# 4th Quarter and Full-Year 2017 Financial Results

## Improved revenue and EBITDAs

## Financial restructuring process completed

***All results are presented before Non-Recurring Charges & write-offs, unless stated otherwise***

cgg.com

Passion for Geoscience

# Forward-looking statements

*This presentation contains forward-looking statements, including, without limitation, statements about CGG ("the Company") plans, strategies and prospects. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, the Company's actual results may differ materially from those that were expected. The Company based these forward-looking statements on its current assumptions, expectations and projections about future events. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it is very difficult to predict the impact of known factors and it is impossible for us to anticipate all factors that could affect our proposed results. All forward-looking statements are based upon information available to the Company as of the date of this presentation. Important factors that could cause actual results to differ materially from management's expectations are disclosed in the Company's periodic reports and registration statements filed with the SEC and the AMF. Investors are cautioned not to place undue reliance on such forward-looking statements.*

# Agenda

- Operational review
- Financial review
- Group restructuring completed
- Conclusion

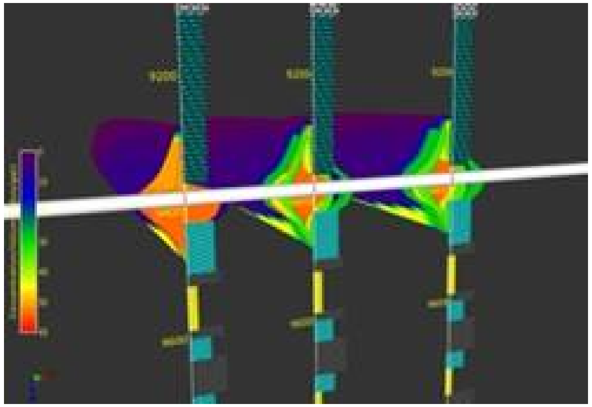

# Operational review

Passion for Geoscience

CGG

# Q4 2017 key highlights

- Revenue at $401m, up 22% y-o-y
  - GGR: strong multi-client sales in Brazil and North Sea
  - Equipment: very strong volumes increase
  - Contractual Data Acquisition: low Marine revenue as 75% of fleet dedicated to multi-client surveys
- EBITDAs at $134m up 34% y-o-y, a 33% margin
- Operating Income positive at $18m
  - Positive impact from multi-client after-sales and Equipment sales
  - Contractual Data Acquisition segment impacted by bad weather and delays
- Free Cash Flow positive at $13m

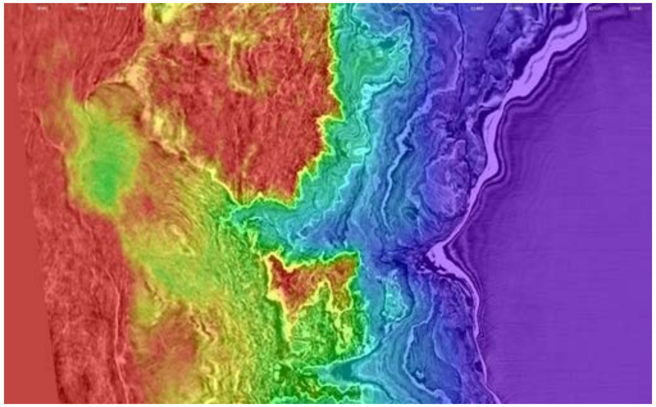


*PowerLog*

*Sercel FDU-508*

# Full-year 2017 key highlights

- Revenue at $1,320m, up 10% y-o-y
  - GGR resilient with sustained multi-client sales boosted by Brazilian licensing rounds, North Sea and Gulf of Mexico
  - Equipment external sales up 20%
  - Contractual data acquisition: driven by two large contracts with high-end multi-source vessel setup
- EBITDAs at $372m up 14%, a 28% margin
- Operating income at $(77)m
- Strong operational delivery
  - Excellence in operations and in technology …
  - … while delivering our Financial Restructuring

