Full Year 2020 & Q4 Results Conference Call

Friday, 5th March 2021

Introduction and Agenda

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Group Communications and Investor Relations

Good morning, ladies and gentlemen. Welcome to this presentation of CGG's Q4 and Full-Year 2020 results. The call today is hosted from Paris, where Mrs Sophie Zurquiyah, our CEO, and Mr Yuri Baidoukov, our Group CFO, will provide an overview of the Q4 and full-year results as well as provide comments on our outlook.

As a reminder, some of the information contains forward-looking statements 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 and of the full-year results, we will be pleased to take your questions.

And now, I will turn the call over to Sophie.

Full-Year Results Overview

Sophie Zurquiyah

CEO

Yes, thank you, Christophe and good morning, ladies and gentlemen. Thank you for participating in this Q4 2020 conference call. Our presentation will cover our Q4 and full-year 2020 operational and financial results. So I am on slide 5 now, and I will start with a few remarks on 2020.

2020 was a year of an extremely difficult business environment

During the year, we faced one of the worst crises, based on its brutality, speed and magnitude, that the industry has ever seen. Our clients reacted very rapidly to the COVID pandemic, and by the end of Q1, had started to cut CAPEX dramatically. This led to around 30% reductions for the full year, which is, in fact, closer to 50% if we just look at Q2, Q3, Q4 combined.

Throughout 2020 most of our large international oil and gas company clients focused on reorganising and reassessing the oil and gas portfolio for cost reductions and postponements. The activity was paused, and only critical projects moved forward. In Europe, we also saw many reposition themselves as energy providers, strengthening the development of their renewable energy roadmap.

Our business continuity at CGG across the challenging year was exceptional. Our processing centres and manufacturing plants continue to operate without interruptions, and we executed all of our multiclient programmes offshore and onshore thanks to continued client interest, our business continuity plans and our strong acquisition partners.

2020 was a true test of the resilience of the newly repositioned CGG out of acquisition and onto its leading and differentiated businesses, which I would call quite successful.

CGG's response to 2020 crisis

Moving on to slide 6, looking at how CGD responded, along with our excellent efforts to maintain business continuity. First, I am very pleased with our timely completion of the exit from the acquisition business in the first quarter of 2020 and our focus on our core business lines. In 2020, in a shrinking market, we reinforced our market share in all core businesses.

In geoscience, as demand for reservoir development and production optimisation was accelerating, our unique best-in-class technology geared towards high-density data sets was well-positioned. In multiclient, all our 2020 surveys were focused on mature producing sedimentary basins and had good client support, and in equipment we delivered over 360,000 land channels and enlarged our installed base.

In 2020 we also quickly adjusted our costs, adapted to our clients' rapidly changing activity levels, while preserving our differentiated capabilities. Our segment-free cash flow was positive at $50 million before change in working capital.

Overall, the past year validates our strategic roadmap and now as markets gradually strengthen, we can look forward to building the future. I believe that CGG's new strategic rationale and value in our industry were confirmed in 2020 and remain strong looking forward.

Operational Review

Q4 & FY key highlights

After a low Q2 and Q3, the last quarter saw a seasonal uptick of 41% compared to the average of Q2, Q3. This came from strong multiclient and equipment sales. Full-year segment revenue was $955 million, down 32% compared to last year and in line with our clients' reductions of E&P CAPEX.

I know one of the concerns of our investors is our exposure to exploration, which has now reduced to less than 25% of our revenue. Most of our activity is driven by development and production, and our revenue dynamics are a proof of that. Adjusted segment EBITDA margin was 43% for the quarter and 42% for the full year, which again demonstrates our resilience.

With a very high-level of revenue in December and an increasing inventory of land equipment for the two large mega crews awarded to our equipment division, change in working capital was highly negative at minus $88 million in Q4. The full year, segment-free cash flow was positive that $15 million before highly negative $89 million negative change in working capital. This puts our liquidity at $385 billion at the end December, which allows us to operate comfortably.

Q4 2020 operations by reporting segment

I will now cover our Q4 2020 operations by reporting segment, starting with GDR on slide 9. In Q4 2020, GDR revenue was $176 million, up 18% sequentially but down 36% from the previous year. Despite a significant decrease in revenue, GDR delivered a solid 63% adjusted EBITDA margin.

