

# **CGG Q1 2021 Results Conference Call**

Wednesday, 12<sup>th</sup> May 2021

## **Welcome and Disclaimer**

Christophe Barnini

*Senior Vice-President of Group Communications, CGG*

### **Disclaimer**

Good morning ladies and gentlemen, welcome to this presentation of CGG's first quarter 2021 results. The call today is hosted from Paris, where Ms Sophie Zurquiyah, our CEO and Mr Yuri Baidoukov, our CFO, will provide an overview of the first quarter and of the full year 2021 results, as well as provide comments on our outlook. As a reminder, some of the information contains forward-looking statements, including, without limitation, statements about CGG's plans, strategies and prospects. These forward-looking statements are subject to risk and uncertainties that may change at any time and therefore the actual results may differ materially from those that were expected.

Following the overview of the quarter, we will be pleased to take your questions. Now I will turn the call over to Sophie for the presentation of our first quarter results. Thank you.

## **Business and Operational Overview**

Sophie Zurquiyah

*Group Chief Executive Officer, CGG*

Thank you, Christophe. Good morning ladies and gentlemen and thank you for participating in this Q1 2021 conference call. CGG was founded in 1931 and we are celebrating, this year, 90 years. You will see us communicate on 90 amazing years through the year.

### **Q1 2021 business overview**

I will start on slide five, with general comments on our first quarter 2021. We experienced a continuation of the same COVID early recovery market conditions that we saw in late 2020. These were marked by low but fairly stable industry spending. On one hand the majors maintained their capital discipline, while national oil companies and large independents remained more active.

As economies continue to recover from the pandemic, which is expected to be more gradual and complex than the downturn, I believe we will see the need for our clients to increase their activity to not only catch up on the work postponed from 2020 but also to compensate for the depletion of their existing reservoirs. In that context, CGG's high-end technology will be a key component of the value chain moving forward.

Our Q1, as anticipated, was a slow quarter, following the historical low levels of 2020, with soft GGR activity offsetting excellent performance in Equipment. Our three businesses of Geoscience, Multi-Client and Equipment all have different business models and drivers. Geoscience performed per our expectations, based on the backlog that they generated in Q3 and Q4 of last year. Multi-Client performance depends on the level of ongoing Multi-Client programmes, that is the prefunding; and on the commercial sales of our existing data library, that is the after sales.

The first quarter was soft, with only one active project, in Brazil and slow after sales. However, we did start to see an increase in constructive conversations for both new projects and after sales during the quarter, as oil prices strengthened and have maintained at higher levels than expected going into the year.

Equipment was very busy in Q1, shipping orders to the Middle East, following strong activity around the end of 2020. Also, during the quarter we completed our restructuring plans, with the successful refinancing of our debt. Going forward, this substantially reduces our interest rates and provides us with the flexibility to repay portions of the debt, as our cash flow generation will allow.

With this, we can now focus on our business and strategic developments with a normalised capital structure.

### **Q1 2021 key financial highlights**

Moving onto the next slide, for the Q1 2021 financial highlights, our Q1 revenue of \$213 million was down 21% year on year from a high, pre-COVID first quarter in 2020 with an unusual mix of business, as Equipment represented 53% of our total revenue. Group adjusted segment EBITDA was \$39 million, with a 19% margin, mainly due to the business mix. Segment free cash flow, including \$73 million of positive change in working capital, was \$60 million. The net cash flow this quarter was positive, at \$28 million.

### **GGR key financial indicators**

I will now cover our Q1 2021 operations by reporting segment.

The GGR segment revenue was low this quarter, at \$100 million, down 49%, year on year, which resulted in a 31% adjusted EBITDA margin.

### **Geoscience key business indicators**

Moving on to the Geoscience business indicators, Q1 Geoscience external revenue was \$66 million, down 29% year on year, as it continued to deliver its backlog. After a year of drastic spending cuts, our clients' priorities in Q1 remain mainly on development projects. It appears that Geoscience has reached the low point in the cycle, as commercial activity and contract awards increased in March, especially in North and South America. The backlog, as of 1<sup>st</sup> April, stands at \$240 million.

