

4th Quarter and Full Year 2018 Results

Presenting:
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Cautionary Statement

This presentation contains both statements of historical fact and forward looking information. Any forward looking information is based on management assumptions and analysis and are subject to risks and uncertainties that are difficult to predict as they relate to events and/or circumstances in the future.

Actual results and events may differ materially from those expected or projected in the forward looking statements. Spectrum undertakes no responsibility or obligation to update or alter forward looking statements.

This presentation should be read in conjunction with the 4th quarter 2018 Earnings Release issued by Spectrum February 8th 2019.



2018 Highlights

Solid Multi-Client performance

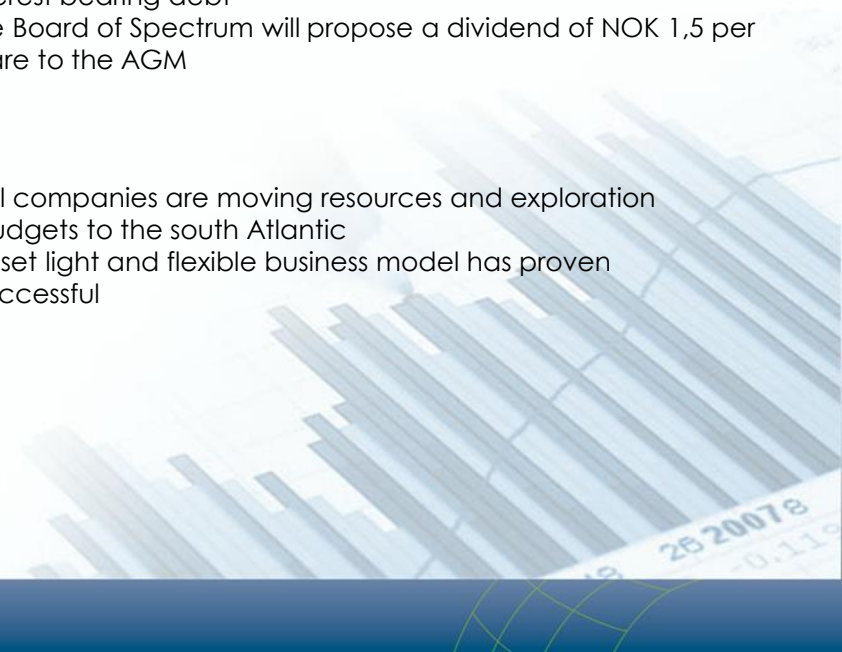
- Spectrum delivered best ever year for late sales – Late sales of MUSD 103 on a book value of MUSD 169 (61%)
- High investment activity and record high project backlog going into 2019
- Spectrum's first year with almost equal balance of 3D and 2D MC Investments
- Focus on project profitability with strict risk management of cash use; Increased use of Risk Share model

Strong financial performance

- Delivered on key financial targets for 2018
- Strong cash position with free cash flow every quarter; FCF of MUSD 22 for the year
- Strong balance sheet with positive cash balance and no net interest bearing debt
- The Board of Spectrum will propose a dividend of NOK 1,5 per share to the AGM

Multi-Client strategy in line with oil companies focus

- Oil companies are moving resources and exploration budgets to the south Atlantic
- Asset light and flexible business model has proven successful



Q4 2018 Results

Segment Reporting

	Q4-18	Q4-17	Change
Net Revenue	MUSD 53	MUSD 46	15%
EBITDA	MUSD 43	MUSD 38	13%
EBIT	MUSD 26	MUSD (7)	

- Early sales of MUSD 4 (MUSD 10) and Late sales of MUSD 49 (MUSD 36)
- Q4 2018 MC investments of MUSD 9, down from MUSD 10 in Q4 2017
- Q4 2018 Gross MC investments of MUSD 14, down from MUSD 27 in Q4 2017
- Operational cash flow of MUSD 13 (MUSD 16)
- Net cash of MUSD 38 end of quarter up from MUSD 36 end Q3

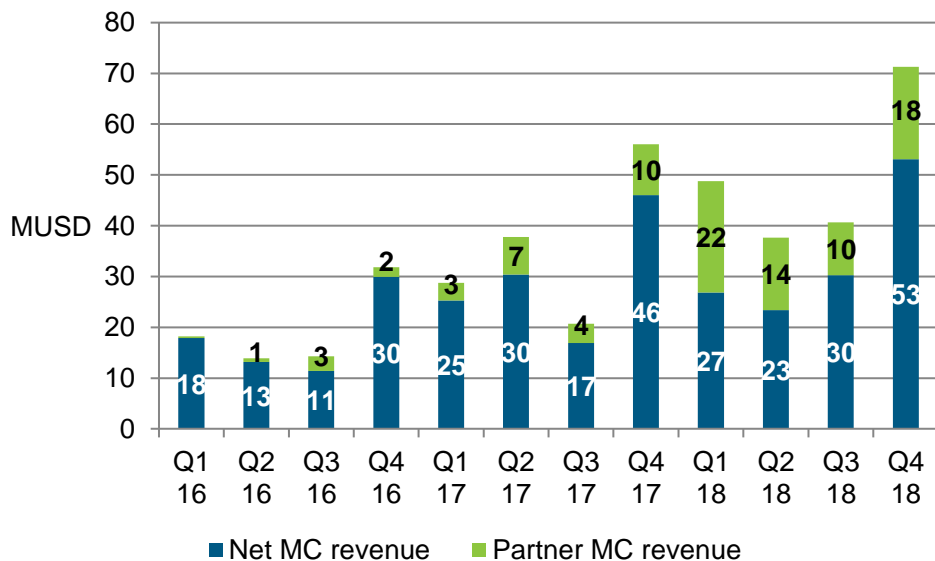
Full Year 2018 Results

Segment Reporting

	FY-18	FY-17	Change
Net Revenue	MUSD 134	MUSD 119	13%
EBITDA	MUSD 97	MUSD 93	5%
EBIT	MUSD 31	MUSD (16)	

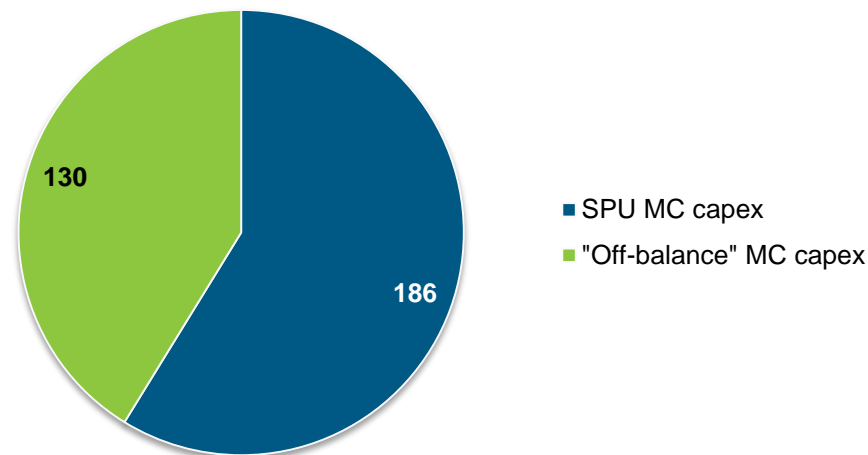
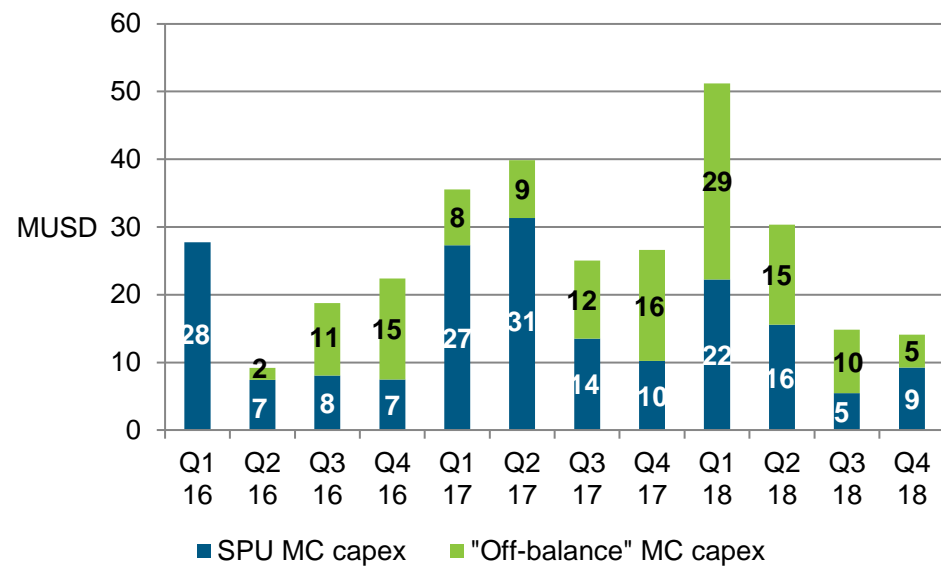
- Early sales of MUSD 31 (MUSD 57) and Late sales of MUSD 103 (MUSD 61)
- 2018 MC investments of MUSD 53, down from MUSD 82 in 2017
- 2018 Gross MC investments of MUSD 110, down from MUSD 127 in 2017
- Operational cash flow of MUSD 74 (MUSD 99)

