismic data processing "SDP", and the planning, compilation and offshore seismic acquisition "MA". The MA operating segment is considered a discontinued operation during Q2 and thereafter.

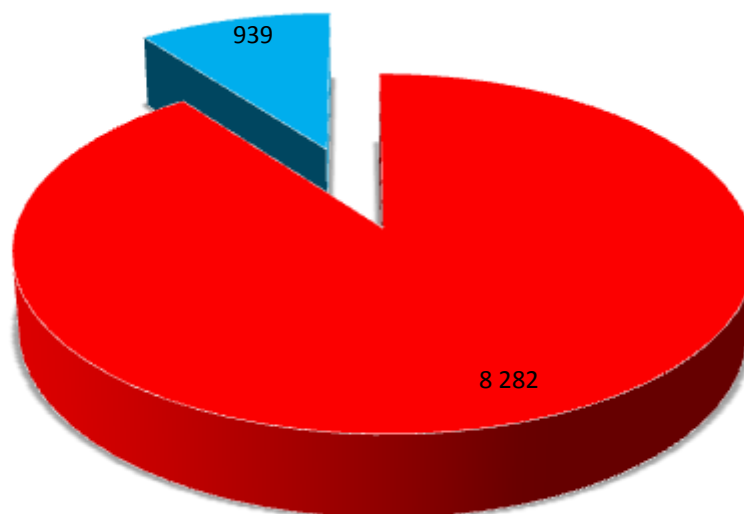
### STATEMENT OF COMPREHENSIVE INCOME

Spectrum experienced significant growth in Multi-client late sales in the second quarter, particularly with our existing and newly completed reprocessed data in the Eastern Mediterranean.

Group revenue (external) for continuing operations in the second quarter was US\$9.20m (10: US\$6.12m) which was in line with management expectations. The year on year increase reflects the higher multi-client late sales in 2011.

MC revenue showed an increase of US\$4.94m (148%) from the previous quarter to US\$8.28m (Q1 11: US\$3.34m) with late sales increasing by US\$5.83m (293%). SDP revenue decreased by 28% to US\$0.94m (Q1 11: US\$1.30m) reflecting a decreased third party workload.

**Q2 Revenue - External,  
Continuing operations**  
(\$000's)

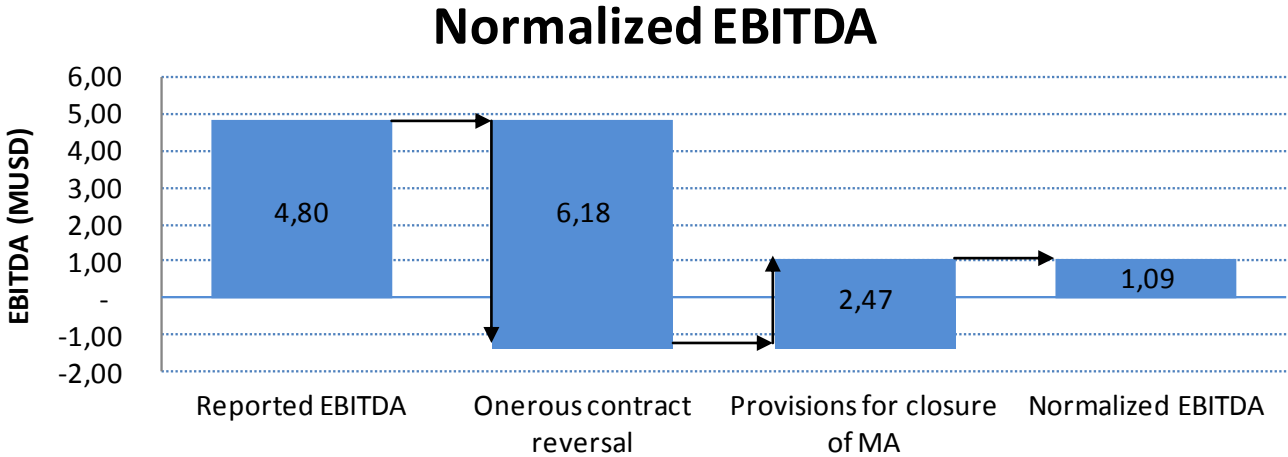


■ Multi-client

■ Seismic Data Processing

Group EBITDA for Q2 was US\$4.80m including discontinued operations (Q1 11:US\$1.09m). In the second quarter there were two significant one-off events relating to the closure of the marine acquisition operations that had a net positive effect on EBITDA of US\$ 3.71m. These events were the write-back of the remaining balance of the onerous contract provision for the bare boat charter of the GGS Atlantic that had been booked in Q4 2010 of US\$ 6.18m, and the creation of a provision for the closure of the marine acquisition business. Both of these adjustments were required due to the contract entered into with SeaBird exploration FZ LLC in the quarter, where this entity took over operation of the GGS Atlantic and effectively marked an end to the marine acquisition operations of Spectrum from May 21<sup>st</sup> 2011.

Adjusting for these one-off events, consolidated EBITDA would have been US\$1.09m for the quarter



## STATEMENT OF FINANCIAL POSITION

The total assets of the group were US\$63.16m at the end of the quarter, split between intangible assets of US\$37.64m, tangible assets of US\$2.36m, financial assets of US\$1.80m and current assets of US\$21.35m. These were funded by equity of US\$40.40m, long term liabilities of US\$3.98m and current liabilities of US\$18.78m.

In the period there were additions to the multi-client library of US\$5.92m predominately relating to the **Big Wave** Phase 5, **Big Wave** Phase 4, **Big Wave** Phase 1 reprocessing, Brazil and West Greenland surveys. These additions were offset by amortisation of US\$0.75m in the period. Management did not make any provision for any additional impairment of goodwill or the seismic data libraries in the quarter.

Tangible assets received an investment of US\$0.93m in the quarter, which was mainly due to the leasing of further Seismic Data processing software and associated hardware. Depreciation of tangible assets was unusually high in the second quarter due to the write-down of all assets associated with the GGS Atlantic to a zero balance to reflect the fact that Spectrum does not expect to earn any further revenue from use of these assets following the transfer of the operation of the vessel to SeaBird. Total depreciation of US\$2.14m resulted in a closing balance of US\$2.36m.