We have adapted our cost base to market conditions, while maintaining the capacity required to capture the growth in the second half of the year, as the market continues to gradually recover. Also, during the quarter, we have strengthened the foundation of our new growth beyond the core initiative, in line with our ambition. I will speak more about this growth beyond the core initiative later in the call.

### **Geoscience operational highlights**

If we look at Geoscience operational highlights, which should be on slide ten, I have been commenting around the growing importance of ocean bottom nodes as a technology that can provide the data required and input for high-end processing to image the subsurface in high definition.

Today, most of the applications of node technology are around reservoir development and management, though we are seeing increasing use for step-out exploration and appraisal in

complex subsurface environments. This trend is clearly seen in our order intake, as 32% is now related to OBN processing.

It is also a reflection of our clients prioritising production work versus exploration and of our leading market share in OBN processing, where we tend to win over two thirds of the projects, on a recurring basis.

As IOCs have maintained their capital discipline thus far in the COVID recovery market, I also want to highlight the increasing importance of national oil companies in our revenue mix. In Q1, they accounted for almost a third of our revenue. This trend is geographically diverse, with projects coming from around the world, Brazil, Mexico, Norway, Middle East and Asia, as we enjoy stable, long-term relationships with this group of clients.

### **Multi-Client key business indicators**

Moving on to Multi-Client, Q1 2021 Multi-Client revenue was \$34 million, down 67% year on year. Q1 2020 was an unusually strong first quarter, supported by an active market with several ongoing projects. Multi-Client cash CAPEX was also low this quarter, at \$30 million, down 56% from Q1 2020, as we only had marine Multi-Client programme active, which was offshore Brazil.

In Q2, we will have two vessels working on Multi-Client programmes, as we have commenced work on a five-month 3D Multi-Client programme in the Norwegian North Sea, in addition to our ongoing Brazil project. The vessel is expected to acquire around 8,000 square kilometres of 3D data in the North Viking Graben, in a direction perpendicular to our existing data set. Our clients were impressed by the uplift that our high-end imaging can bring to this additional data and recognise the value that this provides for the management of their existing reservoirs.

Multi-Client after sales were low, at \$19 million this quarter, as we have a number of significant opportunities that shifted to later in the year. It is worth noting the emergence of new, private equity backed, players, especially in the North Sea, that need to buy data to access acreage.

### **CGG Brazil Pre-Salt Ongoing and Future Programmes**

Moving on to slide 12, a large part of our Multi-Client CAPEX for the quarter was invested in Brazil and I would like to update you on the CGG footprint in the prolific Pre-Salt area. Brazil, currently, together with Norway, is one of the most attractive areas of the world for E&P companies, as they present some of the best opportunities and economics. Over the years, we have built a substantial, industry-unique, high-end, contiguous 3D seismic data library, offshore Brazil. This enables our clients to develop both a regional and local understanding of the subsurface.

This has been complemented by our geology and well packages, that enable new entrants to access trusted and valuable data and insights very quickly. In addition to our ongoing Nebula acquisition, we have a number of ongoing reprocessing projects that will benefit from our latest processing innovations. Our presence offshore, in the Santos and Campos basins was extended by 23% in the last three years. We are currently looking at new ocean bottom nodes programmes as they, together with our leading imaging technology, represent the next

level of uplift that will enable our clients to unlock new value of their reservoirs in this prolific basin.

We believe that our deep knowledge of offshore Brazil, combined with our extensive Pre-Salt data and our preferred imaging technology, will continue to deliver strong business values for years to come.

### **Equipment key financial indicators**

Let us move on to Equipment now. Equipment segment revenue was strong this quarter, at \$112 million, up 52% year on year and heavily weighted towards land, as marine acquisition companies continue to delay investments. Equipment adjusted segment EBITDA was \$16 million and Equipment adjusted segment operating income was \$8 million, at 7% margin.