Geoscience key business indicators

Now, slide 10, in geoscience. In Q4, geoscience revenue was $75 million, down 2% quarter-on-quarter. As expected, geoscience production was more resilient than our other businesses because of its backlog coming into the crisis. The business was supported by more stable activity for large independents and national oil companies along with a sequential increase in geo-software sales.

We also continued to experience sustained demand for our products and services for our client's reservoir development and optimisation activities. While we are privatised, most offshore development projects are continuing and require advanced imaging to optimally position production wells.

Our geo-software business was successful in retaining maintenance revenue, which also supported our performance. The business continuity of our geoscience division has been excellent. All projects throughout the pandemic were delivered on time with excellent quality and the total production per head was fairly stable at 238,000.

Geoscience operational highlights

Slide 11, for geoscience operational highlights. Advances in acquisition technology, particularly ocean-bottom nodes can provide the added data that is required for advanced processing to image complex subsurface structures, and this can make a big difference in the ultimate economics of a development project.

CGG's significant lead in imaging technology provides value to our clients, and it is why they tend to privilege CGG solutions when the stakes are high or in complex subsurface environments.

Our market share increased in 2020 to 41% thanks to our geoscience leading technology that continues to be recognised by our key clients and is also consistently rated number one in their supplier evaluations. As our clients reconsider reduction in their geoscience teams and reconsider the boundaries between internal and external imaging work, we see more interest in dedicated centre models in which they can secure a dedicated pool of people and access CGG's latest innovations.

We currently have seven such long-term contracts that allow a stronger partnership with our clients and provide visibility into future revenue streams. The most recent win was a three-year extension of our old mine, PDO centre, until 2024, and we have been providing value in this centre in that country since 1994.

Cloud masking of satellite imagery with deep learning

Slide 12. Looking at our technology this quarter, I would like to highlight satellite mapping, where through our unique capabilities, to harness the data from earth observation satellites to address a diverse range of challenges faced by the energy, mining, engineering, environment and defence sectors. In that case year[?], clouds can fully or partially mask the ground in satellite imagery. So most applications need to be identified and excluded from processing, which is a very time-intensive process.

Applying a deep-learning approach, we achieved results that outperformed the existing benchmark, allowing us to provide more accurate results from algorithms run on this type of data.

Barents Sea gas cloud imaging

Now onto slide 13. Still with geoscience technology. And that second example of technology is about the application of our latest imaging algorithms to resolve the subsurface under gas clouds. Takehavet is a large field in the Barents Sea surrounded by complex gas clouds, which creates significant challenges for imaging at reservoir level. This example is taken from a multiclient's top size survey. Our superior top size acquisition configuration enables the recording of extra data when compared to traditional streamer acquisition and this, in turn, provides better data for our advanced time lag FWI algorithms.

In this example we are using our time lag FWI to build an incredibly detailed velocity model of a very challenging and complex gas cloud area. We are able to resolve the continuity of layers, faults and generally the subsurface structures, which allows our clients to be much more effective in their interpretation work and, down the road, better identify prospects, develop the field or optimise production.

Multiclient key business indicators

We then move on to multiclient with slide 14. Q4 multiclient revenue was $101 million, up 38% quarter-on-quarter, and down 40% year-on-year. In the quarter, we completed our node acquisition in the North Sea as well as a small complimentary survey in the Norwegian North Viking Graben area, and by the end of the quarter, had essentially one vessel working in Brazil. With lower CAPEX levels than previous quarters, at $41 million, prefunding was much higher, at 171%, putting us at 89% for the year.

Our most active basins are Brazil and Norway, where we have footprint that is particularly attractive to our clients.

This leaves me to talk about our exposure to federal land in the US. I did get questions after the moratorium was announced. At this stage, the most accepted belief is that activity on held acreage should not be affected in the future, even if drilling permits might get more difficult to obtain.

A successful strategy to build a worldwide multiclient footprint in mature basins

The GOM – the Gulf of Mexico – is federal land, but keep in mind that the GOM has been slow for multiclients for a while already, and we have not made significant investment for many years. Our GOM net book value exposure represents only 5% of our net book value and in 2020, revenue from the GOM represented 6% of our total multiclient revenue.