Excluding long term finance leases taken out against specific tangible assets, the company had no long term debt. The unrestricted cash balance decreased in Q2 by US\$1.21m to US\$6.16m, largely as a result of the increased investment in MC data libraries and delays in receiving prefunding payments from customers on completion of the **Big Wave** Phase II survey. Management considered that it had sufficient liquidity to meet its ongoing operational obligations.

Other long term liabilities of US\$3.43m included amounts payable in future periods for the closure of Spectrum's Marine Acquisition operations. Short term liabilities are US\$18.8m, decreased from US\$20.4m at the end of Q1, representing accounts payable, provision for the closure of the marine acquisition business and accruals.

The timing of the sales in the quarter has led to a decrease of US\$2.21m in work in progress to US\$2.33m, much of which should be invoiced and collected during Q3 11. Accounts payable have increased by US\$2.8m to US\$9.2m in the quarter.

During Q2 there has been a small decrease in accounts receivable from US\$10.18m to US\$8.73m as a result of payment being received after the end of Q1 for substantial MA balances.

## CASH FLOW

The balance of cash and cash equivalents has decreased by US\$1.22m to US\$6.16m.

Net cash flow from continuing operating activities was US\$3.20m for the quarter and US\$ 5.55m for the year to date, driven by the operating profit before taxes of US\$ 1.7m, amortisation and depreciation of US\$1.2m and share options granted to senior group management of US\$0.59m.

Net cash outflow from investing activities (continuing operations) was US\$6.93m due largely to investment of US\$5.92m in multi client library, demonstrating Spectrum's continuing commitment to expand and develop it's international database.

Net cash inflows for discontinued operations represented the net cash contribution from the marine acquisition operations of Spectrum, and a positive cash foreign exchange difference of US\$1m gave the overall cash decrease of US\$1.22m for the quarter

## MULTI-CLIENT SERVICES

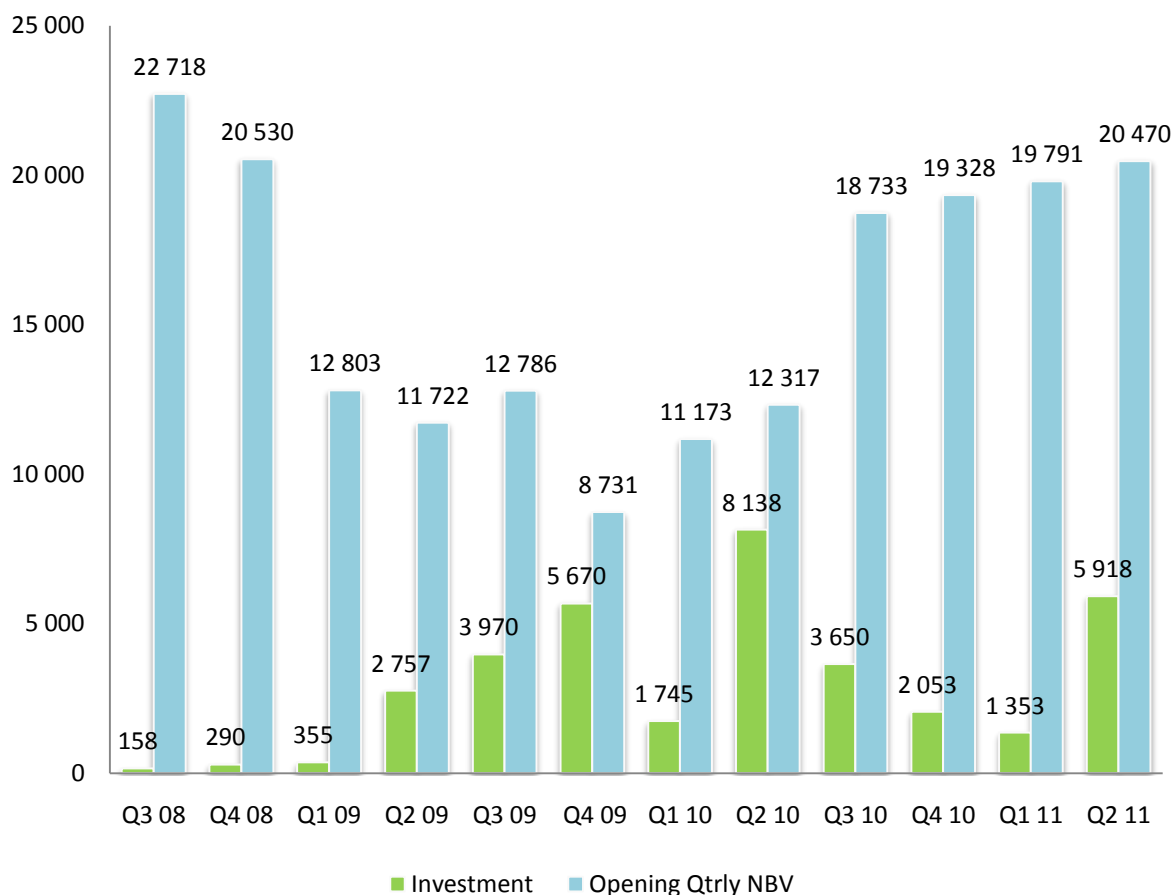


| (US\$000's)   | Q2 11 | Q2 10 |
|---------------|-------|-------|
| Late sales    | 7,821 | 2,727 |
| Early sales   | 461   | 2,359 |
| Total revenue | 8,282 | 5,086 |
| EBITDA        | 2,014 | 2,177 |
| Investment    | 5,918 | 8,138 |

The sales mix in a particular period has a marked effect on the amount of revenue share payable to partners in a period.