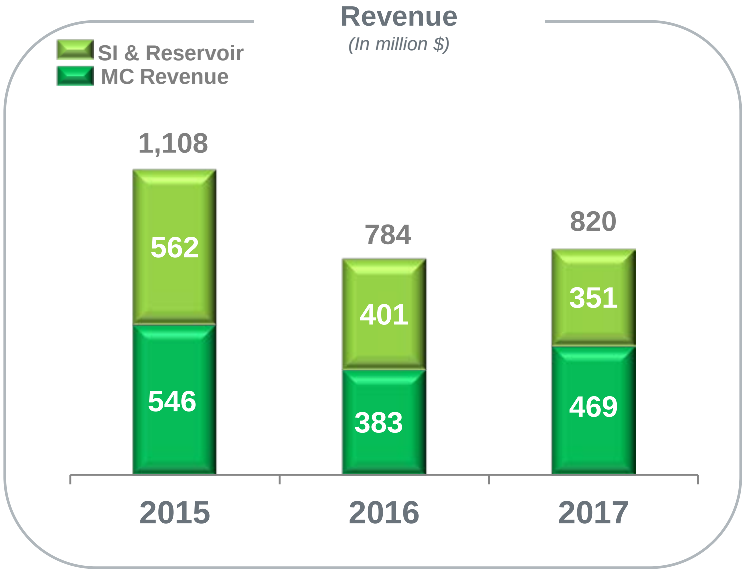


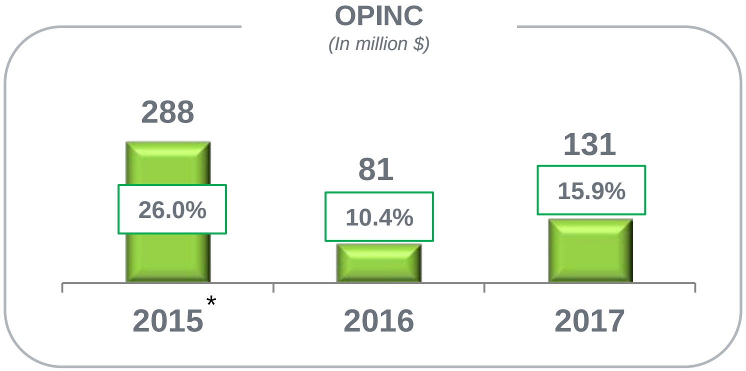
*Multi-client Porcupine basin survey in Ireland*

*Sercel Nomad 65 Neo in operation*

# GGR: solid multi-client sales

- Total revenue at $820m, up 5% y-o-y
- Multi-Client at $469m, up 22% y-o-y
  - Multi-client sales particularly active in Brazil, the North Sea and Gulf of Mexico
  - Prefunding revenue at $269m and after-sales at $200m
  - High cash prefunding rate at 107%
  - 48% fleet allocation to multi-client programs in 2017 and expected to be c. 45% in Q1 2018 and c. 50% in Q2 2018
- Subsurface Imaging (SI) & Reservoir at $351m, down (13)% y-o-y
  - Resilient activity
  - Market share preserved
- EBITDAs at $486m
- Operating income at $131m, a 16% margin
  - Margin increase due to favorable revenue mix with multi-client depreciation rate of 63%, versus 84% in 2016