The GOM is very important to our image in business, but this business is focused on data that has already been acquired on leased acreage and is also development-production driven. The recent announcement has thus far not affected our activity and while we do not expect any impact at current going forward, it is an area that we will continue to watch closely.

Our US land footprint is not on federal land, and I do not expect any implications on this basin for us. On the contrary, we are actually already seeing signs of activity picking up as of Q4 on the back of strengthening WTI oil price.

Looking at 2020, we started the year with several large, committed projects and it made sense to complete those projects as they had good prefunding and clients maintained their interest. This led us to increased CAPEX in a year of much lower revenue.

All of our projects were either in the core developing basins of the world like Brazil, or in mature producing basins with strong economies, such as the UK North Sea, Norway or in US land. This, combined with the maintained level of client interest throughout the challenging year, and strong peer funding, increased my confidence that this CAPEX was well spent and that we'll see good returns for this investment.

Digitalisation solutions enrich multiclient offers

Now, on slide 16. If you look at our complete multiclient footprint, in the last few years, we have made a conscious effort to shift our multiclient business away from new frontier explorations towards mature fields with a focus on field development, production optimisation and near field step-out exploration. With this, we have avoided frontier exploration areas that we believed were less robust. Our multiclient additions during the last three years, as highlighted on this slide, were all focused on the expansion and upgrade of our footprint in key mature and prolific basins. Our presence in US land was expanded by 15%. Offshore Brazil, Santos and Compass, were extended by 23% and presents offshore North Sea, both UK and Norway were extended by 34%.

We believe that our exposure to reservoir development production and near field exploration provides solid resilience through the cycles, particularly with current short- and longer-term outlooks. We expect that our clients will retrench into their core areas and prioritise capital expenditures on projects with lower risk or higher returns, both to manage through the existing challenging market but also to best support their longer-term energy transition goals.

Multiclient solutions

In addition, we developed digital solutions to enrich our multiclient offering. We added to our portfolio of seismic data, a library of well data synchronised with our existing footprint. We digitalised our geology library and developed a unique taxonomy that enables the meaningful classification of subsurface information and extraction of insights for all available datasets. The process that we used to classify information with our taxonomy is unique in the industry and has attracted client interest. We have also been working on our client portal that enables them to access information about all of our available data and their entitlements.

Equipment and key financial indicators

So moving on to slide 17 for the equipment and key financial indicators. It was a great quarter with $108 million in revenue; more than double Q3. We delivered over 100,000 channels, including a large number for mega crews in Saudi Arabia. Equipment also developed WiNG land node systems in Latin America.

Bahrain equipment sales remain quite low, driven by spare section sales of Sentinel streamers to its install base. 2020 equipment sales were $291 million, down 35% year-on-year and have been more resilient than expected thanks to North Africa and Middle East land activity. OPINC for Q4 was positive as we were above our break-even threshold.

Equipment activity supported by strong demand from the middle east

Moving on to slide 18. Sercel equipment has been selected for two 3D mega crews recently awarded in Saudi Arabia as well as for a smaller 2D survey project. These awards confirm the technical superiority of our equipment and the confidence that major clients and local contractors have in its capabilities. For each crew, we are talking about more than 60,000 channels of our 508XT acquisitions system, 540,000 ST-10 geophones and over 30 Nomad 65 Neo Vibrators controlled by VE's 464 electronics.

The fact that we have had Sercel systems running for years on other crews in Saudi Arabia and in the wider region, combined with their consistent excellent performance in terms of broad data quality and productivity, most likely played a part in those awards.

We should also highlight our very flexible manufacturing organisation, which has been enabled to manufacture at full speed this equipment and organise the logistics to deliver it in a very short timeframe even during the challenging year. In terms of data quality, we see the clear potential for continued innovation in seismic sensors, like our third generation of MEMS sensors, QuietSeis, which is unique in terms of good broadband capability and fidelity of the signal required. So far, these cutting-edge sensors equip our 508^{XT} systems and two new nodal equipments were recently released: the real-time capable WiNG system for onshore and a GPR system for ocean-bottom surveys.