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 now comprises in excess of 590,000km of 2D data together with 32,700 sq km 3D library. The library is replenished and continually enhanced with the addition of new projects and the reprocessing of older data. There is currently approximately 75,000 of 2D data being processed by Spectrum and additional projects have received approval for processing once current projects have been released

## Investment in Multi client Libraries (\$000's)

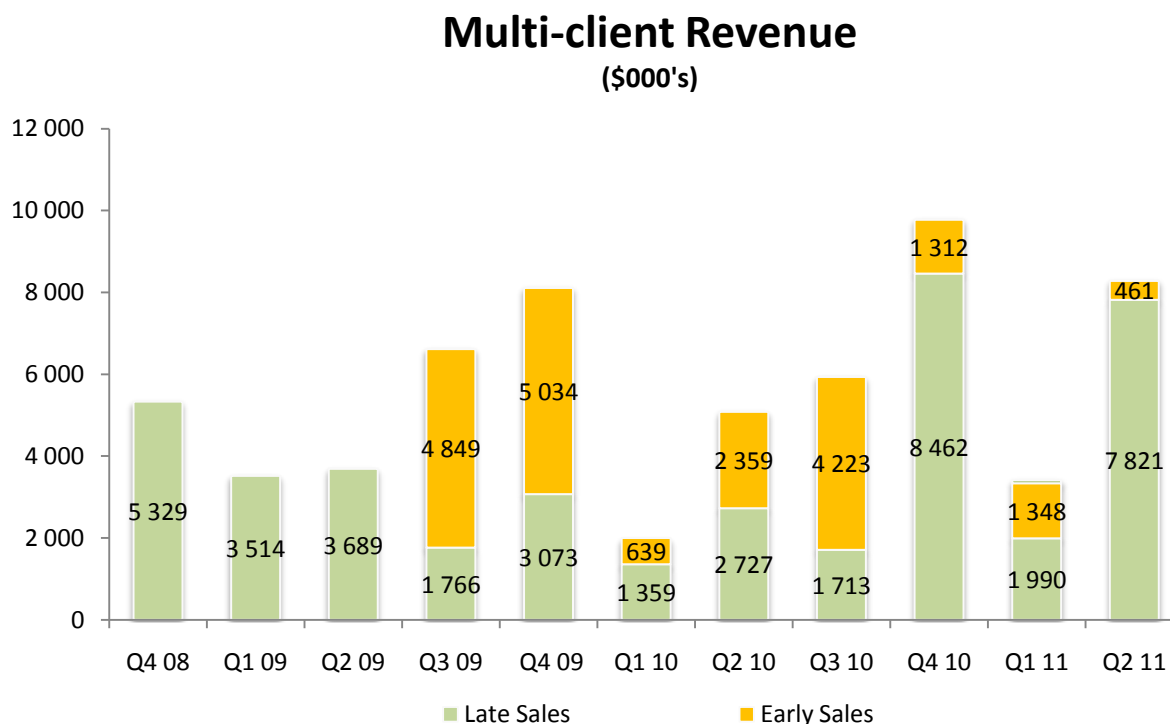


Acquisition of Spectrum's **Big Wave** Phase V survey was completed in June, an extension of approx. 10,000 Kms to Spectrum's substantial 2D footprint in this region. This further investment underlines Spectrum's long term belief in the value of this dataset and management expect continued interest from our clients given the regional nature of the program.

Spectrum invested US\$5.92m in its worldwide data libraries including **Big Wave** Phase V, Brazil and West Greenland together with detailed interpretation reports of the whole **Big Wave** region.

With the recent purchase of the CGGV marine MC2D library the total investment level for 2011 will exceed the previously guided level of US\$30m. In addition to the CGGV transaction Spectrum continues to pursue new MC projects

Revenue from Multi-client sales was 90% (10:81%) of total Spectrum Revenue in Q2 2010. Spectrum will continue to grow its multi client activity worldwide and there are currently advanced plans for several new acquisition programs spread over different basins around the world.



#### Accounting principles –

##### Multi-client libraries:

##### *Carrying Value*

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 booking, and are categorised as non-current intangible assets. These surveys are valued at cost (or fair value where purchased from a third party) less accumulated amortisation and impairment losses.

##### *Amortisation*

Accumulated Amortisation is calculated as the higher of amortisation according to sales or Spectrum's minimum amortisation policy. Cumulative sales amortisation is calculated as the proportion of cumulative revenue recognized for a survey to the total estimated revenue to be earned from that survey, multiplied by the total estimated cost for the survey. Spectrum's minimum amortisation policy is to reduce the carrying amount of a survey by 40% in the first year after completion, and by a further 20% in each of the subsequent years so that the carrying value of the survey will be reduced to zero within a maximum of four years after it has been completed.

### Revenue recognition


Early sales – When the Spectrum Group obtains funding for a particular survey before it is complete, revenue is recognized against that project on a percentage complete basis if all other revenue recognition criteria have been satisfied.

Late sales – Revenue earned against completed surveys are recognized at the time of the transaction when the customer executes a valid license agreement and has the right to access the licensed portion of the multi-client library.

### 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 formally at 30<sup>th</sup> September each year.

## SEISMIC DATA PROCESSING

|  (US\$000's) | Q2 11        | Q2 10        |
|------------------------------------------------------------------------------------------------|--------------|--------------|
| External revenue                                                                               | 939          | 1,033        |
| Internal revenue                                                                               | 1,632        | 2,247        |
| Total revenue                                                                                  | <u>2,571</u> | <u>3,280</u> |
| EBITDA                                                                                         | 301          | 941          |