MC Revenue and Capex



Increasing usage of Risk Share model

Spectrum accounts for revenue and capex on Risk Share projects on a net basis – high off balance investments in 2018

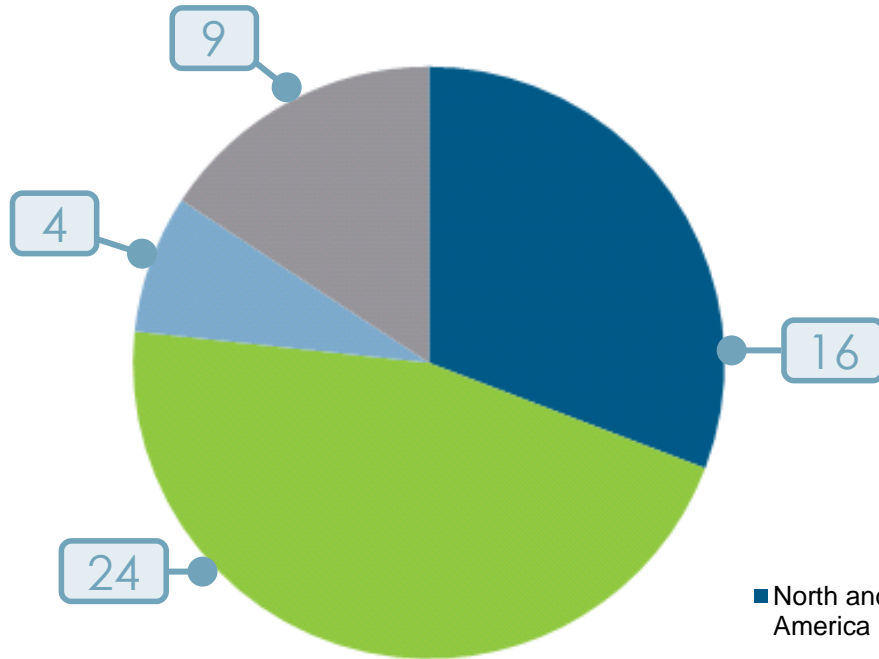


Gross MC capex 2016 – 2018 MUSD 316

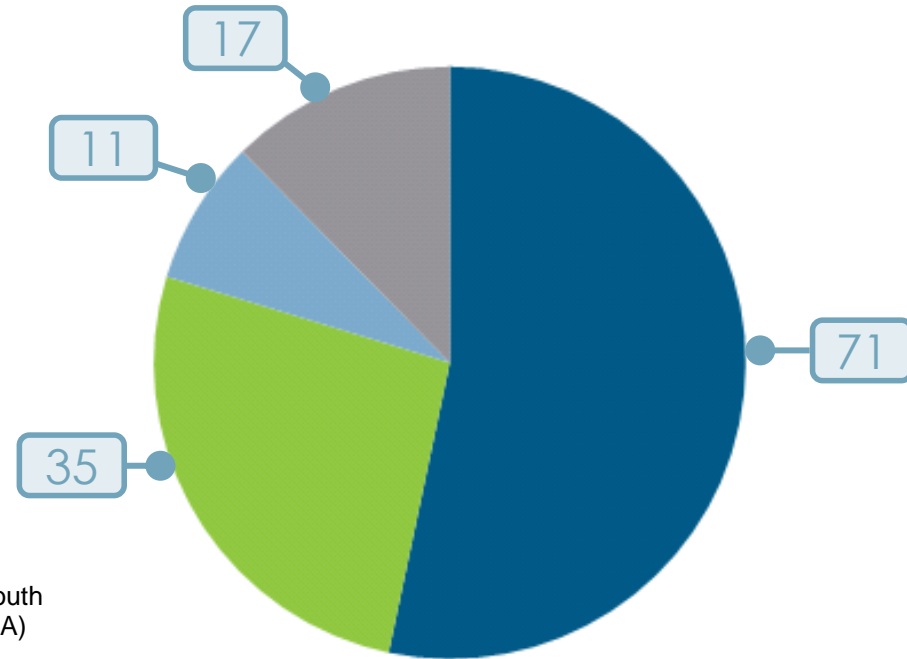
Q4 and 2018 MC Revenue by Region

Segment Reporting

Q4 2018 Net revenue MUSD 53



2018 Net revenue MUSD 134

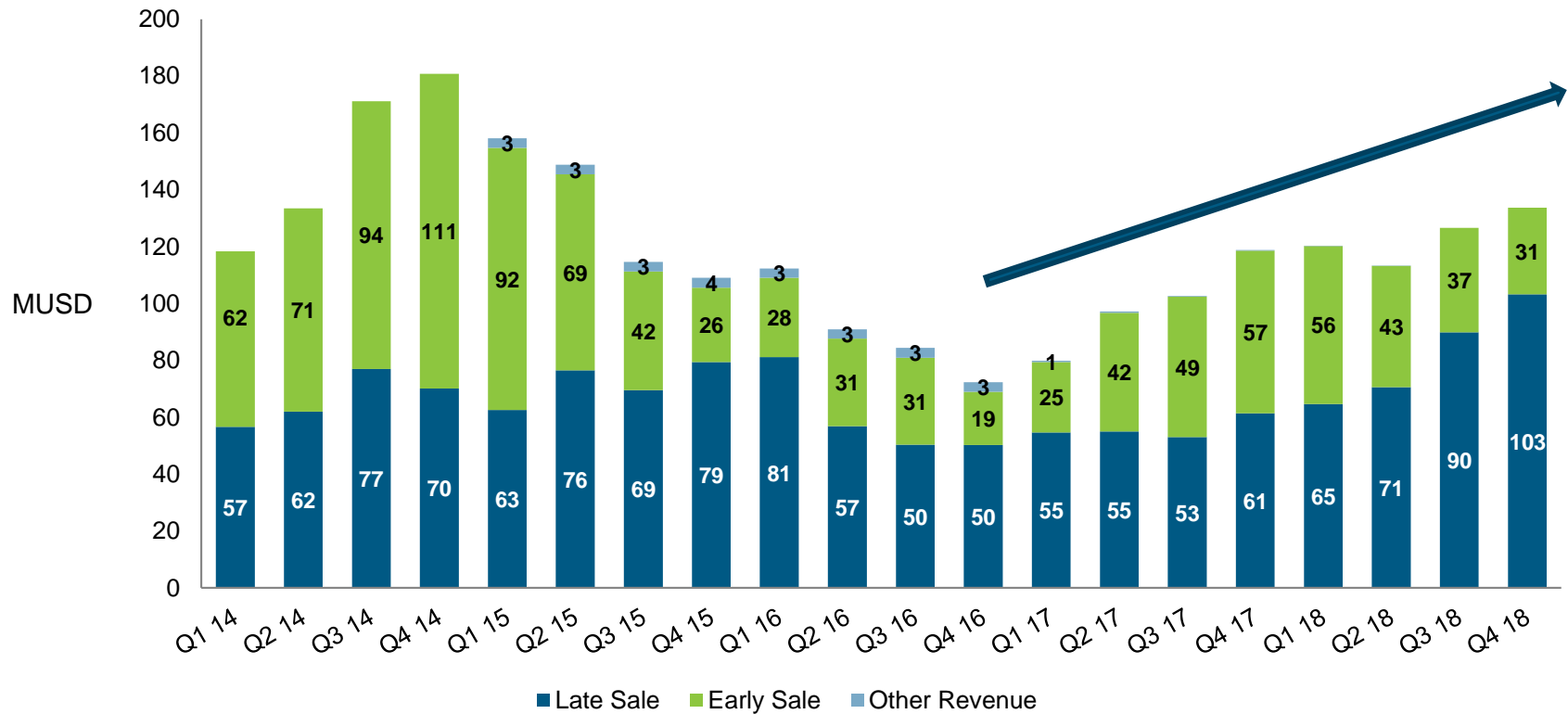


- North and South America (NSA)
- Africa, Mediterranean and Middle-East (AME)
- Northwest Europe (NWE)
- Asia Pacific (AP)