### **Equipment: a solid operational performance**

Moving on to slide 14, in Q1, Equipment delivered over 125,000 land channels and 50 vibrators worldwide, primarily for large mega crews in Saudi Arabia. Sercel also delivered WiNG land nodes to new clients.

Marine equipment sales remained low during the quarter, essentially being for spare parts. We released a new technology, called PikSel, which is an integrated and compact solution that enables high-resolution seismic data acquisition inside targeted areas for offshore construction and field development.

I would also like to highlight the excellent operational performance of Sercel, as they were able to manufacture at full speed and deliver equipment for two mega crews in a very short timeframe.

In total, this represented a deployment of over 160,000 channels of 508 X-Tech and more than 80 Nomad 65 Neo all-terrain vibrators to Saudi Arabia in five months.

Despite the numerous challenges imposed by the pandemic, we were able to meet all of our delivery, logistical and system commissioning targets. The two 3D mega crew surveys in Saudi Arabia met their start-up dates and have been reporting outstanding productivity levels from the very start of operations, with more than 10,000 VPs recorded, based on 12 fleets of two vibrators on day one.

### **Beyond the core: recent projects and initiatives**

Let me now give you a few comments on beyond the core businesses, on slide 15. At CGG we have a long history of supporting the geothermal, CCUS, Earth monitoring and digital geoscience businesses. We do this through our leading geoscience data and expertise, satellite mapping business, Sercel sensor technology and solutions, Multi-Physics processing, geoscience and data science technology in our CGG cloud, which is now well over 250 petaflops of computing power and 250 petabytes of storage.

With the global acceleration three key trends, energy transition, environmental awareness and sustainability, along with digitalisation, CGG is well placed to expand its business in these rapidly growing areas as they are very near step-outs from our core.

During the quarter, we continued to strengthen these growth beyond the core initiatives, which are focused around digital geoscience, monitoring and observation and energy

transition. In these areas, we are advancing our strategies and technologies, while working with our clients and partners on pilots and commercial projects.

This page summarises a few examples of our recent activity. I am particularly pleased with our dCarbonX strategic agreement that positions us for the assessment of geothermal and underground CO<sub>2</sub> and energy storage opportunities in the North Sea.

### **Digital Geosciences: CGG Data Hub**

We now comment on slide 16, with the Data Hub. As part of our growing portfolio of beyond the core products and services in the Digital Geosciences domain, we have developed a complete offering to support our clients' digitalisation agenda.

With Data Hub, CGG provides the tech solutions required to transform and enrich customer geoscience data into structured, decision-ready information. It is based on our extensive geological knowledge, advanced machine learning technology and unique taxonomy. It enables the classification of diverse geologic data in a meaningful and consistent way.

With Data Hub, our clients' geoscience teams can be more efficient and focus their time on value-add activities. We have completed multiple successful pilots for IOCs, NOCs and independents and are in discussions at present for longer-term commercial contracts. I look forward to providing you with further updates as this tech solution continues to mature.

### **Monitoring and Observation: CGG SeaScope**

Moving on now to SeaScope, on slide 17, recently we also launched SeaScope, an innovative production monitoring tech solution, as part of our growing portfolio of products and services for environmental applications. It combines expertise in remote sensing science, Earth observation data, machine learning and high-performance computing.

SeaScope provides critical sea surface oil slick intelligence for a range of industries, to better understand and minimise risks for offshore assets, coastal facilities, vessel activity and the natural marine environment. With SeaScope, our clients can proactively establish production water baselines, rapidly detect anomalous events and determine the source, whether from natural seeps or from third-party pollution.

This is one of the tech solutions that we are developing for the environmental geoscience space, enabling more sustainable operations.

I will now give the floor to Yuri for more financial highlights.