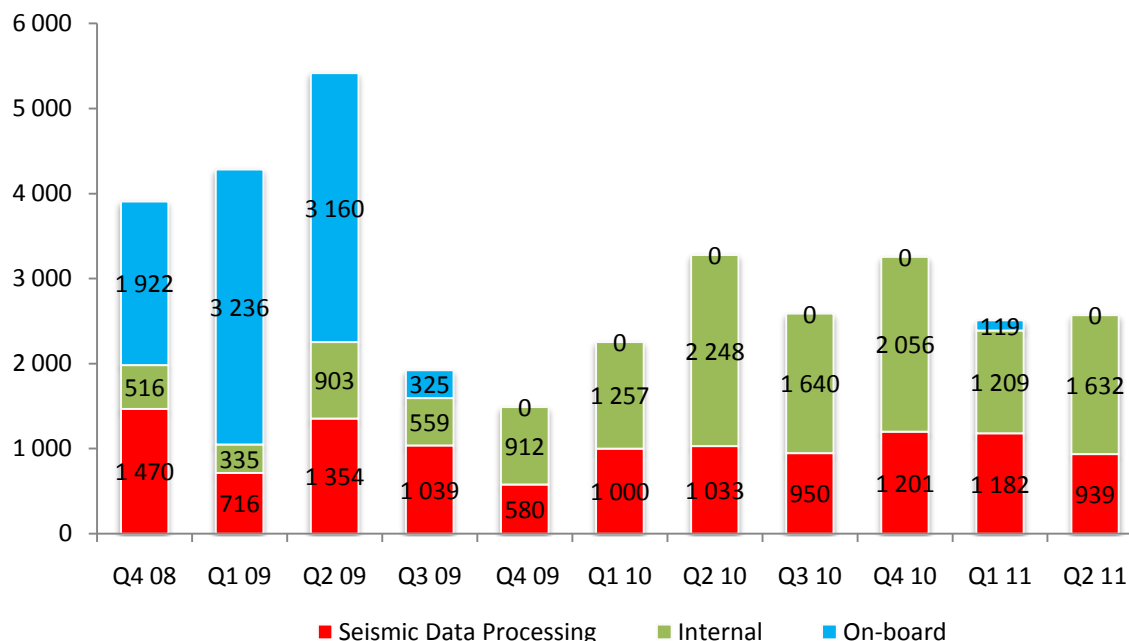
Seismic data processing is provided from processing centers in UK, US, China, Egypt and Indonesia. Spectrum's seismic processing technology is based on carefully selected third party software complemented by Spectrum's SPA production processing platform, which is constantly being enhanced with new processing techniques. All centers are connected by a high speed Virtual Private Network which facilitates continuous support and new processing techniques from the primary computer center in Houston.

The seismic data processing division contributed US\$0.94m (10:US\$1.30m) of external revenue in the quarter which was a decrease on the first quarter but within 10% of the average external revenue for the previous 6 quarters. In addition, a number of internal projects were processed for the multi client team which had an internal revenue equivalent to US\$1.63m (10:US\$2.47m). In Q2, 63% (10:69%) of the internal capacity of Spectrum's seismic data processing business unit has been utilized in processing data for multi client.

The seismic data processing division operated with a positive EBITDA of US\$0.30m.



## Seismic Data Processing Revenue - Gross (\$'000's)



|                  | Q2 11        | Q2 10        |
|------------------|--------------|--------------|
| (US\$'000's)     |              |              |
| External revenue | (23)         | 186          |
| Internal revenue | 3,686        | 2,604        |
| Total revenue    | <u>3,663</u> | <u>2,790</u> |
| EBITDA           | 2,481        | (1,483)      |

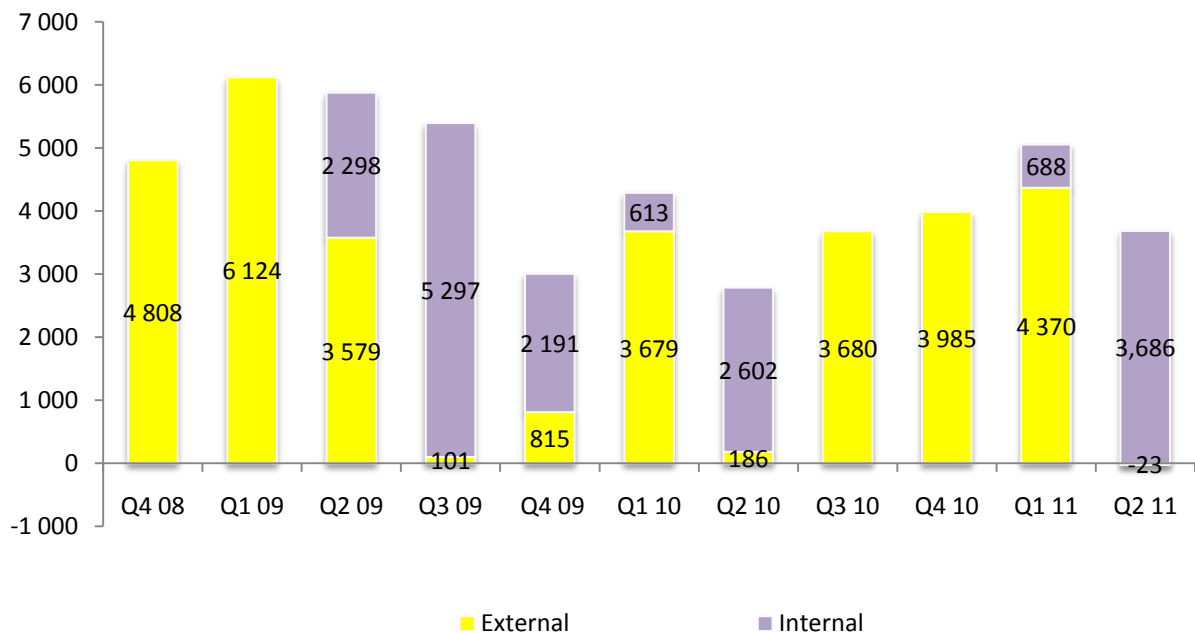
An agreement was signed with SeaBird Exploration FZ LLC ("SeaBird") in Q2 under which SeaBird took over operation of the GGS Atlantic with effect from midnight on May 20<sup>th</sup> until the end of the lease of the vessel in September 2012. Due to this agreement, Spectrum has effectively ceased operating in this market which will allow management to focus on growing and developing the core business of multi client seismic surveys. This has also led to the reversal of the onerous contract provision that was booked in Q4 of 2010 in the quarter and the establishment of a provision to cover legal and constructive obligations that remain with Spectrum as a result of this transaction.