Rolling MC Net Sales

Segment Reporting

Late Sale, Early Sale and Other Revenue 4 Quarter Rolling

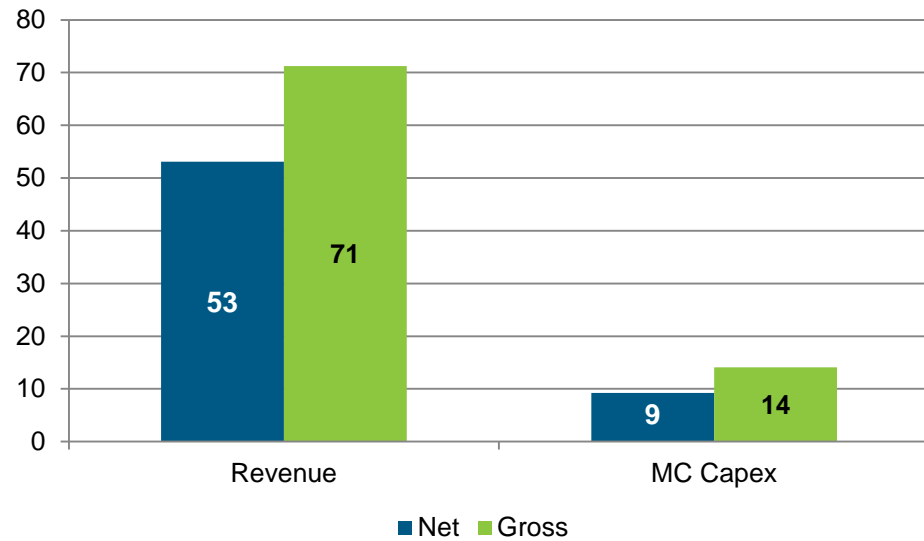


Q4 Gross revenue and Gross MC Capex

Segment Reporting

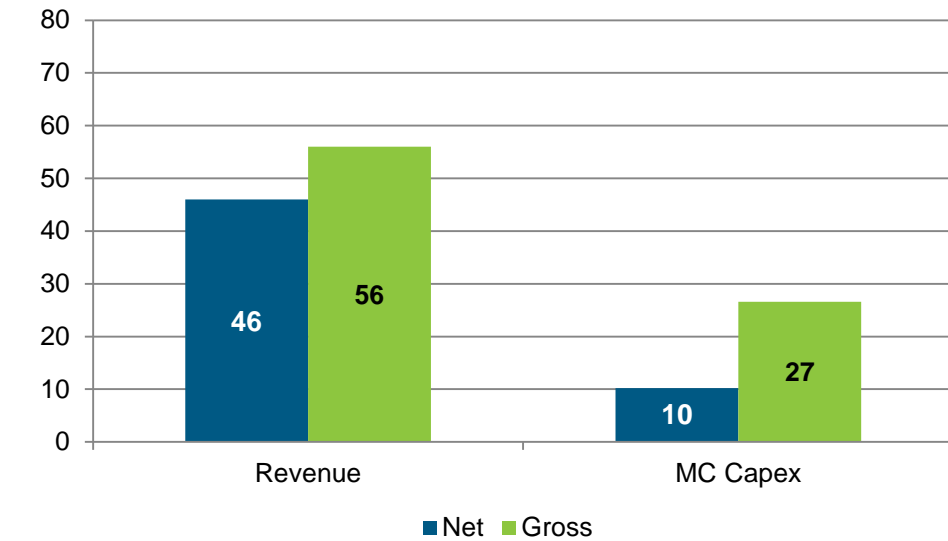
Q4 18

MUSD



Q4 17

MUSD



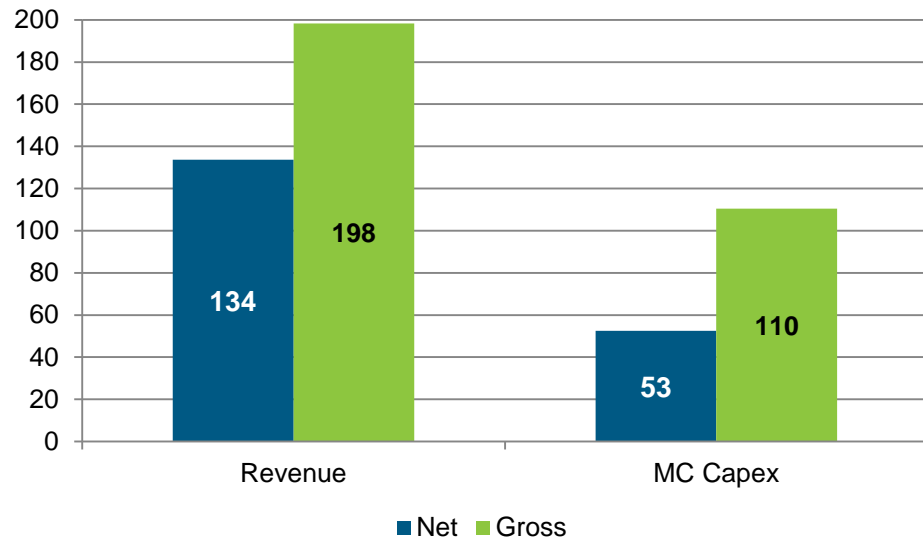
2018 Gross revenue and Gross MC Capex

Segment Reporting

High share of “off-balance” investment in 2018

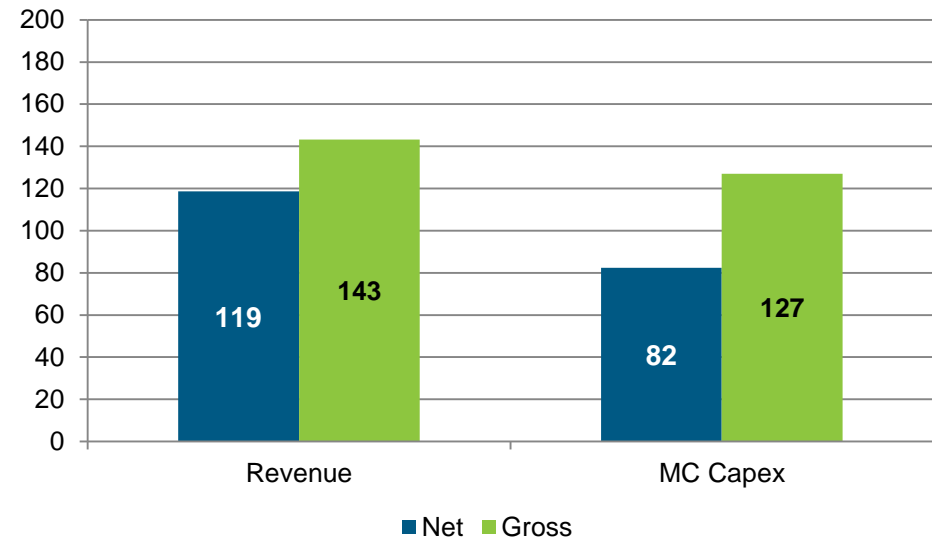
2018

MUSD

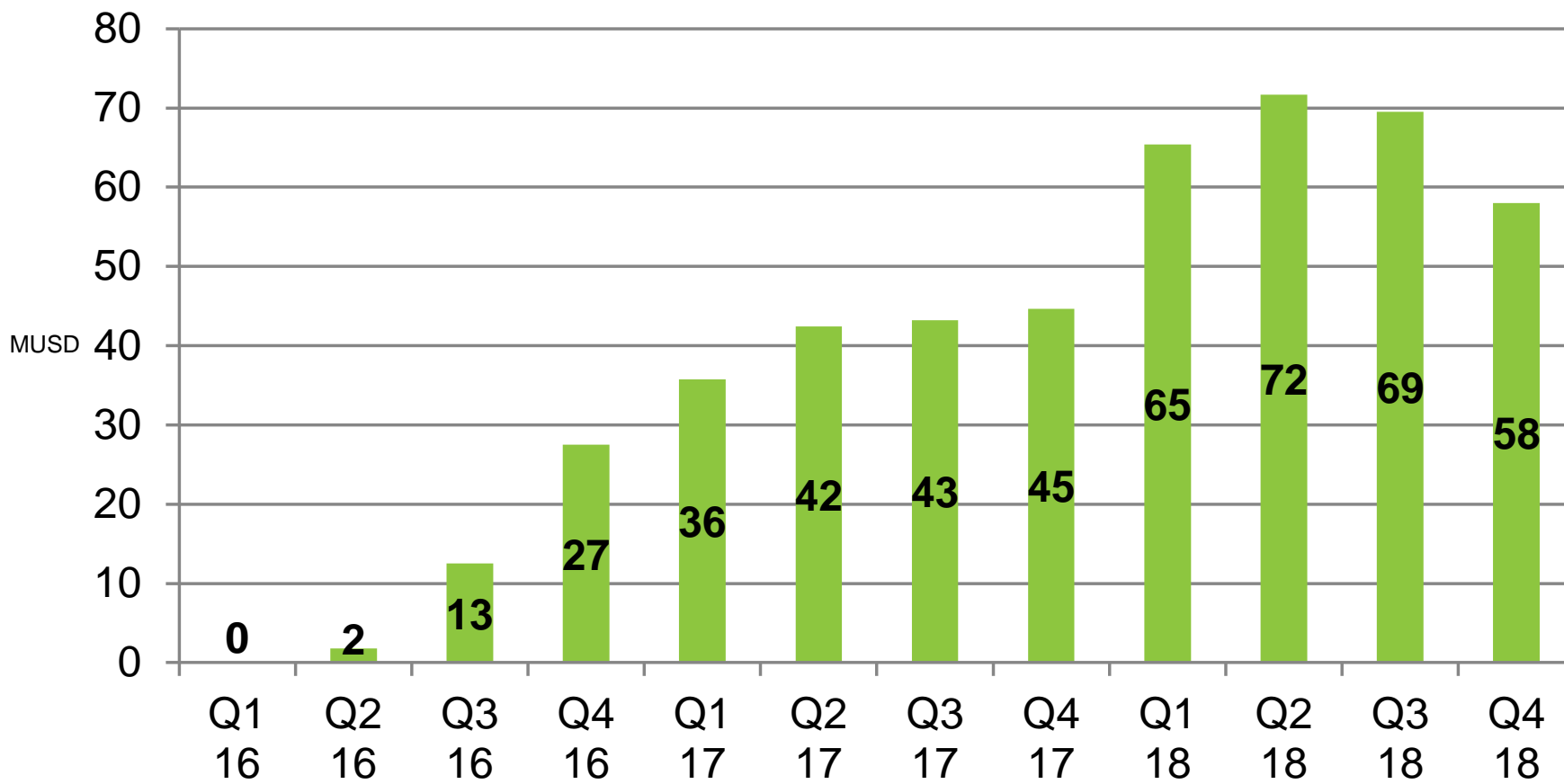


2017

MUSD

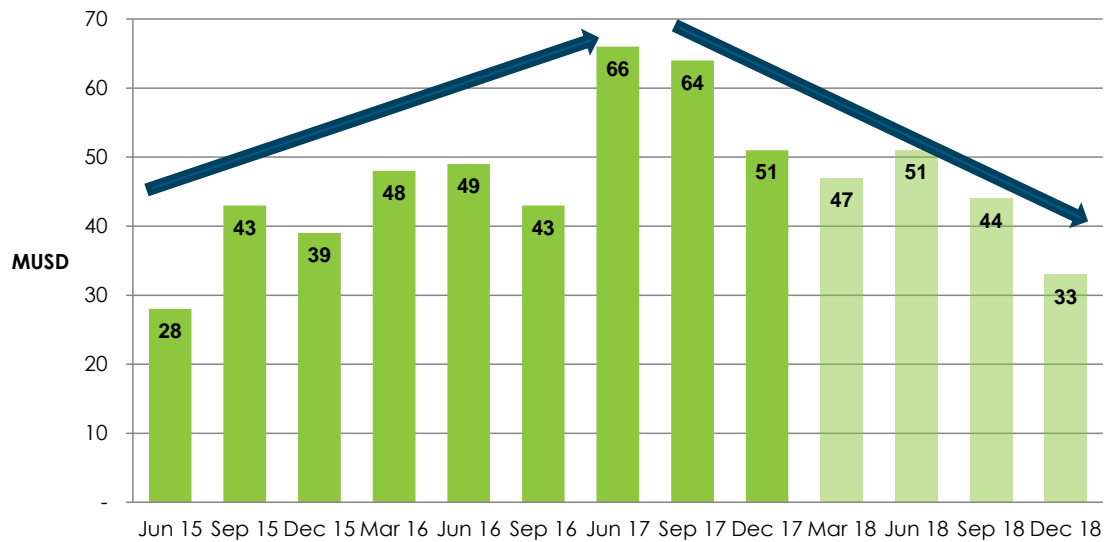


“Off-balance“ MC Capex



■ 4 Quarter Rolling "Off-balance" MC Capex

Working capital development - Deferred payment to partners

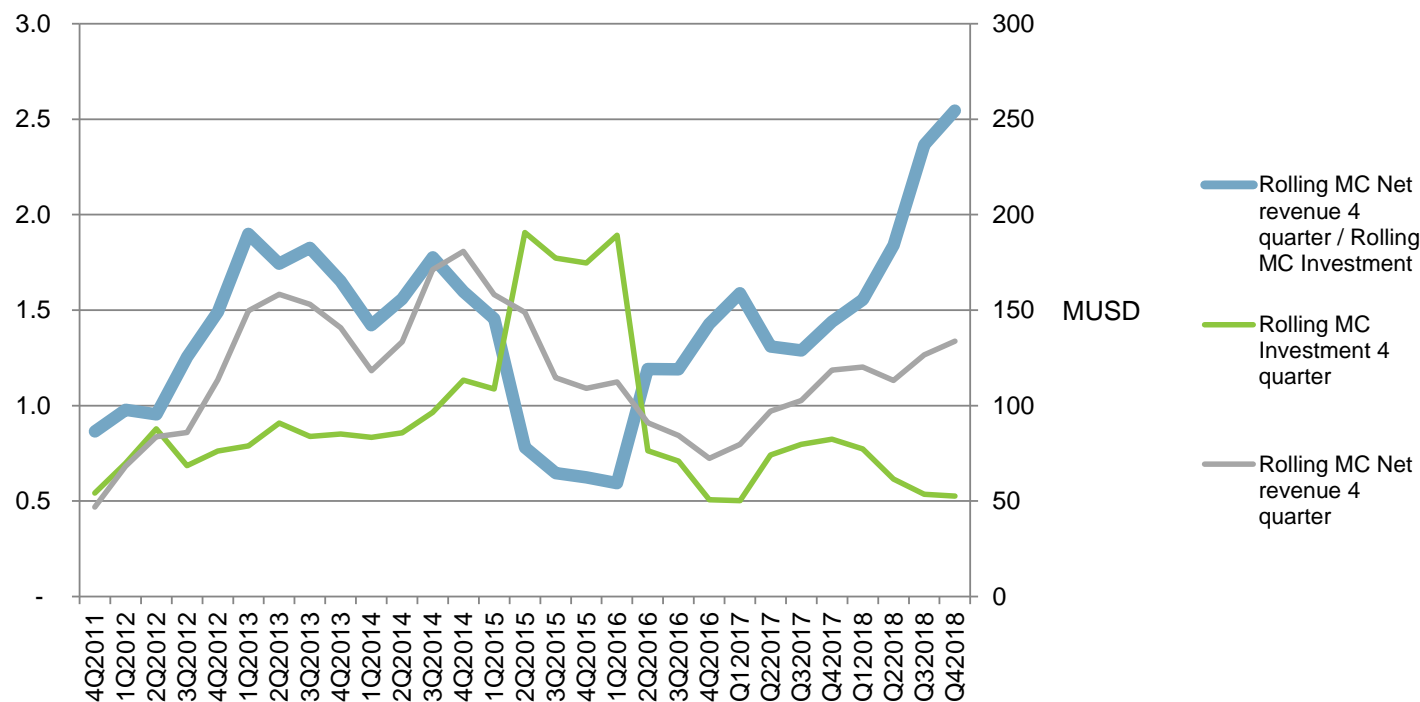


- 18 MUSD of free cash flow in 2018 used to reduce extraordinary build up of liability to partners that was incurred in 2015 – 2017
- All liability to partners on balance YE 2018 is on current projects

Operational Cash Flow/MC Investment ratio

Segment Reporting

	Q4-18	Q4-17	FY-18	FY-17
Operational Cash Flow	MUSD 13	MUSD 16	MUSD 74	MUSD 99
MC Investment	MUSD 9	MUSD 10	MUSD 53	MUSD 82



Multi-Client investments impacted by the Fugro library acquisition
Q2 2015 – Q1 2016

Spectrum increased investments in the downturn

- Increase in investment ideas and projects executed
 1. Spectrum has strengthened project and sales team during the downturn