## **Financial Review**

Yuri Baidoukov

*Group Chief Financial Officer, CGG*

### **Q1 2021 income statement**

Thank you, Sophie. Good morning ladies and gentlemen. I will comment the Q1 financial results, starting with slide 19: Q1 2021 P&L. Looking at the consolidated P&L for the first quarter of 2021, segment revenue amounted to \$213 million, down 21% versus Q1 2020, which was the last pre-COVID crisis quarter. GGR revenue was \$100 million, a 49% decrease year on year, with a low, 47%, weight. Geoscience revenue was \$66 million, down 29% year

on year. Multi-Client sales were at \$34 million, down 67% year on year, on significantly lower CAPEX and delayed after sales. Equipment revenue was \$113 million, up 52% year on year with larger than usual 53% weight.

Segment EBITDA was \$36 million and adjusted segment EBITDA was \$39 million, with a 19% margin, due to this unfavourable revenue mix. Our margin was further reduced by a negative impact from profitability of Equipment which came from adverse effect on euro-based net P&L exposure, revenues minus cost. This was due to significant depreciation of euro versus dollar from \$1.11 a year ago to \$1.22 this quarter and unfavourable product mix with delivery of more than 50 lower-margin vibrators.

Segment operating income was -\$11 million and adjusted segment operating income was -\$12 million. Cost of financial debt was \$34 million, including a non-cash peak component of \$12 million. Net loss from continuing operations was \$92 million, including \$40 million of costs related to refinancing. Net income from discontinued operations was positive, at \$11 million and group net loss was \$81 million.

### **Q1 2021 simplified cash flow**

Looking at slide 20, simplified cash flow, segment free cash flow in Q1 2021 was \$60 million, including positive change in working capital and provisions of \$73 million on a decrease in Equipment inventories and collection of receivables from mega crew deliveries in Saudi Arabia and collection of year-end receivables in Multi-Client business.

It included Multi-Client cash CAPEX of \$30 million, down 55% year on year, as well as industrial CAPEX and R&D costs in our Geoscience and Equipment businesses of \$12 million, which decreased 43% year on year.

Cash cost of debt was \$7 million and lease repayments were \$15 million. Net cash flow from discontinued operations was positive \$1 million. Cash costs related to the implementation of the CGG 2021 plan were at \$11 million.

Overall, net cash flow was positive, at \$28 million, increasing by 65% year on year and significantly improving from Q4 2020, which was at -\$95 million.

### **Balance sheet at 31<sup>st</sup> March 2021**

Moving to slide 21, group balance sheet and capital structure, our liquidity at the end of Q1 2021 increased to \$407 million and remained solid.

At the end of March 2021, our gross debt was at \$1,394 million, or \$1,252 million before IFRS 16, with the following breakdown:

- \$628 million, firstly, in dollar and euro bonds due in 2023;
- \$584 million, secondly, in euro and dollar bonds due in 2024;
- \$40 million other items, including accrued call premiums and interest related to refinancing;
- \$142 million lease liabilities, including \$39 million of goodwill and financial lease[?] and \$103 million of operating leases under IFRS 16.

At the end of March 2021, our capital employed was at \$2.07 billion, down from \$2.17 billion at the end of 2020. Net working capital after IFRS 16 was at \$123 million, decreasing from

\$212 million at year end. Goodwill was stable, at \$1.19 billion, corresponding to 57% of total capital employed. Multi-Client library net book value, after IFRS 15, was at \$495 million, including \$425 million of marine and \$70 million of land net book value. Other assets were at \$408 million, including \$248 million of property, plant and equipment, down \$20 million from year end and \$144 million of IFRS 16 right-of-use assets, of which \$39 million related to Brazil[?] financial lease. Also, \$143 million of other intangible assets and \$17 million of other non-current assets. Other non-current liabilities were at \$136 million, down \$13 million from year end. Shareholder equity was at \$1.09 billion, including \$47 million of minority interests, mainly related to the confirmed[?] JV.