Under the terms of this agreement, SeaBird effectively took on all service contracts associated with the operation of the GGS Atlantic, which will result in much reduced overhead costs for the Spectrum group as a whole in future periods as well as reducing the group's operational risk substantially.

Under a separate agreement, Spectrum have committed to purchase USD 23m of 2D seismic acquisition services from SeaBird over a period of 36 months at fixed rates.

## Marine Acquisition Revenue - Gross

(\$'000's)



### FUTURE PROSPECTS

With an oil price above 65 USD/BBL, Spectrum expects increased E&P spending in 2011, 2011 and 2011. Oil prices above this level will support increased investments in frontier areas, which we believe should benefit our multi client strategy going forward.

The debt free balance sheet gives Spectrum the opportunity to develop its strategic goals through both acquisition and internal growth.

With its experience in evaluating targeted multi client opportunities and the short and medium term focus of securing additional projects for seismic data processing, the Board of Directors have reviewed the prospects for Spectrum and continue to have confidence in the Group's future activities.

### SUBSEQUENT EVENTS

Spectrum announced strategic agreement with CGGVeritas in July 2011 in which Spectrum acquired more than 500,000 Km of 2D Seismic data for a price of US\$40m. Under the terms of the agreement, CGGVeritas will become a major shareholder in Spectrum ASA by taking a 25% stake in the company's equity.

This transaction has more than doubled the volume of Spectrum's 2D multi-client library and allows Spectrum instant access into a number of key sedimentary basins where it did not previously have a presence and adds datasets providing significant further data and very strong synergy in regions where Spectrum already has a strong presence.

Key areas where data has been added to Spectrum's multi client library include the North Sea, Africa, South America, the Mediterranean sea and the Gulf of Mexico.

This transaction effectively moves Spectrum to the number two market position in terms of the volume of 2D seismic data held worldwide.

## DIRECTORS RESPONSIBILITIES

We confirm that, to the best of our knowledge, the condensed financial statements for the 6 months ended 30<sup>th</sup> June 2011 have been prepared in accordance with rules and regulations of the Oslo Axess Stock Exchange and International Financial Reporting Standard (IFRS) IAS 34, 'Interim Financial Reporting' 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

Øystein Stray Spetalen

Ingrid Elvira Leisner

Gunnar Hvammen

Rune Eng  
*Chief Executive Officer*

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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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**SPECTRUM ASA**  
**Condensed Statement of Group Comprehensive Income**  
*(unaudited)*

|                                                           | Quarter<br>ended | Quarter<br>ended | 6 months<br>ended | 6 months<br>ended |
|-----------------------------------------------------------|------------------|------------------|-------------------|-------------------|
| (US\$000's)                                               | 30.06.11         | 30.06.10         | 30.06.11          | 30.06.10          |
| Revenue                                                   | 9,221            | 6,119            | 13,860            | 9,116             |
| Operating expenses                                        | (6,906)          | (3,001)          | (11,398)          | (5,061)           |
| <b>EBITDA</b>                                             | <b>2,315</b>     | <b>3,118</b>     | <b>2,462</b>      | <b>4,055</b>      |
| Depreciation / amortisation                               | (1,188)          | (2,054)          | (2,318)           | (2,924)           |
| <b>EBIT</b>                                               | <b>1,127</b>     | <b>1,064</b>     | <b>144</b>        | <b>1,131</b>      |
| Interest expense, net                                     | 6                | (1)              | (2)               | (12)              |
| Foreign exchange profit / (loss)                          | (913)            | (250)            | (1,182)           | (494)             |
| Share of profit / (loss) from associates                  | 63               | 70               | 94                | 96                |
| Other financial items                                     | (22)             | (29)             | (49)              | (48)              |
| <b>Profit / (Loss) before tax</b>                         | <b>261</b>       | <b>854</b>       | <b>(995)</b>      | <b>673</b>        |
| Tax expense                                               | (4)              | (986)            | (17)              | (986)             |
| <b>Net Profit / (Loss) from continuing operations</b>     | <b>257</b>       | <b>(132)</b>     | <b>(1,012)</b>    | <b>(313)</b>      |
| <b>Discontinued Operations</b>                            |                  |                  |                   |                   |
| Net Profit / (Loss) from discontinued operations          | 720              | (1,550)          | 1,414             | (2,111)           |
| <b>Net Profit / (Loss) to equity holders</b>              | <b>977</b>       | <b>(1,682)</b>   | <b>402</b>        | <b>(2,424)</b>    |
| Other comprehensive income:                               |                  |                  |                   |                   |
| Profit / (loss) on foreign currency exchange rates        | 1,661            | (1,194)          | 1,629             | 498               |
| <b>Total Comprehensive income / (loss) for the period</b> | <b>2,638</b>     | <b>(2,876)</b>   | <b>2,031</b>      | <b>(1,926)</b>    |
| Earnings per share                                        | 0.04             | (0.06)           | 0.02              | (0.10)            |
| Diluted earnings per share                                | 0.04             | (0.06)           | 0.02              | (0.10)            |
| Basic shares outstanding average                          | 26,588,479       | 26,588,479       | 26,588,479        | 25,146,490        |
| Diluted shares outstanding average                        | 26,588,479       | 26,588,479       | 26,588,479        | 25,146,490        |
| Basic shares in issue at the end of the quarter           | 26,588,479       | 26,588,479       | 26,588,479        | 26,588,479        |
| Diluted shares in issue at the end of the quarter         | 26,588,479       | 26,588,479       | 26,588,479        | 26,588,479        |