 2. Spectrum has build extensive project portfolio in South America and Africa
- Spectrum toolbox provides sufficient Investment capacity
 1. Available liquidity in 4Q-18 of MUSD 58m including MUSD 20 in undrawn RFC
 2. Spectrum used Risk sharing and deferred payment with project partners/vendors giving substantial investment leverage
 3. Running prefunding level of approximately 65% over the last 2 years
 4. Increase in Late Sales year on year 2016-2018; 43% average annual growth rate

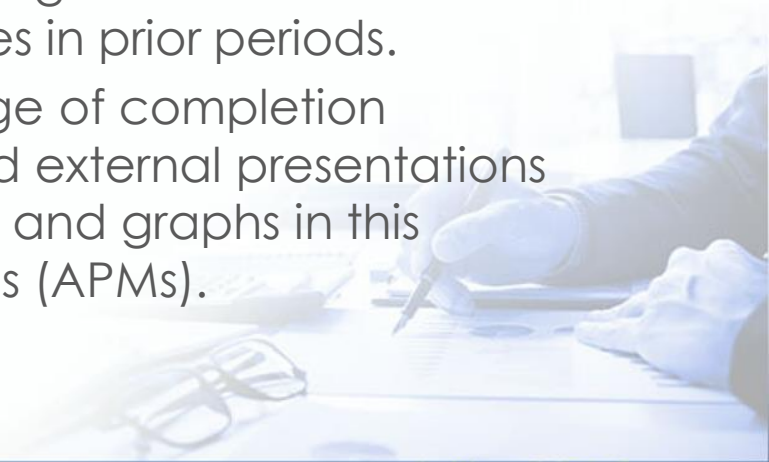
Financials

Q4 2018

Notes on IFRS 15

IFRS 15 Revenue from Contracts with Customers is effective from 2018

- The prior principle of early sale recognition based on percentage completion (POC) on the prefunded projects is not allowed under IFRS 15. Early sales in the IFRS statements will from 2018 be recognised based on products delivered.
- This will cause a significant delay in when revenue can be recognised, and potentially very variable early sale recognition across the quarters.
- Spectrum have created several Alternative Performance Measurements (APM) which reflects key figures based on POC principles, and are comparable to figures in prior periods.
- Spectrum will continue to use percentage of completion based early sale in internal reporting and external presentations through use of the APMs – and all tables and graphs in this presentation is based on adjusted figures (APMs).