Marine activity has been slow, limited to spare parts. I do expect that the streamer replacement cycle is getting closer, as the streamers that are in use are getting older and older, and there are no more used parts available in the market.

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

Financial Review

Yuri Baidoukov

Chief Financial Officer

Thank you, Sophie. Good morning, ladies and gentlemen. I will now comment on the full year 2020 financial results and start with slide 20.

Q4 2020 at FY 2020 income statement

Looking at the consolidated P&L for 2020, segment revenue amounted to $955 million down 32% year-on-year. GGR revenue was $668 million, a 30% decrease year-on-year, with 70% weight. Geoscience revenue was $328 million down only 15% year-on-year and multiclient sales were at $340 million, down 41% year-on-year on lower after sales, with refunding revenue remaining stable year-on-year. Equipment revenue was $291 million down 36% year-on-year with 30% weight. Segment EBITDA was $361 million and adjusted segment EBITDA was $402 million before $42 million severance cash costs: a 42% margin.

Adjusted segment EBITDA in 2020 was down 44% year-on-year. Segment operating income was negative $164 million and adjusted segment operating income before $213 million of non-recurring charges at the operating level was positive $48 million. Cost of financial debt was stable at $134 million and included a non-cash peak component of $46 million. Net loss from continuing operations was $376 million, including $269 million of non-recurring charges. Net loss from discontinued operations was $63 million and included $67 million of non-recurring charges. Group net loss in 2020 was $438 million, including $336 million of non-recurring charges. Please refer to slide 30, which provides more details on the breakdown and nature of the non-recurring charges in Q4 and for the full year 2020.

Q4/FY 2020 simplified cash flow

Moving to slide 21 and looking at our cash flow. Segment free cash flow for 2020 was negative at $39 million, including significant negative change in working capital of $89 million on increased equipment inventories and year-end receivables for mega crew deliveries in Saudi Arabia as well as year-end receivables in multiclient business. Segment free cash flow also included $14 million of paid severance costs.

Segment free cash flow before change in working capital was positive at $50 million. It included multiclient cash CAPEX of $239 million, up 29% year-on-year and prefunded at 89% as well as industrial cash CAPEX and R&D costs in our geoscience and equipment businesses of $64 million, which were slightly down year-on-year.

2020 cash cost of debt was $80 million, and lease repayments were $55 million. Net cash flow from discontinued operations was positive at $15 million, and cash costs related to the implementation of CGG's 2021 plan were at negative $87 million. Overall net cash flow in 2020 was negative at $247 million.

Moving to slide 22 and looking at our balance sheet, our liquidity at the end of December decreased to $385 million but remained solid. Following the exit from the acquisition business, CGG has lower capital intensity and requires around $150 million to operate the business. With no debt maturities before 2023, our current liquidity levels allow us to continue securely navigating through the current market environment.

At the end December 2020, our gross debt was at $1,389,000,000 or $1,234,000,000 before application of IFRS 16 with the following breakdown: $644 million firstly in dollar and euro bonds due in 2023; $577 million secondly in euro and dollar bonds due in 2024; $13 million of other items mainly accrues[?] interest and $155 million lease liabilities, including $42 million of Galileo financial lease and $113 million of operating leases under IFRS 16.

Looking at our financial leverage ratios at the end of December 2020. Net debt to shareholders equity ratio was at 90%, and segment leverage before IFRS 16 was at 2.8 times net debt to EBITDA. At the end of December 2020, our capital employed was at $2.17 billion down from $2.3 billion at the end of 2019. It included net working capital after IFRS 15 at $212 million. Goodwill was down at $1.19 billion, corresponding to 55% of total capital employed, and multiclient library net book value after IFRS 15 was at $492 million, including $410 million of Marine and $82 million of land at net book value.

Other assets were at $433 million, including $268 million of property, plants and equipment, down from $300 million at year-end 2019, including $156 million of IFRS 16 rate of used assets, of which $42 million related to [inaudible] financial year[?]. $147 million of other intangible assets down $13 million year-on-year and $17 million of other non-current-assets down $13 million year-on-year. Other non-current assets and liabilities were at $250 million liabilities, net.