**SPECTRUM ASA**  
**Statement of Group Financial Position (unaudited)**

| (US\$ 000's)                                      | 30.06.11<br>(Unaudited) | 30.06.10<br>(Unaudited) | 31.12.10<br>(Audited) |
|---------------------------------------------------|-------------------------|-------------------------|-----------------------|
| <b>Assets</b>                                     |                         |                         |                       |
| <b>Non-current assets</b>                         |                         |                         |                       |
| <b>Intangible assets</b>                          |                         |                         |                       |
| Goodwill                                          | 11,513                  | 11,147                  | 11,330                |
| Software                                          | 488                     | 854                     | 610                   |
| Deferred tax                                      | -                       | 1,336                   | -                     |
| Multi-client library, net                         | 25,642                  | 18,733                  | 19,791                |
| <b>Total intangible assets</b>                    | <b>37,643</b>           | <b>32,070</b>           | <b>31,731</b>         |
| <b>Tangible assets</b>                            |                         |                         |                       |
| <b>Financial assets</b>                           |                         |                         |                       |
| Investment in joint ventures                      | 1,630                   | 1,417                   | 1,538                 |
| Other investments                                 | 165                     | 22                      | 21                    |
| <b>Total financial assets</b>                     | <b>1,795</b>            | <b>1,439</b>            | <b>1,559</b>          |
| <b>Total non-current assets</b>                   | <b>41,802</b>           | <b>36,998</b>           | <b>36,462</b>         |
| <b>Current assets</b>                             |                         |                         |                       |
| Inventory                                         | 314                     | 160                     | 111                   |
| Work in Progress                                  | 2,329                   | 3,365                   | 3,281                 |
| Accounts receivable                               | 8,725                   | 6,103                   | 10,455                |
| Other receivables                                 | 3,824                   | 1,696                   | 4,115                 |
| <b>Total receivables and inventory</b>            | <b>15,192</b>           | <b>11,324</b>           | <b>17,962</b>         |
| Cash and cash equivalents                         | 6,161                   | 12,446                  | 10,787                |
| <b>Total current assets</b>                       | <b>21,353</b>           | <b>23,770</b>           | <b>28,749</b>         |
| <b>Total assets</b>                               | <b>63,155</b>           | <b>60,768</b>           | <b>65,211</b>         |
| <b>Shareholders' Equity and Liabilities</b>       |                         |                         |                       |
| <b>Shareholders' equity</b>                       |                         |                         |                       |
| Share capital                                     | 4,597                   | 4,644                   | 4,597                 |
| Share premium reserve                             | 30,989                  | 43,873                  | 30,989                |
| Share options granted                             | 585                     | -                       | -                     |
| Retained earnings                                 | 4,520                   | 1,694                   | 3,543                 |
| Other equity reserves                             | (293)                   | (2,643)                 | (1,348)               |
| <b>Total equity</b>                               | <b>40,398</b>           | <b>47,568</b>           | <b>37,781</b>         |
| <b>Liabilities</b>                                |                         |                         |                       |
| <b>Long term liabilities</b>                      |                         |                         |                       |
| Deferred tax liability                            | 549                     | 550                     | 549                   |
| Long term debt                                    | -                       | -                       | -                     |
| Other liabilities                                 | 3,431                   | 2,655                   | 5,295                 |
| <b>Total long term liabilities</b>                | <b>3,980</b>            | <b>3,205</b>            | <b>5,844</b>          |
| <b>Current liabilities</b>                        |                         |                         |                       |
| Short term debt                                   | 824                     | 511                     | 490                   |
| Payable tax                                       | 509                     | 261                     | 103                   |
| Other liabilities                                 | 17,444                  | 9,223                   | 20,993                |
| <b>Total current liabilities</b>                  | <b>18,777</b>           | <b>9,995</b>            | <b>21,586</b>         |
| <b>Total shareholders' equity and liabilities</b> | <b>63,155</b>           | <b>60,768</b>           | <b>65,211</b>         |

**SPECTRUM ASA**  
**Condensed Statement of Group Cash Flows**  
**(unaudited)**

| (US\$000's)                                                       | Quarter<br>ended<br>30.06.11 | Quarter<br>ended<br>30.06.10 | 6 months<br>ended<br>30.06.11 | 6 months<br>ended<br>30.06.10 |
|-------------------------------------------------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|
| Cash flows from operating activities:                             |                              |                              |                               |                               |
| Profit / (Loss) before tax                                        | 1,701                        | (2,246)                      | 1,833                         | (1,438)                       |
| Depreciation and amortisation                                     | 1,205                        | 2,033                        | 2,362                         | 2,711                         |
| Interest expense, net                                             | 5                            | 1                            | 12                            | 12                            |
| Share of (profit) / loss of associated undertakings               | (62)                         | (70)                         | (94)                          | (96)                          |
| Share options granted                                             | 585                          | -                            | 585                           | -                             |
| Working capital changes                                           | (236)                        | (53)                         | 855                           | 4,569                         |
| <b>Net cash flow from operating activities</b>                    | <b>3,198</b>                 | <b>(335)</b>                 | <b>5,553</b>                  | <b>5,758</b>                  |
| Cash flows from investing activities:                             |                              |                              |                               |                               |
| Investment in subsidiary                                          | (93)                         | (241)                        | (129)                         | -                             |
| Acquisition of subsidiaries, cash acquired                        | -                            | -                            | -                             | 4                             |
| Investment in multi-client library – new                          | (5,918)                      | (8,138)                      | (7,271)                       | (9,883)                       |
| Investment in goodwill                                            | -                            | -                            | -                             | (2,170)                       |
| Investment in tangible assets                                     | (917)                        | (57)                         | (1,366)                       | (416)                         |
| <b>Net cash flow from investing activities</b>                    | <b>(6,928)</b>               | <b>(8,436)</b>               | <b>(8,766)</b>                | <b>(12,465)</b>               |
| Cash flows from financing activities:                             |                              |                              |                               |                               |
| Issued share capital                                              | -                            | -                            | -                             | 17,983                        |
| Equity transaction costs                                          | -                            | (178)                        | -                             | (851)                         |
| Deferred tax liability acquired                                   | -                            | -                            | -                             | 96                            |
| <b>Net cash flow from financing activities</b>                    | <b>-</b>                     | <b>(178)</b>                 | <b>-</b>                      | <b>17,228</b>                 |
| Net change in cash and cash equivalents , continuing operations   | (3,730)                      | (8,949)                      | (3,213)                       | 10,521                        |
| Net change in cash and cash equivalents , discontinued operations | 1,034                        | 1,358                        | (2,739)                       | (3,519)                       |
| Net foreign exchange diff (unrealised)                            | 1,479                        | (1,190)                      | 1,326                         | (393)                         |
| Cash & cash equivalents @ start of quarter                        | 7,378                        | 21,227                       | 10,787                        | 5,837                         |
| <b>Cash and cash equivalents @ end of quarter</b>                 | <b>6,161</b>                 | <b>12,446</b>                | <b>6,161</b>                  | <b>12,446</b>                 |