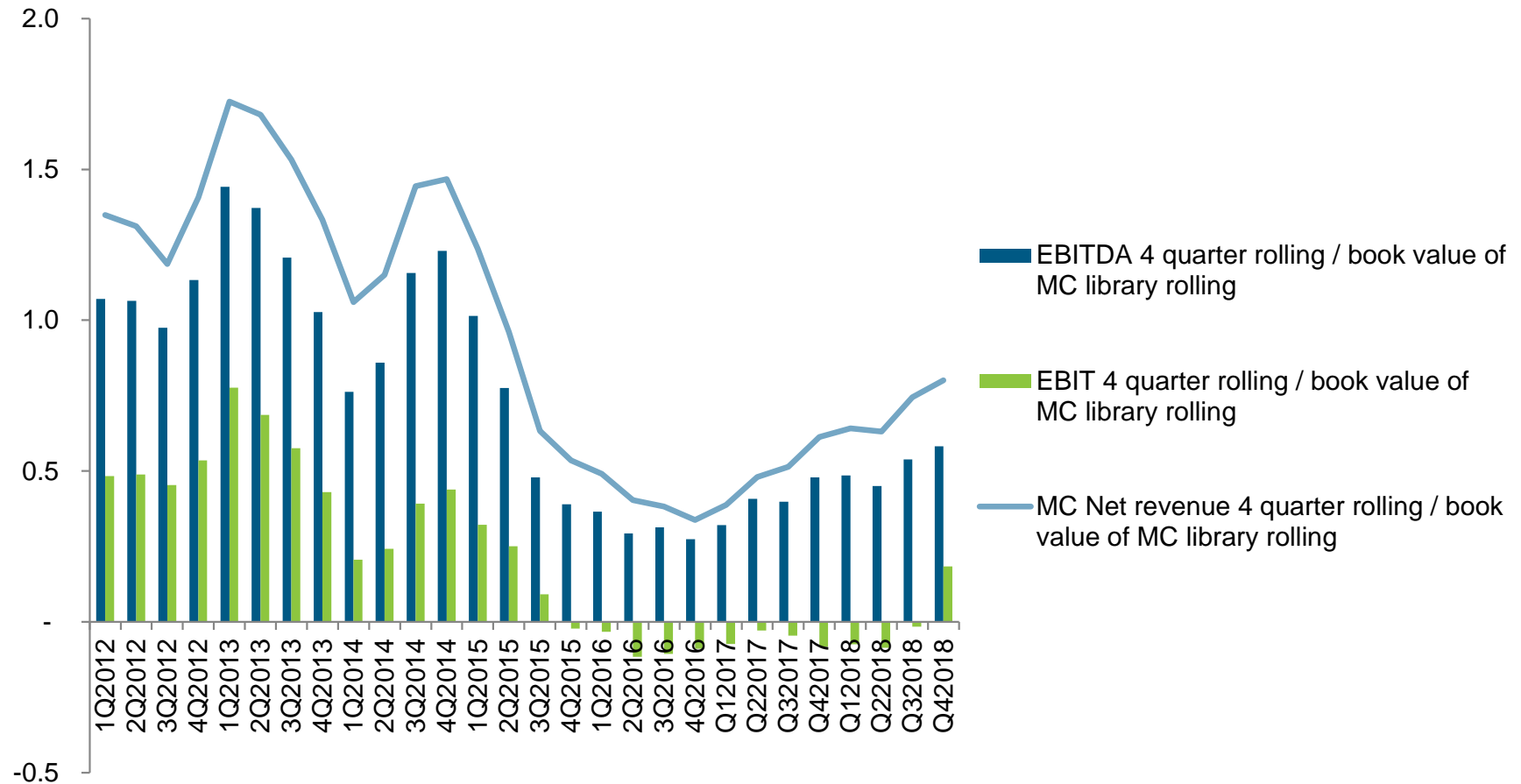
Q4 2018 Income Statement

Segment Reporting

(USD 1000)	Spectrum Group					
	Quarter ended 31.12.18	Quarter ended 31.12.17	Change in %	12 months ended 31.12.18	12 months ended 31.12.17	Change in %
Net revenue	53,096	46,108	15 %	133,754	118,850	13 %
Amortisation of Multi-Client library	(16,336)	(18,502)	-12 %	(65,232)	(81,714)	-20 %
Impairment	-	(25,598)		-	(25,598)	
Operating expenses	(10,806)	(7,825)	38 %	(32,490)	(24,104)	35 %
Transaction taxes (non-cash)	(781)	(416)		(3,299)	(1,160)	
Cost of stock options	1,554	(246)		(887)	(811)	
Share of profit/(loss) of joint ventures	96	(82)		96	(82)	
Depreciation	(390)	(324)	20 %	(1,331)	(1,418)	-6 %
EBIT	26,434	(6,884)		30,612	(16,037)	
EBITDA	43,159	37,539	15 %	97,173	92,692	5 %

Rolling Earnings & Net Sales / Book Value of MC library

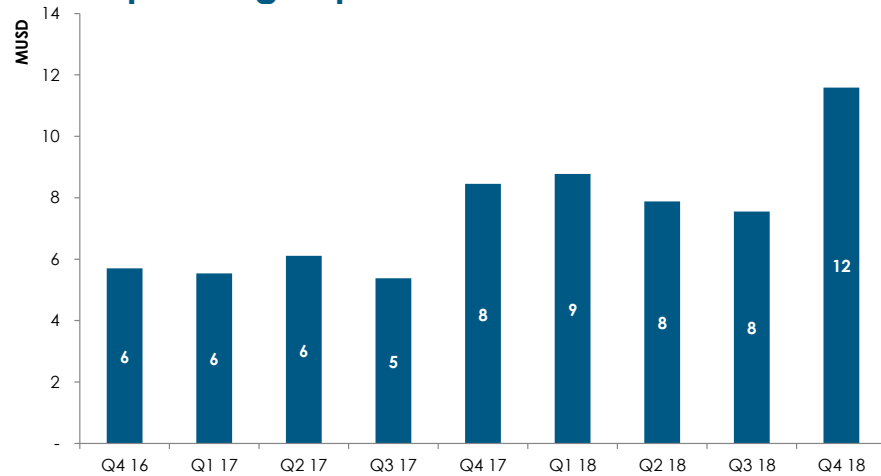
Segment Reporting



Operating expenses, EBIT, free cash flow

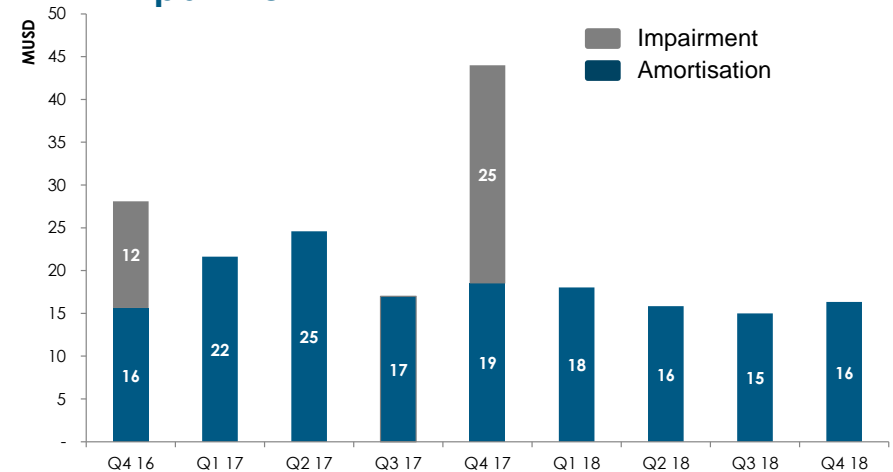
Segment Reporting

Operating expenses¹



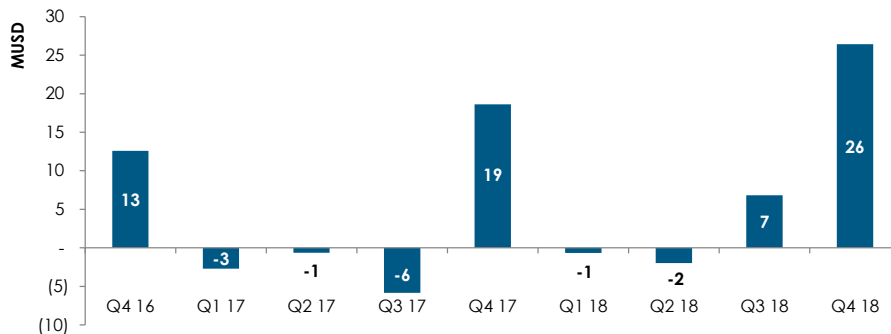
¹ Personnel costs and other operating expenses