### **Debt refinancing: the last step of the normalisation journey**

Moving to slide 22, debt refinancing, the main subsequent and very important event in the first quarter was our successful refinancing of all debt, which closed on 1<sup>st</sup> April. With this refinancing, we delivered the last milestone in our CGG 2021 strategy and normalised our capital structure by issuing new senior secured notes of \$1.2 billion equivalent in euro and USD and bringing back a \$100 million revolving credit facility. As a result, we have also reduced cost of debt, with a blended interest rate of 8.17% and eliminated \$45 million of PIK interest, extended maturities to 2027, achieving six years for the first time. We have also secured flexibility to repay up to 10%, or \$120 million, per year during the non-call period of three years and introduced an ESG-linked RCF, aligning capital structure terms with CGG's sustainability objectives.

While we provided full refinancing costs and accrued interest in Q1, the full accounting impact of this transaction will be reflected in our balance sheet in Q2.

Now I hand the floor back to Sophie for an outlook for the 2021 market environment and our financial guidance.

## **2021 Business Outlook and Financial Objectives**

Sophie Zurquiyah

*Group Chief Executive Officer, CGG*

Thank you very much, Yuri. Now we are on slide 24.

Looking at the market today and the near-term outlook, the majors have reemphasised their capital discipline as part of their Q1 results. This is in line with the early COVID recovery market that we are experiencing. The national oil companies and large independents remain more active. Given the fairly strong oil price recovery that we are seeing during the quarter and the volume of delayed activity from 2020, I believe we will see increasing spending going forward, particularly in the second half of the year.

We consider our geoscience imaging technology will continue to play a key role as clients make decisions about their investments. We have a leading position in OBN processing that we will capitalise on, as the recovery will be led by increased near-field operation, near-field exploration, field development and production where the benefits of OBN technology are more pronounced. We also anticipate demand for our Multi-Client programmes and data to strengthen on the basis of our position in the industry-preferred mature basins, along with the emergence of new private-equity-backed players.



Equipment, after a lower Q2, should deliver a solid H2, driven mainly by continued activity in the Middle East.

In this context, we confirm our 2021 financial objectives. With our successful refinancing, we delivered the last milestone of our CGG 2021 strategy and normalised our capital structure. We are now actively developing our CGG 2024 strategy, which is focused on growing our core, highly-differentiated businesses, as the market gradually strengthens and accelerating our growth beyond the core initiative into the rapidly-growing digitalisation, observation and monitoring and energy transition markets.

We will present you our updated strategy and ambitions during a capital markets day, which is planned for 5<sup>th</sup> November 2021. I hope to meet all of you, maybe even in person, very soon and I look forward to our further discussions.

Thank you for your interest and we are now ready for questions.

## Q&A

**Nick Constantakis[?]** (Exane): Good morning guys and thank you for taking my questions. I have a few, if I may, please. I will start with Yuri on the refinancing.

I think the rate was slightly higher than anticipated but I think it is quite positive you can repay up to \$120 million per year. Do you intend on exercising that option; how do you intend to finance the process you have to cover there?

Secondly, I was wondering if you could give us some colour on the – on your exploration exposure in Norway? I think one of the parties there is contended the current law, which gives the tax offset to you[?] for exploration. I was wondering, trying to get an idea of the potential impact on the business.

Lastly, Sophie, I do not want to run too much ahead of myself and make you give too much away of your November CMD. However, I would like you to discuss your carbon capture and storage exposure, please. There are a few projects kicking off there, obviously. I was wondering: are you participating in the tendering? And what do you think could be your addressable market, as CGG, there?

**Yuri Baidoukov:** Thank you and good morning, Nick. Let me start with refinancing. Yes, unfortunately the rate that we secured was not as low as we anticipated. Obviously one of the reasons for that was the unfortunate downgrade by S&P, who took a contrarian view on the future of recovery of the oil and gas industry and in particular in peak CAPEX. So that probably cost us in the range of 50–75bps. But that being said, we do consider our refinancing very successful. That is given, obviously, the market environment, given the fact that the quantum of the debt was quite high, \$1.2 billion and also given the fact that we were oversubscribed by 2.2 times.