Shareholder equity was at $1.16 billion, including $45 million of minority interest mainly related to [inaudible]. Now I hand the floor back to Sophie for our 2021 business outlook.

2021 Business Outlook

Sophie Zurquiyah

CEO

Thank you, Yuri. I am on 24 now, with the ESG commitment.

ESG: CGG committed to carbon neutrality by 2050

Greenhouse gas emissions are a major concern, and each one of us should play a part in the solution. CGG has a long history of excellent ESG practises, and we are committed to achieving carbon neutrality by 2050 with a 50% reduction of our greenhouse gas emissions by 2030.

We have defined this general reduction objective into very specific KPIs that we are monitoring and will be improving on every year. For example, 30% of our energy consumption for our data centres comes from green energy. And we will switch more and more of our contracts to green energy as it becomes viable in all of our locations.

Keep in mind as well that our technologies significantly help our clients be more effective and efficient with more drilling success, reduced drilling risks, less wells drilled, thus supporting them in reaching their greenhouse gas emission goals.

Our new business solutions for energy transition

Moving on to slide 25. We already presented this slide, and we continue to advance our strategy and develop and commercialise new technologies in three key areas. One, those directly adjacent to our core businesses; two, utilising our core capabilities in new sectors; and three, leveraging our capabilities to support our clients on their energy transition journey.

The sectors that we are focused on at current include digital geoscience, energy transition, earth observation and infrastructure monitoring. These are all areas in which we currently do business and are staffed with experts to deliver the products and services.

I mentioned earlier our satellite mapping business. We see many growing areas of interest and activity that use satellite images combined with high-end computing, advanced technologies and geoscience expertise. These include supporting our clients in reaching their ESG and energy transition goals, monitoring of infrastructures and facilities, as well as analysis of subsidies and geo-hazards. We continue to focus on these areas and today have new commercial engagements around pollution monitoring and mine tailing stability.

With Sercel QuietSeis sensors, we provide passive acoustic monitoring to detect mammals' presence with an unequalled degree of precision. We have also launched our S-lynks solution offering for the structural health monitoring market.

Market outlook

Now, moving on to slide 26 with the market outlook.

Given the acceleration of COVID-19 vaccinations across the world and the end of the pandemic crisis in sight, 2021 should be less volatile than 2020. If oil price remains above $50 a barrel, oil and gas companies should gradually increase their spending, as the current investment levels are not enough to meet future demand, even in a lower energy transition scenario. Oil and gas will remain at the core of oil and gas companies, and as its cash flows needed to progressively transform their energy portfolios and meet the world's energy demands through the transition.

In this environment, geoscience imaging technology will continue to play a key role as it enables clients to allocate their investments more effectively. We expect 2021 geoscience spending to be slightly up in our central scenario with an acceleration in H2 if the oil price remains in the $55-65 range.

Two thousand twenty-one budgets from IOCs were cautious and focused around existing producing areas, but several clients have mentioned potential budget increases if the market further improves.

It is also increasingly clear that the crisis has delayed oil and gas investments that are required to meet future energy demand, and there will eventually be some form of catch up. New barrels will be more difficult and riskier to extract, and the latest technology will play a key role in the characterisation of new prospects and discoveries along with their effective development and production.

CGG 2021 business perspectives

Slide 27. In 2021, CGG will continue to invest in geoscience technologies that support clients' prioritisation towards reservoir development and production optimisation. After a low Q1, we expect our geoscience activity will start recovering during the second half of the year, on the back of solid demand for best interest subsurface imaging technologies and sustained activities with large NOC.

Our multiclient business will reduce CAPEX, keeping its focus on expanding our unique footprint in offshore Brazil and in the North Sea, but we'll also continue to reprocess existing data libraries with our latest imaging technologies where we see clear client interest.

Our equipment business should benefit from solid deliveries for land mega crews in Saudi Arabia in H1 and improved demand for its large portfolio of wing nodes onshore and GPA nodes offshore.

CGG will continue to hire new talents for our existing core businesses, and for our new growth areas as we progressively develop our energy transition businesses, leveraging our core capabilities.