**SPECTRUM ASA**  
**Changes in Group Consolidated Equity**  
*(unaudited)*

| (US\$000's)                   | Issued<br>Capital | Share<br>Premium | Retained<br>Earnings | Share<br>options<br>granted | Other<br>Capital<br>Reserves | Total<br>Equity |
|-------------------------------|-------------------|------------------|----------------------|-----------------------------|------------------------------|-----------------|
| Balance @ 31 Dec 10           | 4,597             | 30,989           | 4,118                | -                           | (1,923)                      | 37,781          |
| Profit / (Loss) for period    | -                 | -                | (575)                | -                           | -                            | (575)           |
| Other comprehensive<br>income | -                 | -                | -                    | -                           | (32)                         | (32)            |
| Balance @ 31 Mar 11           | 4,597             | 30,989           | 3,543                | -                           | (1,955)                      | 37,174          |
| Profit / (Loss) for period    | -                 | -                | 977                  | -                           | -                            | 977             |
| Share options granted         | -                 | -                | -                    | 585                         | -                            | 585             |
| Other comprehensive<br>income | -                 | -                | -                    | -                           | 1,662                        | 1,662           |
| <b>Balance @ 30 Jun 11</b>    | 4,597             | 30,989           | 4,520                | 585                         | (293)                        | 40,398          |

# SPECTRUM ASA

## Notes to the condensed interim financial statements

### Note 1 - General information

Spectrum ASA (the company) is a public limited company listed on the Oslo Axess Stock Exchange. The address of it's registered office is Sjølyst Plass 2, N-0278 Oslo, Norway.

### Note 2 – Basis of preparation

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 2011. 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 2010 published in May 2011. Full details of the policies are described in Note 1 of those accounts and are available from the registered office.