So, with that, you are absolutely right, we did manage to secure this flexibility of repayment of up to 10% of the total issuance during the first three years of the non-call period and we intend to use it. Of course, it will depend, again, on the speed and pace and profile of recovery in the industry and with that, our revenues and cash generation. However, we do have this flexibility, of course and we will be closely looking at it throughout the year.

**Sophie Zurquiyah:** Yeah.

**Yuri Baidoukov:** With that, I am passing it to Sophie to answer the two other questions.

**Sophie Zurquiyah:** Yes, thank you Nick and good morning. To your question to exploration exposure, I will first make a general statement. The last three years, we have avoided any pure exploration investments in our Multi-Client. We have been quite vocal about the fact that we wanted to position our survey on mature areas and discovered areas, which we have done. If you look at the case of Norway, we have actually invested in large contiguous surveys covering mature areas. So most of the work that the clients are doing in our surveys is to find step-out exploration and to optimise the production of our reservoir. So I would say we pretty much have no, or very little, exposure to that exploration. That is the Norway one.

On the CCUS, it is early days and that market is not fully mature. What we think we could do in that space is participate. There was actually a very good report written Exane.

**Nick Constantakis:** Yeah.

**Sophie Zurquiyah:** You did that? Okay. Excellent report, by the way. You were spot on in saying that there are two areas that we will participate in. One is the geoscience side, the understanding of the subsurface. The second one will be the monitoring once that carbon is stored underground. With our sensors and our Equipment division, we will be able to provide that part of the value chain.

Now it is a little early days in the carbon access part[?] of that exercise, in making and developing partnerships and alliances so that we can become the preferred partner in that space.

However, just as a data point that might be of interest, we are starting to make quotations for our Multi-Client data for companies that are aiming to identify those reservoirs where they could be storing energy. I mean carbon and energy at large. So we are starting to see a little bit more activity, although it is not yet very significant for us. It does depend on how fast that market matures.

**Nick Constantakis:** Okay, thanks for that compliment, Sophie.

**Sophie Zurquiyah:** Yeah, sure.

**Nick Constantakis:** Yeah, thank you.

**Kevin Roger (Kepler):** Good morning, I hope you are doing well. Thank you for taking the questions. I have three, actually. I was wondering, on the Multi-Client activity, Sophie, you say that, basically, you have some expected revenue shift from Q1 to Q2 and H2. I was wondering if you can precisely give the magnitude of the revenue of that shift.

The second question is related to the business in the US. With the new administration, I was wondering if you can provide us an update on what you see and what you would expect with the new administration and the recent decisions that they took.

The last one is related to your disposal. I was wondering if you could make an update on the potential disposal of GeoSoftware, please?

**Sophie Zurquiyah:** Sure, thank you Kevin and good morning. So, generally, in the Multi-Client activity, we started the quarter quite softly. Q1 is typically a slow quarter and we

did not have, at the point of starting Q1, really well-identified opportunities. When we started going into the end of the quarter, there were more tangible conversations, with numbers and quotations being given to clients. Although, when I look at that list, which is encouraging because we do have a list of large quotations that we have done, it is not clear whether we will land them in Q2 or in H2. The orders of magnitude are such that we still believe we can make the year for Multi-Client. So I am not sure when they will happen but we are well positioned in Brazil, which again attracts huge interest, Norway. There are the upper rounds, where sometimes we manage to get the uplift in Q1. This year we believe the uplift will be in Q2.

The other data point, perhaps, that would be useful, is that we think definitely Q2 will be way better than Q1 and will be better, we think, as well, than Q2 last year. If you remember, Q2 was the first post-COVID quarter, where clients really put the brakes on any spending.

So there will be some level of catch-up in Q2. However, I do think there will be an acceleration in the second half of the year.