Amortisation & Impairment



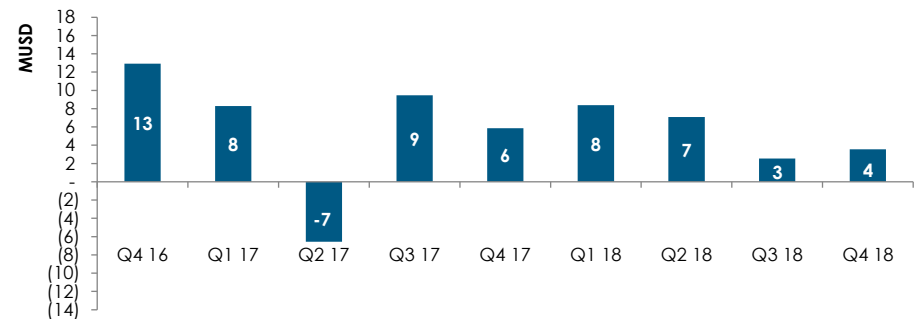
Significant impairments in Q4 2016 and Q4 2017

EBIT²



² Earnings before impairment, interest and taxes

Free cash flow³

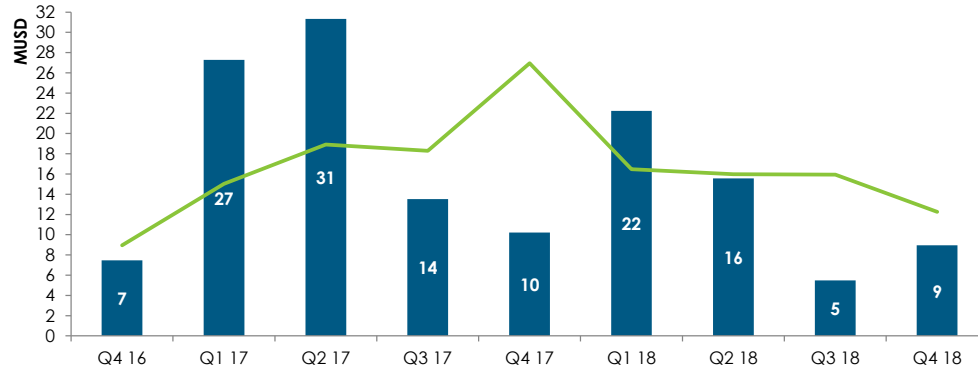


³ Cash flow from operations minus investments in multi client projects

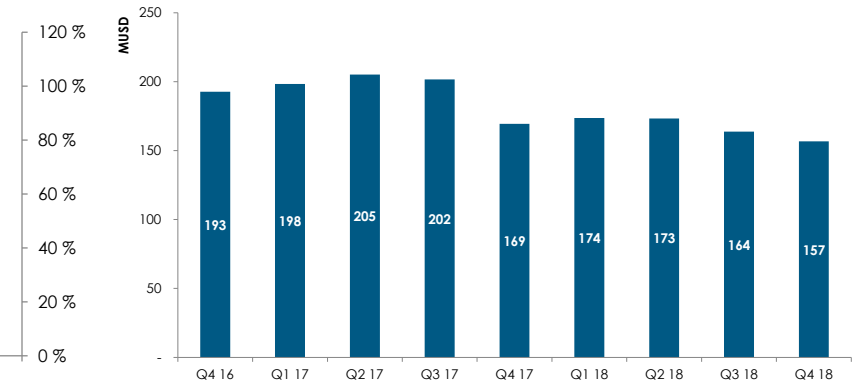
Multi-Client library

Segment Reporting

Operational investments and prefunding ratio

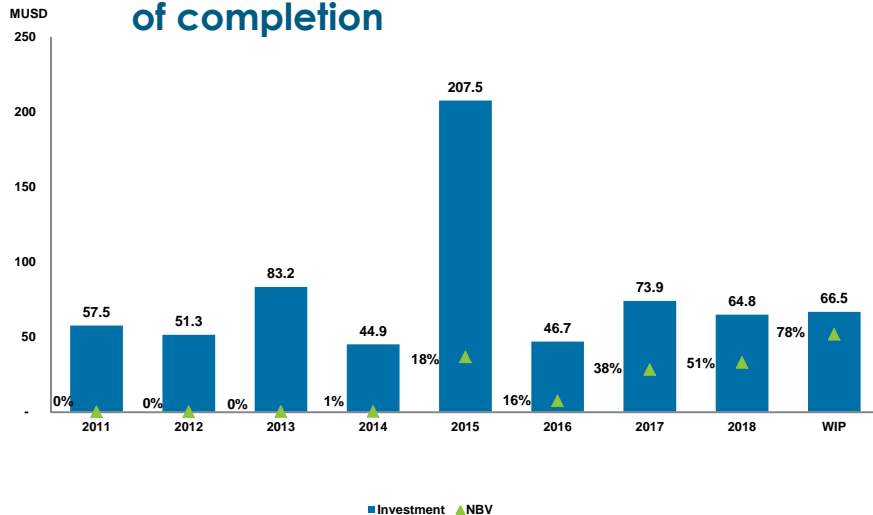


NBV Multi-Client library

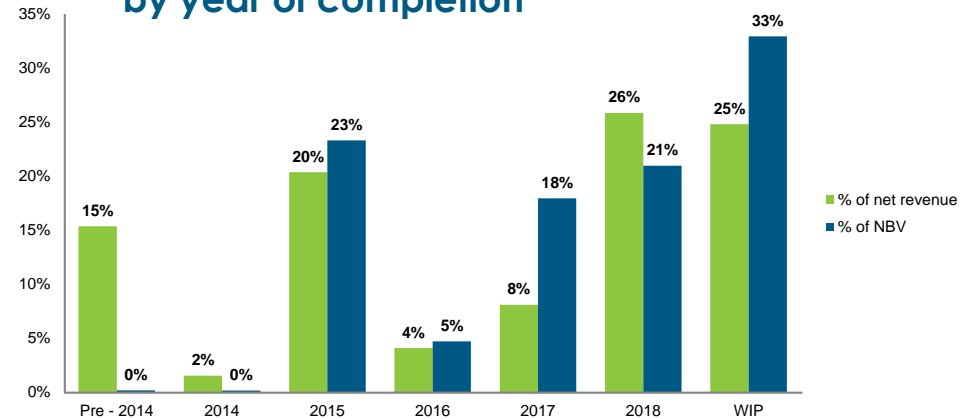


■ Operational investments (LHS) — Prefunding ratio (RHS)

Investments and NBV by year of completion



Net revenues 2018 and NBV by year of completion



■ Investment ▲ NBV

Balance Sheet – Key Figures

Segment Reporting

Assets (USD 1000)	SPECTRUM GROUP		
	31.12.18 (Unaudited)	30.09.18 (Unaudited)	31.12.17 (Audited)
MC Library	156,693	163,787	169,408
Other Intangible Assets	25,447	18,727	16,292
Tangible Assets	3,632	3,673	4,025
Receivables	84,385	69,760	84,577
Restricted cash	1,111	-	-
Cash and Equivalents	37,730	36,483	14,155
Total Assets	308,998	292,431	288,457

Equity and Liabilities (USD 1000)	31.12.18	30.09.18	31.12.17
	(Unaudited)	(Unaudited)	(Audited)
Equity	175,610	151,865	157,024
Long Term Liabilities	20,845	33,093	49,741
Current Liabilities	112,543	107,472	81,696
Total Equity and Liabilities	308,998	292,431	288,457

Net secured interest bearing debt	(6,630)	(4,383)	10,945
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Cash flow – Key Figures