In conclusion, on slide 20, with this outlook and assuming the gradual emergence from the COVID-19 pandemic and no deterioration in oil and gas market conditions, CGG revenue is expected to increase by low single digits year-on-year, with growth in equipment, gradual recovery in geoscience in H2 and reduced multiclient prefunding revenue.

EBITDA is expected to remain stable with a less favourable business mix. Net cash flow is anticipated to be positive. The group will continue to focus on capital discipline and cash generation. Multiclient cash CAPEX is expected to be reduced to around $165 million, and industrial CAPEX is expected to be stable around $70 million.

Looking at where CGG is today, we are the asset-light company we wanted to be with three differentiated businesses, all well-positioned in their markets, focused on best-in-class technology, and increasingly working together to best serve our clients and to develop unique solutions. Together with the ongoing development of our new growth areas, CGG is well-positioned for the future. The company celebrated its 90th anniversary this year, and we are setting the stage for our continued success both in 2021 and for well into the future.

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

Q&A

Jean-Luc Romain (CIC Market Solutions): Good morning. Thank you for taking my question. It relates to the non-oil and gas sales in the first segment. What kind of percentage of sales could it reach in two and five years' time?

Sophie Zurquiyah: Thank you Jean-Luc and bonjour. Thanks for your question. I would say it is a little early to say for sure, and this is something we are working on to better get an understanding on for our capital market day at the end of the year. But we are certainly wanting to see some substantial – we want it to become substantial in the revenue stream. And we are looking at the five year range, it represents something around 20 to 30% of the equipment revenue. However, in the short term, we are looking at a number round 15 million.

Jean-Luc Romain: Thank you.

Kevin Roger (Kepler): I actually had one on the US Gulf of Mexico, but you clearly already answered it during the presentation. Thanks for the colour.

I have related two questions. The first one is related to the debt position and the refinancing. You did not mention any, let's say, strategy, something like that related to the refinancing. So I wanted to know if you can provide us with some colour on the potential refinancing in the coming weeks, months, etc.

And the second question is related to the backlog because when you did the trading of debt, clearly, we saw a nice increase in your backlog at the end of Q4 compared to the end of Q3.

I was wondering if you could provide us the backlog number at the 1st March along the lines that you have available, please.

Sophie Zurquiyah: I shall give the floor to Yuri and say bonjour, Kevin.

Yuri Baidoukov: Yes, good morning, Kevin. Thank you for your question.

Regarding refinancing, to be honest, nothing changed since we spoke last time in the sense that our strategy remains exactly the same. So we are still working on and preparing for potential refinancing. And of course, our objectives are to refinance the existing capital structure. The first and the second lane bonds into one instrument, bring back NRCF, and we are publishing our URD or annual report today, which will include audited financial statements and that will open the first technical window until the very end April when we enter into the next blackout period before the reporting of Q1 results on the 12th May.

So the market conditions, as you know, remain quite attractive. And we are looking for opportunities.

Kevin Roger: Okay, so, let's say the window is from today to the end April basically.

Yuri Baidoukov: Technical window, yes; that is correct. But naturally, we will communicate in due course if and when the transaction happens.

Kevin Roger: Okay. And secondly, on the backlog, please, if you can provide the last number that you have in front of you.

Sophie Zurquiyah: Yes, actually, we do not, Kevin. We do not publish the backlog every month, and to be honest, it is not so meaningful to look at it on a really monthly basis, and the one we publish is the backlog for geoscience.

But I could give some colour on the engagement of our clients. When we came into the year, January has been really slow. I mean, we had good actually order intake in December. It was almost like a sort of afterthought, say, hey, we need to make sure we send the orders, and we secure that at year-end.

So January, February, to a certain extent, has been slow. I am talking here geoscience. But now we are starting to see a bit more interesting conversation from clients. It seems like they passed the reorganisation. I am talking here the IOCs. There has been substantial headcount cuts and changes affecting the geoscience and the exploration departments. So, it seems like we are past that, and we are starting to have a more meaningful conversation talking about processing for larger projects, so I feel it is a bit positive.