I will make a comment that might be useful for the rest of you who are listening. It is: I do think the current run rate of spending of the clients today is well below their planned spending levels for the year. Most of them have said that they will be flat to slightly up for the year. So if you look at what they've been spending in Q1, that run rate, if they continue doing the same in Q2, as they are being cautious, they will need some significant level of acceleration, in the order of 30% acceleration from H1 in H2, if they are going to be spending a flat E&P CAPEX from last year. That is what we are sort of expecting to see happen.

I think there was another question, sorry, on the business in the US. I am assuming that question is more on the offshore side and the moratorium. We do not have a lot of visibility right now. I will give you some data points. We are seeing, obviously, slow activity on anything that is around exploration and there is not any lease round plan for this year. However, we still see continued activity from those clients that have established production in the Gulf of Mexico: node surveys and they are remaining quite active. What we are seeing, as well, is that we are getting the permits. So the administration is giving the seismic permits for acquisition, so those are positive.

The other data point I can give you is there are conversations with clients that are still interested in accessing some of our satellite data, for example, which is considered to be in the frontier area. So there is still interest in the Gulf of Mexico and more particularly, from the clients that already have an established infrastructure and production in the Gulf of Mexico.

Perhaps a quick comment on the land side? Land is fairly quiet. We are not planning on any new projects. Right now we are looking at more reprocessing some more light investment. However, we have not launched any projects this year and we will wait for the business to recover to make investments in the land side.

On the disposal, Yuri, perhaps you can make some comments?

**Yuri Baidoukov:** Yes, sure, Kevin and good morning. So, on the disposal side, yes, we continue, actually working on several disposals that we discussed last January[?]. One of them is well known, this is our GeoSoftware business. On that front, we are making very

active progress and we hope to break some news relatively soon. That is as far as I can say right now.

With regard to the other projects. On Multi-Physics, we finally managed to secure almost all related government permits from the US and we are very confident that this transaction will be fully closed by the end of Q2. Then, on other disposals, again, we are making very good progress on the delivery[?] of building sale and leaseback, which we expect to close, at the latest, early Q4. Of course we continue to market a 49% stake in our gas joint venture in Saudi.

**Sophie Zurquiyah:** Yeah. I will add one thing. Kevin, on the GeoSoftware, we are actually quite pleased with the value that has been put forward by the various proposals. One could have expected that, given how the valuations in OFS have been effected, that perhaps the value we could expect would be affected, that perhaps the value we could expect would be much lower. Actually, that business has sustained quite well and we are quite pleased with the kinds of offers we are getting. It is not done yet but at least it is encouraging.

**Kevin Roger:** Okay. Okay, very clear. Thanks a lot for all that information. Have a good day.

**Christopher Mollerlokken (Carnegie):** Good morning.

**Sophie Zurquiyah:** Good morning.

**Christopher Mollerlokken:** Good morning. In relation to Sercel, is it fair to assume that all the equipment to Saudi has been delivered now, by end of Q1, or will there still be some deliveries in the second quarter?

**Sophie Zurquiyah:** Yes, hi Christopher. So for the Middle East equipment, it's been pretty much all delivered. That is why I mentioned that Q2 will be a bit of a lower quarter because we will not have the strength of the deliveries that were sort of between Q4 last year and Q1 and we will not have, yet, some of the large orders that we are expecting for Q3 and Q4. That is why I mentioned a bit of a lower quarter and then a recovery in the second half of the year.

However, we will continue. I think the business will be essentially supported and sustained by the land side in the second quarter. Of course in the third quarter, there we do expect to make some significant node sales.

**Christopher Mollerlokken:** You also are calling the trough for Geoscience. However, with regards to the recovery there, do you expect a gradual recovery from the level in Q1 or a stronger improvement?

**Sophie Zurquiyah:** Geoscience, typically, does not see large swings like we could see in Multi-Client. It is more slow-moving. If you remember how it gradually decreased and I have mentioned that it will continue decreasing, through H1. It never moves either way very fast. So we are saying, kind of, we are at that low point, meaning that we are starting to see signs of a gradual recovery. However, it will be a slow recovery, based on the backlog.