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

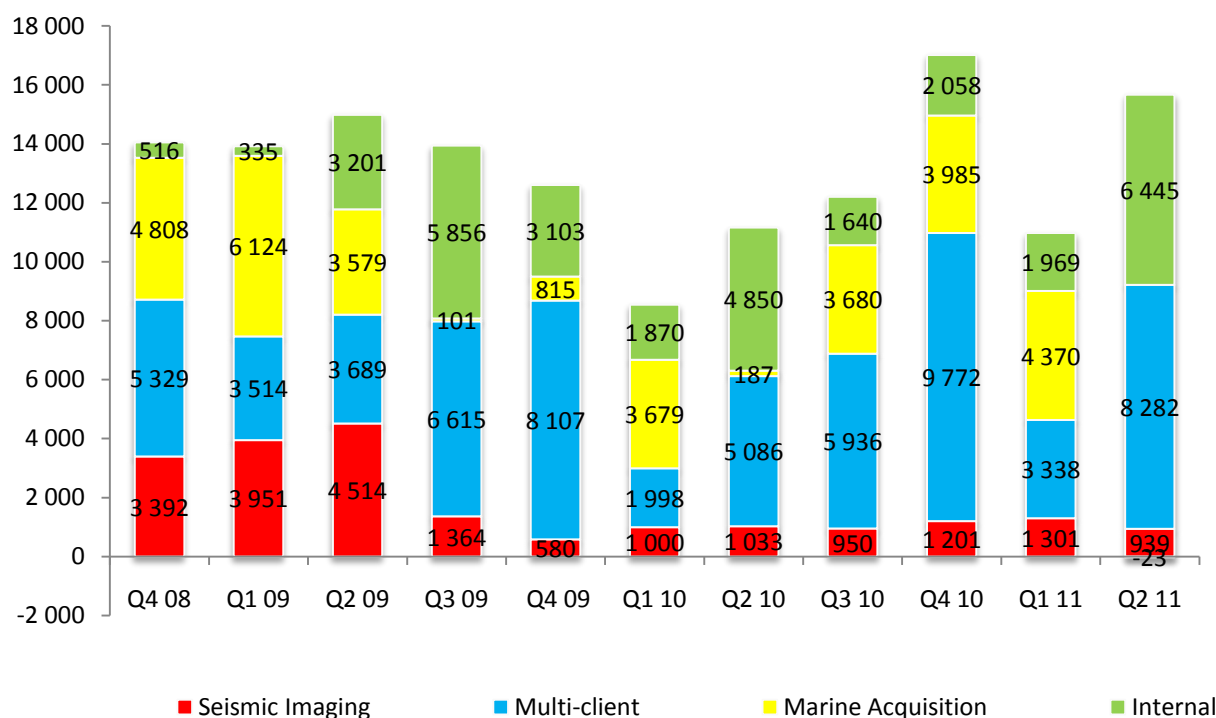
### Note 3 – Segmental Reporting

|                             | Quarter<br>ended<br>30.06.11 | Quarter<br>ended<br>30.06.10 | 6 months<br>ended<br>30.06.11 | 6 months<br>ended<br>30.06.10 |
|-----------------------------|------------------------------|------------------------------|-------------------------------|-------------------------------|
| (US\$000's)                 |                              |                              |                               |                               |
| Revenue – Gross             |                              |                              |                               |                               |
| Multi-Client                | 9,409                        | 5,086                        | 12,819                        | 7,084                         |
| Seismic Data processing     | 2,571                        | 3,280                        | 5,081                         | 5,537                         |
| Continuing operations total | 11,980                       | 8,366                        | 17,900                        | 12,621                        |
| Marine Acquisition          | 3,663                        | 2,790                        | 8,721                         | 7,082                         |
| <b>Total Gross Revenue</b>  | <b>15,643</b>                | <b>11,156</b>                | <b>26,621</b>                 | <b>19,703</b>                 |
| Revenue – Net               |                              |                              |                               |                               |
| Multi-Client                | 8,282                        | 5,086                        | 11,620                        | 7,082                         |
| Seismic Data processing     | 939                          | 1,033                        | 2,240                         | 2,034                         |
| Continuing operations total | 9,221                        | 6,119                        | 13,860                        | 9,116                         |
| Marine Acquisition          | (23)                         | 186                          | 4,347                         | 3,865                         |
| <b>Total Net Revenue</b>    | <b>9,198</b>                 | <b>6,305</b>                 | <b>18,207</b>                 | <b>12,981</b>                 |
| EBITDA                      |                              |                              |                               |                               |
| Multi-Client                | 2,014                        | 2,177                        | 2,489                         | 3,166                         |
| Seismic Data processing     | 301                          | 941                          | (27)                          | 889                           |
| Continuing operations total | 2,315                        | 3,118                        | 2,462                         | 4,055                         |
| Marine Acquisition          | 2,481                        | (1,483)                      | 3,420                         | (1,985)                       |
| <b>Total EBITDA</b>         | <b>4,796</b>                 | <b>1,635</b>                 | <b>5,882</b>                  | <b>2,070</b>                  |
| EBIT                        |                              |                              |                               |                               |
| Multi-Client                | 1,213                        | 421                          | 921                           | 806                           |
| Seismic Data processing     | (85)                         | 643                          | (777)                         | 325                           |
| Continuing operations total | 1,128                        | 1,064                        | 144                           | 1,131                         |
| Marine Acquisition          | 720                          | (1,550)                      | 1,414                         | (2,111)                       |
| <b>Total EBIT</b>           | <b>1,848</b>                 | <b>(486)</b>                 | <b>1,558</b>                  | <b>(980)</b>                  |

Note: After the allocation of group overheads which are based on a percentage of gross revenues of the respective segments.



## Revenue By Segment - Gross (\$'000's)



### Note 4 – Intangible Non-Current Assets

| (US\$000's)                  | Goodwill      | Software   | Multi Client  |               |
|------------------------------|---------------|------------|---------------|---------------|
|                              |               |            | Libraries     | Total         |
| Balance @ 31 Dec 10          | 11,330        | 610        | 19,791        | 31,731        |
| Additions                    | -             | -          | 7,271         | 7,271         |
| Amortisation                 | -             | (122)      | (1,483)       | (1,605)       |
| Foreign exchange differences | 183           | -          | 63            | 246           |
| <b>Balance @ 30 Jun 11</b>   | <b>11,513</b> | <b>488</b> | <b>25,642</b> | <b>37,643</b> |

**Note 5 – Tangible Fixed Assets**

| (US\$000's)                  | Machinery<br>&<br>Equipment | Fixtures &<br>Office<br>Equipment | Total   |
|------------------------------|-----------------------------|-----------------------------------|---------|
| Balance @ 31 Dec 10          | 1,463                       | 1,709                             | 3,172   |
| Additions                    | 499                         | 1,366                             | 1,865   |
| Depreciation                 | (1,962)                     | (757)                             | (2,719) |
| Foreign exchange differences | -                           | 47                                | 47      |
| Balance @ 30 Jun 11          | -                           | 2,365                             | 2,365   |

**Note 6 – Analysis of Other Current Liabilities**

| (US\$000's)         | 30.06.11<br>(Unaudited) | 30.06.10<br>(Unaudited) | 31.12.10<br>(Audited) |
|---------------------|-------------------------|-------------------------|-----------------------|
| Accounts payable    | 9,239                   | 2,213                   | 3,816                 |
| Deferred Income     | 558                     | 775                     | 729                   |
| Accrued expenses    | 4,034                   | 5,036                   | 9,998                 |
| Provisions          | 2,199                   | 408                     | 5,430                 |
| Other               | 1,414                   | 799                     | 1,040                 |
| Balance @ 31 Jun 11 | 17,444                  | 9,231                   | 21,013                |

**Note 7 – Related Party Transactions**

| (US\$000's)                                       | Spectrum<br>Geopex<br>Joint<br>Venture | Geobridge<br>Pte<br>Joint<br>Venture |
|---------------------------------------------------|----------------------------------------|--------------------------------------|
| For the 6 months ended 30 <sup>th</sup> June 2011 |                                        |                                      |
| Sales to                                          | 117                                    | -                                    |
| Purchases from                                    | 138                                    | -                                    |
| Amounts owed to                                   | 63                                     | -                                    |
| Amounts owed from                                 | 204                                    | -                                    |

## Note 8 – Cashflow movements for discontinued operations

|                                         | Quarter<br>ended | Quarter<br>ended | 6 months<br>ended | 6 months<br>ended |
|-----------------------------------------|------------------|------------------|-------------------|-------------------|
| (US\$000's)                             | 30.06.11         | 30.06.10         | 30.06.11          | 30.06.10          |
| Net cash flow from operating activities | 1,048            | 2,831            | (2,240)           | (1,732)           |
| Net cash flow from investing activities | (14)             | (1,473)          | (499)             | (1,787)           |
| Net cash flow from financing activities | -                | -                | -                 | -                 |

## Note 9 – Subsequent Events

Spectrum announced strategic agreement with CGGVeritas in July 2011 in which Spectrum acquired more than 500,000 Km of 2D Seismic data for a price of US\$40m. Under the terms of the agreement, CGGVeritas will become a major shareholder in Spectrum ASA by taking a 25% stake in the company's equity.

This transaction has more than doubled the volume of Spectrum's 2D multi-client library and allows Spectrum instant access into a number of key sedimentary basins where it did not previously have a presence and adds datasets providing significant further data and very strong synergy in regions where Spectrum already has a strong presence.

Key areas where data has been added to Spectrum's multi client library include the North Sea, Africa, South America, the Mediterranean sea and the Gulf of Mexico.

This transaction effectively moves Spectrum to the number two market position in terms of the volume of 2D seismic data held worldwide.



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