Segment Reporting

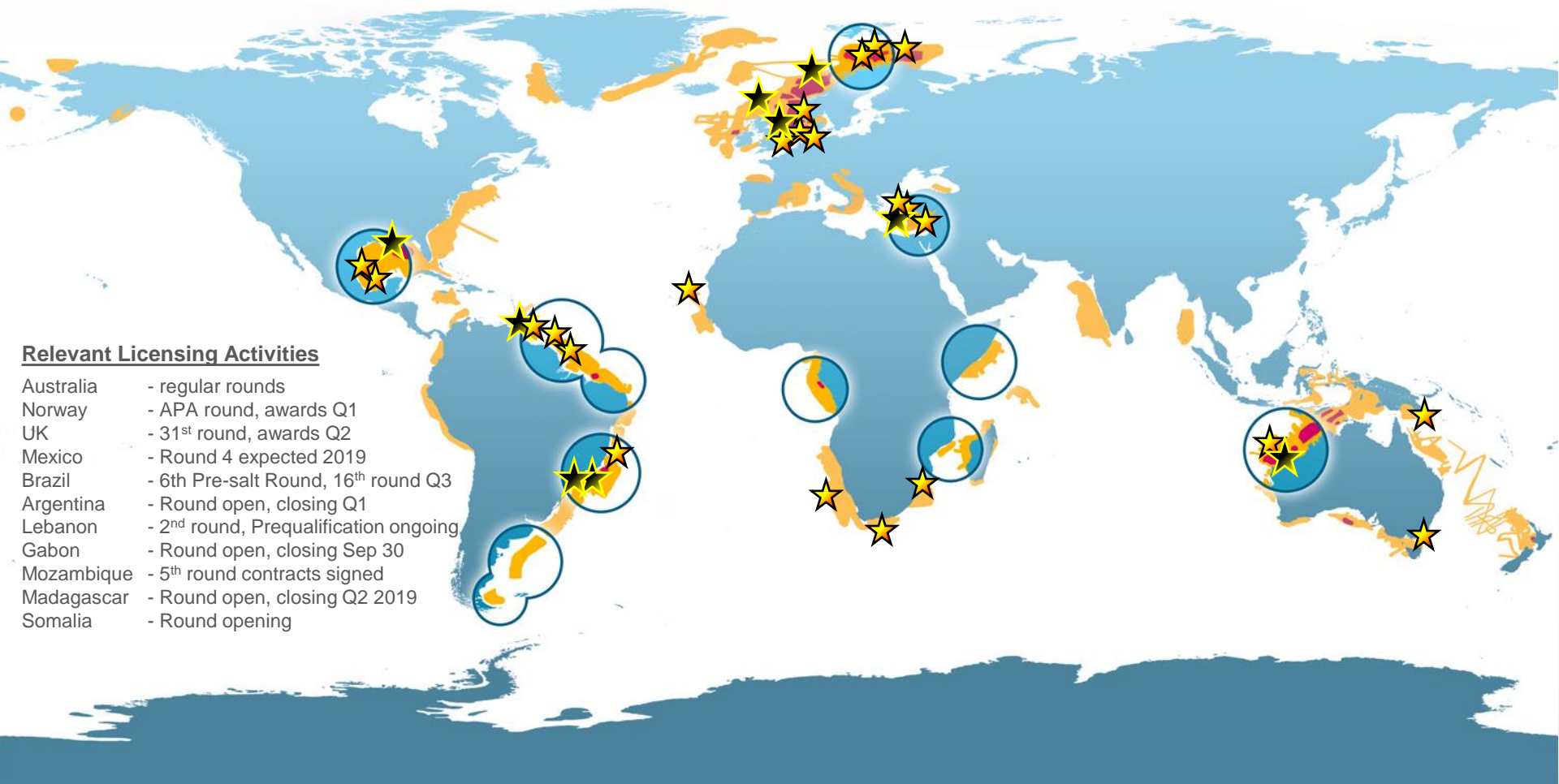
Cashflow (USD 1000)	SPECTRUM GROUP			
	Quarter ended 31.12.18	Quarter ended 31.12.17	12 months ended 31.12.18	12 months ended 31.12.17
Cash flows from operating activities:				
Profit / (Loss) before tax	26,142	(7,948)	23,540	(18,493)
Income taxes paid	(766)	-	(2,443)	-
Depreciation, amortisation and impairment	16,725	44,423	66,562	108,729
Other financial items inclusive share options	501	501	2,457	2,144
Working capital changes	(29,817)	(20,903)	(16,030)	7,020
Net cash flow from operating activities	12,785	16,073	74,083	99,400
Cash flows from investing activities:				
Investment in Multi-Client library	(9,241)	(10,219)	(52,516)	(82,359)
Investment in other assets	(260)	(576)	(2,633)	(969)
Sale of assets	15	-	31	18
Net cash flow from investing activities	(9,486)	(10,795)	(55,118)	(83,310)
Cash flows from financing activities:				
Issued share capital	-	-	1,309	1,399
Dividends	-	-	(3,368)	-
Net of borrowings including interest	(1,525)	(1,874)	4,240	(19,587)
Net cash flow from financing activities	(1,525)	(1,874)	2,181	(18,188)
Net change in cash and cash equivalents	1,774	3,404	21,146	(2,098)
Net foreign exchange diff (unrealised)	(527)	80	2,429	426
Cash and cash equivalents at start of period	36,483	10,670	14,155	15,827
Cash and cash equivalents at end of period	37,730	14,155	37,730	14,155

Operations

Q4 2018



Areas of High Interest



Relevant Licensing Activities

- Australia - regular rounds
- Norway - APA round, awards Q1
- UK - 31st round, awards Q2
- Mexico - Round 4 expected 2019
- Brazil - 6th Pre-salt Round, 16th round Q3
- Argentina - Round open, closing Q1
- Lebanon - 2nd round, Prequalification ongoing
- Gabon - Round open, closing Sep 30
- Mozambique - 5th round contracts signed
- Madagascar - Round open, closing Q2 2019
- Somalia - Round opening