So I do expect the second quarter will be sort of similar to slightly up. Then we will see some acceleration in the second half of the year. That is what our current base plan is, based on the backlog.

**Christopher Mollerlokken:** A final question: with regards to the initiatives you are doing on beyond the core, like SeaScope, when you book revenues from these businesses, where will they be booked in your accounts?

**Sophie Zurquiyah:** Right now we are not separating. However, we intend to start doing so. The way we started to, I would say, nurture and develop those businesses is within each of the business lines, so within Geoscience, with Multi-Client and within Equipment. This is just because they are not large enough to be self-standing and they do need the support of the rest of the organisation. We have not historically separated them out to identify them. However, obviously, moving forward, as we are going to start putting targets of growth and wanting to communicate more on that and have those business take a more significant part of our revenue, part of the work that we are doing for the capital markets day is starting to know where we are. I do expect a few percent, 3–5%, of our revenues probably linked to, I would say, non-core, or beyond the core businesses already. So we are not starting from zero. We have, like I mentioned, the satellite mapping business that is already there. We do pollution monitoring. We do monitor, for example, mining stability, mine tailings stability. So there are a lot of these business. They are not significant yet in revenue. We will be able to give that to you in the capital markets day in November.

**Christopher Mollerlokken:** Thank you.

**Sophie Zurquiyah:** Sure.

**Jean-Luc Romain (CIC Market Solutions):** My question relates to Sercel, actually. How much of the large orders that you won at the end of 2020 did you already deliver? That is the first question.

The second is: in marine seismic, Polarcus has somewhat disappeared, or their boats have been, actually, taken over by some other owners. When do you think, finally, a modernisation of the remaining fleet of streamers might happen?

**Sophie Zurquiyah:** Okay, yes, good morning, *bonjour*. Thank you for your question. The orders for the mega crews in Saudi Arabia have all been delivered by now, so this really was a Q4 and a Q1 delivery.

Of course we would all like the marine market to pick up. We have been talking about it so much that I hate to put a date on it. Of course, we all know that the streamers are ageing and they are not getting any better, so eventually that replacement cycle will have to happen. I do not think, generally, that replacement cycle will be very steep, as the companies will try and replace portions of their old streamers, not like entire sets in one go. That is actually a good thing for us because that means that cycle will not be as steep; it will be longer.

Now, in terms of what has happened in the marketplace, I do not think this replacement cycle will happen until the marine prices go up. Right now marine prices are just barely getting to that cash break-even, or, I would call that, sustainable rate that allows for marine companies to invest in their streamers. So we are not there yet. The end clients, the E&P clients, will have to pay more for their streamer acquisitions for that replacement to happen, although it is needed.

There was news in the market that, in January, Polarcus ceased activity. They had six vessels and those vessels were taken over by the banks, who have sold them to Shearwater. Now

Shearwater own those assets. They did communicate a couple of weeks ago that they would want to use those assets, those vessels, to kind of renew, or upgrade their fleet; let us put it that way. However, then, conversely, the ex-Polarcus team, management team and investors, have created a new company, called PXGEO that has bought the assets of SBGS, so it is a combined nodes and marine streamer company. They have two vessels so far, with the aim to get two more vessels. So we will have sort of an equivalent to Polarcus being created through PXGEO.

So it is a bit of mixed news, I would say, for our marine streamer business. However, we were quite pleased to see a new company emerging as a result of the market process.

**Jean-Luc Romain:** Thank you very much.

**Sophie Zurquiyah:** Sure.

Okay, I think this was a very good call, lots of good questions, so thank you very much for attending. Thank you for your trust in CGG and we look forward to further interactions in the days to come, hopefully some of them physical. Thank you very much for your attendance and talk to you soon.

**Yuri Baidoukov:** Thank you everybody. Goodbye.

[END OF TRANSCRIPT]