ANTICIPATED ACQUISITION BY IRON MOUNTAIN INCORPORATED OF RECALL HOLDINGS LIMITED

Summary of hearing with CGG on 16 March 2016

1. CGG said that it was an integrated geoscience business, which included the offer of data management services exclusively to the oil and gas sector.

2. Contracts for records and information management services could range from short-term contracts to five- to ten-year contracts, with allocation typically through a tender process. Iron Mountain, Recall (C21) and CGG would generally be invited to tender. Prices for the records management contract were an important element but exit fees (perm-out fees) were also significant. Such fees meant incumbent suppliers had a huge advantage. CGG explained that exit fees could reflect the actual costs of checking out and transporting boxes, but it said that perm-out fees were also intended to cover the cost of having unused capacity.

3. The demand for services by the oil and gas sector was shrinking given current market conditions. Longer term, provision of technology had been growing, predominantly in digital data storage and services. Physical storage was a stable-to-growing sector, largely because oil and gas licence holders were required to keep records in perpetuity. Therefore most (70%) of CGG's oil and gas customers kept geological samples with them. CGG saw its future growth would most likely come from winning business from competitors.

4. CGG saw Iron Mountain and Recall as its competitors in the Aberdeen area.

5. There were occasionally other suppliers elsewhere in the UK with oil and gas clients, but Iron Mountain, Recall and CGG were the relevant mass market suppliers serving north-east Scotland. CGG thought Iron Mountain and C21 (Recall) competed closely. Some business was held by ALS Petrophysics, which predominantly provided analysis services but sometimes offered to store core samples thereafter. Other, non-specialist RIMS suppliers were not seen as competitors.

6. CGG explained that clients needed confidence in the supplier, eg in how it handled, stored and transported samples, and this differentiated these specialist

suppliers. It noted that the detail of box indexing and demands to understand the full details of what was stored was higher for oil and gas customers than other sectors. It said that specialist suppliers would need core viewing facilities, and CGG considered at 15 miles outside Aberdeen centre it was about at the limit of how far clients were willing to travel. Also, customers would require an option of rushed retrieval, for example in less than two hours, limiting the distances at which Aberdeen could be served.

7. CGG thought a new entrant might at best be able to win some business from a small oil company with limited volumes of data that had no anticipation of needing to access or analyse samples. For larger customers with more sophisticated procurement (including technical stakeholders), a new entrant would be very unlikely to win business due to lack of systems and inability to demonstrate its knowledge of proper storage, handling and transportation. There were some cost barriers to establishing facilities in the north-east of Scotland but large organisations could overcome these.

8. CGG said that some customers multi-sourced but this was usually because of the acquisition and divestment of other parties rather than deliberate design. Customers would generally seek to consolidate suppliers to simplify procurement and negotiate better rates. CGG said that customers would not turn to self-supply (it noted one exception but in the south-east of the UK which outsourced management of an in-house facility), due to the costs involved and the inflexibility of their facilities. Therefore this was not used as a negotiating threat by clients.

9. Apart from physical location, other competitive aspects required to qualify for consideration by clients would be a health and safety track record, ISO certification, a quality management system and environmental systems. FPAL.com was a supplier accreditation for oil and gas services and was important in demonstrating compliance with health and safety and training without a prospective client having to do an audit. Having met these requirements, competition to win tenders would be on the quality of technical offerings and pricing, where the headline concern was storage cost. Perm-out fees and other fees would also be negotiated. Rates were likely to be influenced by the size of the customer and how much the supplier wanted the contract in the first place.

10. CGG said that perm-out fees had been reasonably stable overall in recent years. Since it entered the market in 2004/05, CGG had won quite a lot of customers because its perm-out fees were [✂].

11. It said that contracts on average were around five years but many clients were on 12-month rolling contracts. It thought most customers would regularly benchmark prices before deciding whether or not to go to tender or roll-forward existing contracts. Soft-switching, were existing stock was left with the current supplier, was uncommon.

12. CGG said that because of the difficulties faced by the oil and gas sector, its own pricing was under pressure [✂]. Because CGG's main business interest was in additional data analysis rather than just storage, it took a balanced decision on appropriate strategies to win overall custom. It thought Iron Mountain and Recall's business was more focused on storage revenues.

13. CCG saw the merger as potentially damaging, as it would be difficult to compete with a very large supplier formed by the merger. [✂]. A loss of competition would likely drive prices up in the market over time.