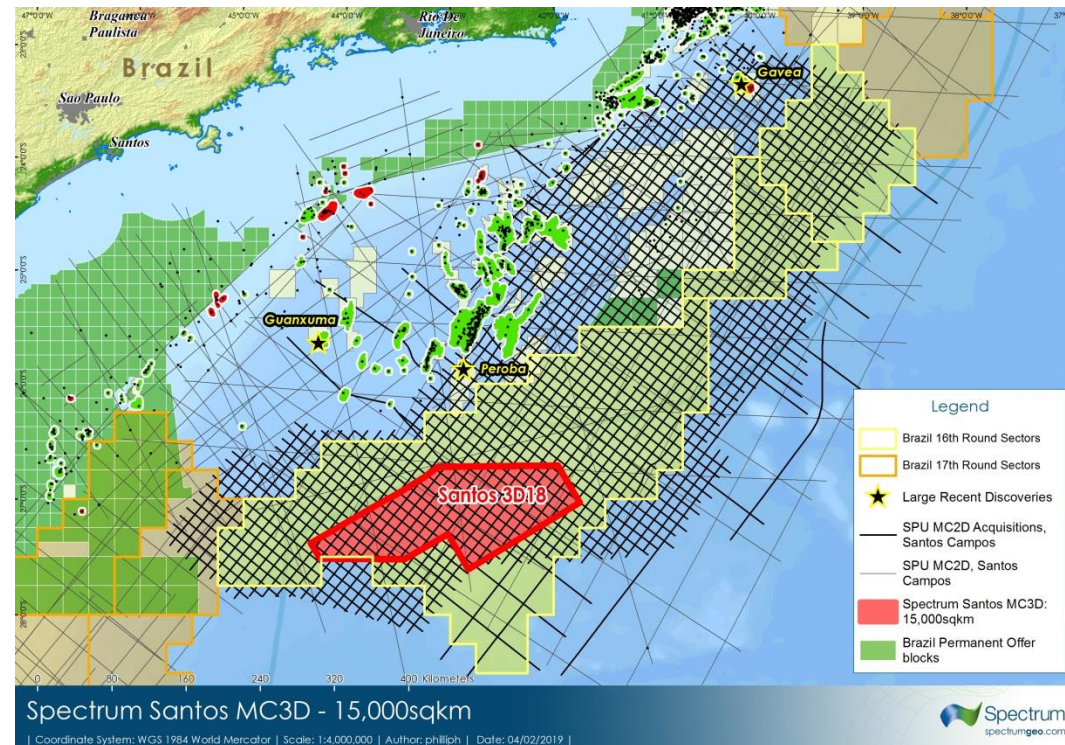
★ Largest Discoveries of 2018

★ Expected high impact wells, 2019

MC3D Projects in Q4

Brazil Santos MC3D, phase 1

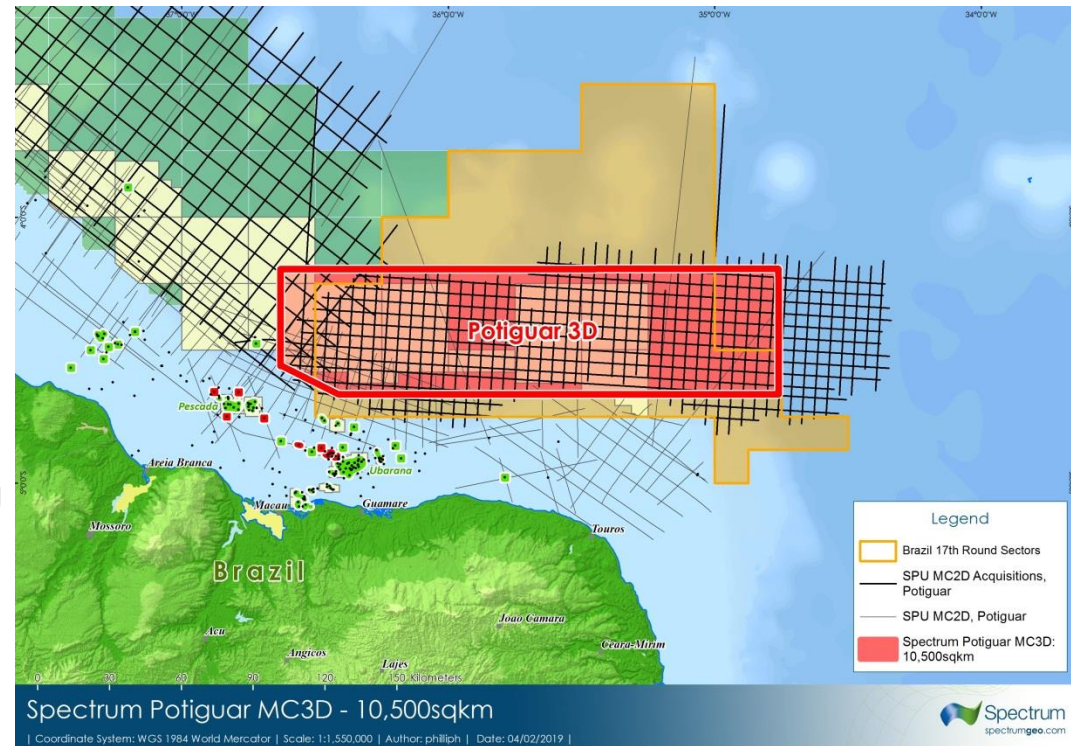
- 15,000 sq.km MC3D broadband survey, in partnership with TGS and COSL
- Phase 1 area was expanded based on prospectivity analysis
- Area lacks any 3D coverage
- Expected to be the next tranche of exploration in the highly productive Santos Basin



MC3D Projects in Q4

Brazil Potiguar MC3D

- 10,500 sq.km MC3D broadband survey, 100% Spectrum survey
- Survey started mid Dec, completion Q2 2019
- Covering blocks awarded in Round 15, and open acreage to be included in Round 17
- Survey design based on underlying 2D data
- Supported by industry

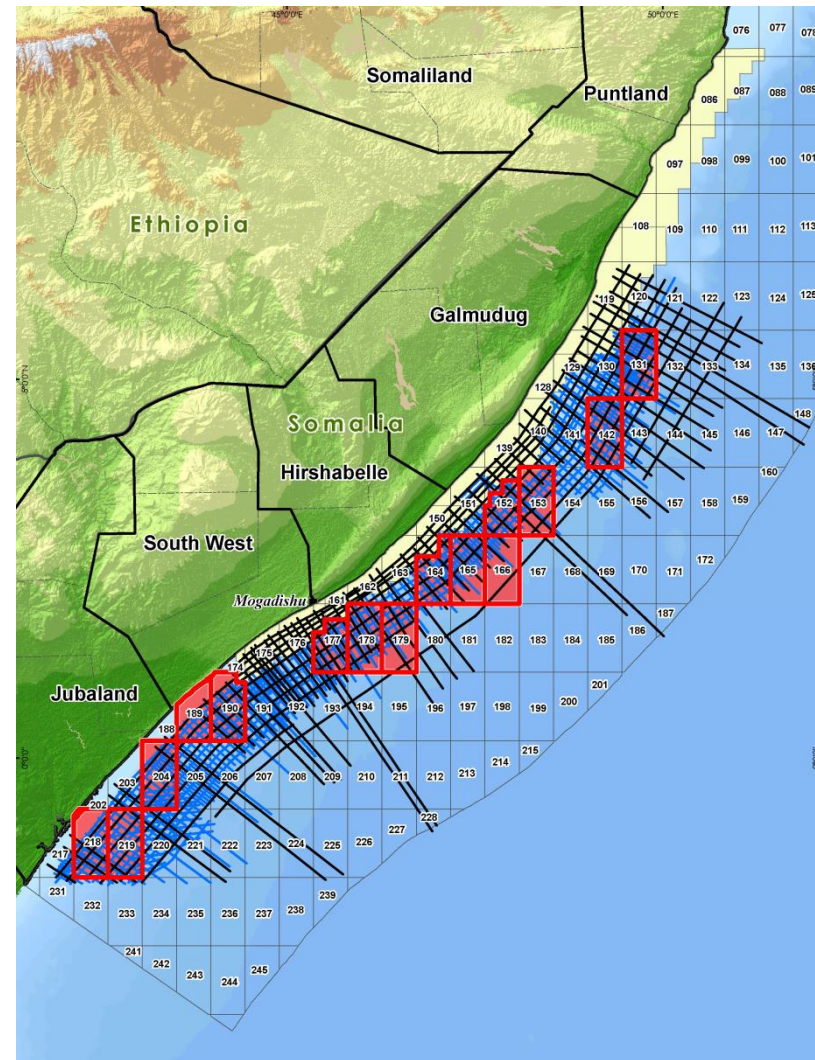


License round updates

- Gabon
 - Shallow water license round opened during Q4
 - Round closing date set for Sep 30th
 - International road shows ongoing

- Somalia
 - Roadshow Feb 7: Tender protocol published
 - Strong progress on legislation
 - Competitive terms, large structures and oil-prone prospects

- Argentina
 - Round open, closing expected Q1



Outlook/guidance

2019



2019 Outlook/guidance

- Spectrum believes in an accelerating recovery in the Multi-Client seismic market in 2019 and 2020, following increased O&G company exploration spending
- High impact areas for Spectrum in 2019 are Brazil, Argentina and Gabon
- Spectrum will have an active H1-2019 in terms of project activity
- Spectrum expects Net Multi-Client Investments* of MUSD 110-140, of which approx. MUSD 80 is already committed
- Spectrum expects increased EBIT and cash flow in 2019 compared to 2018
- The Board of Spectrum will propose a dividend of NOK 1.5 per share to the AGM (4,1% dividend yield**)

*Investment on Spectrum balance sheet

** Calculated on share price YE 2018

Appendix



Q4 2018 Income Statement

IFRS Reporting

(USD 1000)	Spectrum Group					
	Quarter ended 31.12.18	Quarter ended 31.12.17	Change in %	12 months ended 31.12.18	12 months ended 31.12.17	Change in %
Net revenue	55,667	46,108	21 %	138,793	118,850	17 %
Amortisation of Multi-Client library	(16,804)	(18,502)	-9 %	(68,544)	(81,714)	-16 %
Impairment	-	(25,598)		-	(25,598)	
Operating expenses	(10,806)	(7,825)	38 %	(32,490)	(24,104)	35 %
Transaction taxes (non-cash)	(781)	(416)		(3,299)	(1,160)	
Cost of stock options	1,554	(246)		(887)	(811)	
Share of profit/(loss) of joint ventures	96	(82)		96	(82)	
Depreciation	(390)	(324)	20 %	(1,331)	(1,418)	-6 %
EBIT	28,535	(6,885)		32,338	(16,037)	
EBITDA	45,730	37,539	22 %	102,213	92,692	10 %

Balance Sheet – Key Figures

IFRS Reporting

Assets (USD 1000)	SPECTRUM GROUP		
	31.12.18 (Unaudited)	30.09.18 (Unaudited)	31.12.17 (Audited)
MC Library	162,102	169,665	169,408
Other Intangible Assets	25,447	18,727	16,292
Tangible Assets	3,632	3,673	4,025
Receivables	82,335	66,981	84,577
Restricted cash	1,111	-	-
Cash and Equivalents	37,730	36,483	14,155
Total Assets	312,357	295,528	288,457

Equity and Liabilities (USD 1000)	31.12.18	30.09.18	31.12.17
	(Unaudited)	(Unaudited)	(Audited)
Equity	165,735	139,892	157,024
Long Term Liabilities	20,845	33,093	49,741
Current Liabilities	125,777	122,544	81,696
Total Equity and Liabilities	312,357	295,528	288,457
Net secured interest bearing debt	(6,630)	(4,383)	10,945

Reconciliation

Segment Reporting versus IFRS Reporting

Quarter ended 31.12.18 Income Statement (USD 1000)	SPECTRUM GROUP		
	Segment reporting	Diff.	IFRS reporting
Net revenue	53,096	2,571	55,667
Amortisation and impairment of Multi-Client library	(16,336)	(469)	(16,804)
Total operating expenses	(10,326)	-	(10,326)
EBIT	26,434	2,102	28,535

Quarter ended 31.12.18 Financial Position (USD 1000)	SPECTRUM GROUP		
	Segment reporting	Diff.	IFRS reporting
MC Library	156,693	5,409	162,102
Other Intangible Assets	25,447	-	25,447
Tangible Assets	3,632	-	3,632
Receivables	84,385	(2,050)	82,335
Restricted cash	1,111	-	1,111
Cash and Equivalents	37,730	-	37,730
Total Assets	308,998	3,359	312,357
Equity	175,610	(9,875)	165,735
Long Term Liabilities	20,845	-	20,845
Current Liabilities	112,543	13,234	125,777
Total Equity and Liabilities	308,998	3,359	312,357

Thank You