I am cautiously positive, but it is not necessarily yet in the numbers because before sometimes we get the award, we do get the verbal awards. And I would say the verbal awards are encouraging, and that is for geoscience. For equipment, we have an interest for our OBN. If you remember, last year we were planning to sell some OBN already in Q1. That was an ambition for the year because it was going to be a good year for OBN, and of course, the crisis stopped that, but now we are having, again, a very interesting conversation for our GPR nodes, and we are hoping to make a big sale this year.

Kevin Roger: Okay, thanks for the colour. Have a good day.

Sophie Zurquiyah: Thank you. Bye. Au revoir.

Christopher Müller: Yes, good morning. Just to clarify the guidance on EBITDA. So, when your guidance is stable EBITDA, that is from the base of the segment EBITDA of 2020? Or is it adjusted EBITDA of 2020?

Sophie Zurquiyah: Good morning, Christopher. I will let Yuri address that one.

Yuri Baidoukov: Yes. Good morning, Christopher. The guidance we are giving relates to EBITDA, not adjusted EBITDA.

Now, as Sophie mentioned in her presentation, we need to look obviously at the revenue mix as well and take it into account because the multiclient CAPEX is significantly lower this year and therefore prefunding revenue in multiclient, with still very good prefunding rates of course, will be lower year-on-year as well. And multiclient obviously, the margins are the highest, right? As you well know.

Secondly, we see growth in the equipment part of the business. And of course, again, EBITDA margins in the equipment business are lower than in geoscience and multiclient. So, in other words, when talking about EBITDA dollars, which will be stable year-on-year, you need to take those elements into consideration.

Christopher Muller: And also, another clarifying question. You are also getting a positive free cash flow, which is, of course, very positive for 2021, but does that include or exclude the non-recurring cash costs of $65 million?

Yuri Baidoukov: It includes everything.

Christopher Muller: Okay, right.

Yuri Baidoukov: So we are talking about positive net cash flow, everything in.

Christopher: And a final question from me. We know that Sercel, or your equipment business, is busy with the deliveries to Saudi Arabia, both in Q4 but also in the first half, as you said. However, will that actually also cause that Sercel will be a more H1 year this year? Because normally, historically, Sercel has always had a strong Q4 and may that impact be less this year due to early deliveries?

Yuri Baidoukov: So, Christopher, on that front, yes. While – with regard to the land equipment sales for the mega crews in Saudi Arabia, this is an H1 story. But as Sophie just mentioned, we also have secured orders for the OBM equipment and this is the H2 story.

Christopher Muller: Thank you.

Operator: Thank you. Once again, as a reminder to those who wish to ask questions, please press star and one on your telephone keypad.

Sophie Zurquiyah: Yes, I wanted to add for Christopher in terms of the equipment cycles, it is too early to know what Q4 will be made of, but keep in mind that on the land side, we are selling to – we have a huge installed base and Algeria, India, Pakistan. There are lots of other countries that are quite active, and typically we run with three months' backlog, so we do not know what Q4 will be made of, but I do expect land activity will continue to be active, and as well that I hope, now the streamer will start taking up as well. Thank you.

Mick Pickup (Barclays): Good morning, everybody. Thanks for today.

Very simple for me. A lot has been asked. Can I just take the 10,000 ft view? Clearly, your clients and the geoscience departments within a lot of your clients have been slashed dramatically, and with the change in focus, I am assuming at some stage there's going to be a new generation of EMP players out there in some of the maturer basins. I am just wondering, thinking longer-term, whether you think the crisis of last year probably generates more workload for you than actually removing workload?

Sophie Zurquiyah: Yeah, hi, Mike. Yeah, it is one of the scenarios. It is really difficult to know which side the coin will be falling, and every client is different and starting from a different place with a different culture and has a different view of what they consider core and non-core.

We already saw in the previous crises some clients actually flipping over and deciding they did not want to keep their internal processing groups. And we are heavily engaged with those clients. But I think now there is a more acute need for those clients to further reduce their headcounts, and geoscience is indeed a target because it is difficult to justify keeping a fixed cost for a volume of activity that is not necessarily steady because they have so many fields that they need to study at some point in time.

Therefore, I do think there is an opportunity, and I mentioned this in my comments, that we are engaged with a number of clients in conversations where they want to try and secure our people in more of a dedicated format, meaning it is like semi-having their own resources, but not quite their own resources. So they do not get the fixed cost component of in-house, and yet they still get some continuity in the support.

So I do think there is an opportunity, and it is similar to like the 80s where clients made big shifts towards revisiting what they did internally and externally. And that is when, if you remember, the service sector really created and consolidated. I do think there's an opportunity around geoscience this round.

Mick Pickup: Okay, and can I just look at the seismic business? Really, we have got four multiclient players out there or three and half depending on how we want to look at it, but dedicated multiclient players and we have two marine vessel contractors left. Now, it seems to me that there are a lot of multiclient players and not many vessel players. How do you think of the balance of the market after the crisis?

Sophie Zurquiyah: Yes, it is a tough question Mick, because we, of course, look at that. On the marine contractors, we are not too concerned. We have our commitment and special relationship with Shearwater that defines very clearly how we get access to vessels. So we are quite fine on that. And the Polarcus vessels will end up somewhere. They might end up with those two players, but they might end up somewhere else. And do not forget that, you have got the Chinese players, Coastal and BGP, that also have vessels. So it seems like two, but it is not quite two.

Now on the multiclient players, I do get the question very often of consolidation. It is not clear to me what you really gain from consolidation because the multiclient is almost like a real estate business. You have your position, and we all have quite different positions. So if the client wants to expand or get some data in the presold area of Brazil, this is CGG. So, in that sense, we can operate fairly fine in parallel as long as we do not fight over the same area, which has not traditionally been so much the case and where we have tried actually to partner when they are risky areas, or riskier areas like we did in the Barents Sea, which is more frontier, and we felt like, okay, we'll do a partnership where it is more risky.

I do not have a clear answer for you. I think it can stay that way. There's no imperative for consolidation, in my view.

Mick Speaker: Okay. Thank you, and let's hope this year's a bit easier for us all.

Christopher Müller: Yes. Good morning. Just to follow up on the comments from Mick. Regarding the multiclient business, so we do see that, of course, your clients remain cautious. They cut exploration spending again this year. At the same time, we see that you and all the other multiclient companies reduced multiclient investments quite significantly.

Would you say that when you are planning new projects currently that you actually see less competition for the prefunding money? As all the players are reducing investments, or is it roughly the same; just you are reducing in line with your clients? Thank you.

Sophie Zurquiyah: Yes, thank you, Christopher. I would say, if anything, it is a little bit less competition than a year before the crisis hit. Now there's a bit less competition, but there are also less projects. I am not sure how all the equation ends up fitting together, but it feels a little bit less competition in the sense of more discipline, where perhaps in the past, if you remember the story with PGS where we fought against each other in the Gulf of Mexico for the same area. I think that is over because it is of more discipline.

So in that sense, that reduces a little bit the competition. There's more sanity about making sure whatever investment we do is good. But the truth is in line with clients reductions of

CAPEX; there are less opportunities. But it is not tied again. There's always that connexion saying like multiclient equals exploration. It is not true any more at all.

Like I said, most of our projects are development and production-related. They are not at all exploration. Thank God. Otherwise, we would not do much. And we hear clients saying now for me, we'll do multiclient only. Many of our clients just do not want to go back to the proprietary. They have seen the benefits of multiclient not having to deal with all the permitting and the integration and the visibility. And they finally realise that at the end of the day, sharing the data does not put them at a lower competitive advantage. Where the competitive advantage is about interpretation. It is about the know-how, how they make the decisions, how they manage their portfolio and not so much about the size of the data itself.

Christopher Muller: Thank you.

Sophie Zurquiyah: It sounds like we have covered the questions from everyone. We have upcoming meetings anyway, and we are always available to answer further questions. It has been great to listen. To have you all on the call. And thank you very much for your questions. And I look forward to talking to you in the near future. Thanks a lot.

Yuri Baidoukov: Thanks, everybody. Goodbye. Have a great day.

Sophie Zurquiyah: Bye. Thank you.

Yuri Baidoukov: Goodbye.

Sophie Zurquiyah: Good day.

[END OF TRANSCRIPT]