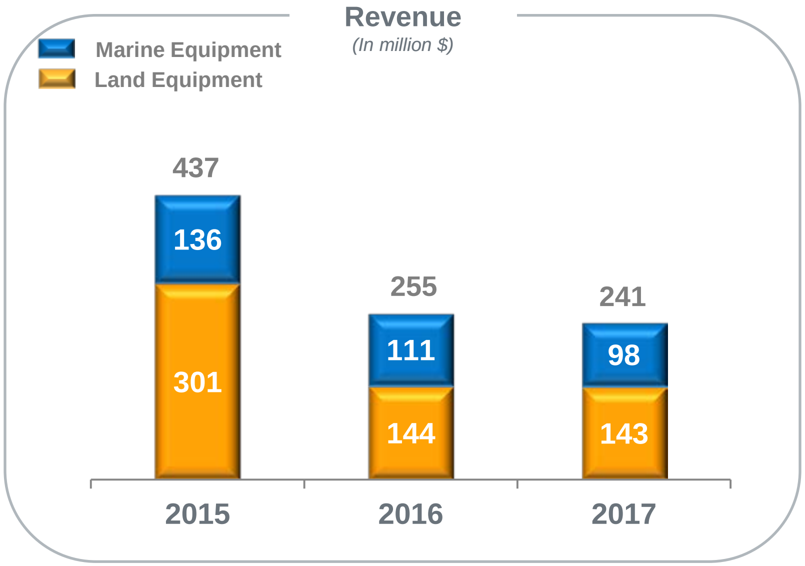


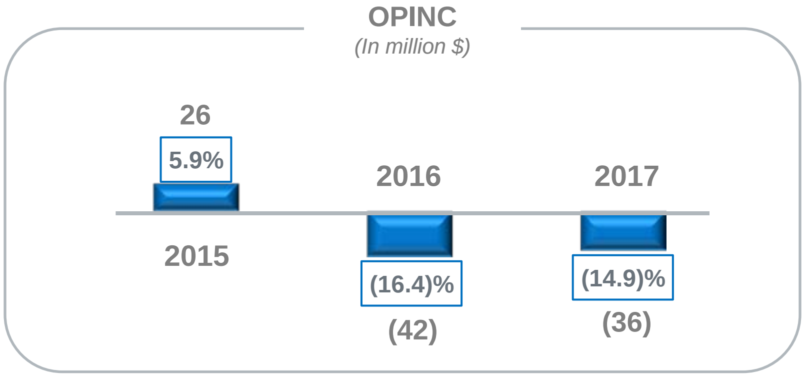




*Multi-client data library impairment restated to NRC in 2015

# Equipment: volume increase, the key driver

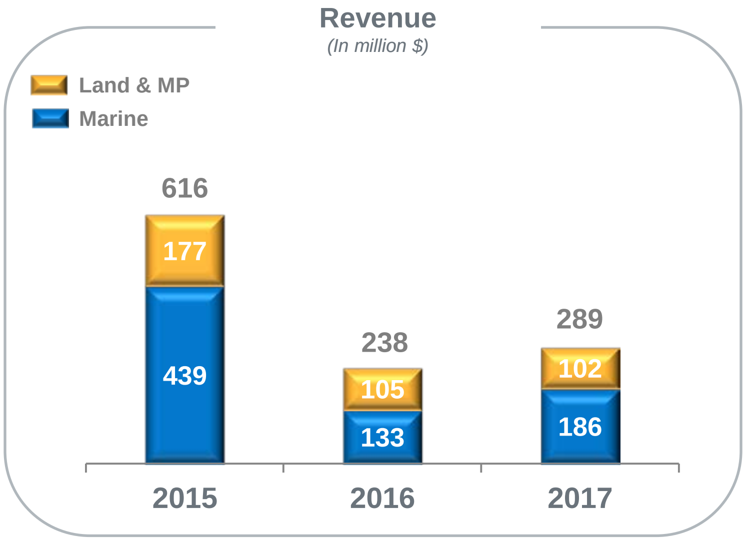
- Total sales at $241m, down (5)% y-o-y
  - External sales up 20% at $216m ($179m in 2016)
  - Internal sales down 66% at $26m ($76m in 2016)
  - Sales split: 59% Land and 41% Marine
- EBITDAs at $(6)m
- Operating income at $(36)m
  - Q4 sales at $116m, generating an 8% OPINC margin
  - Full-year hampered by very low volumes:
    - OPINC margin negative at (15)% despite reduced cost base

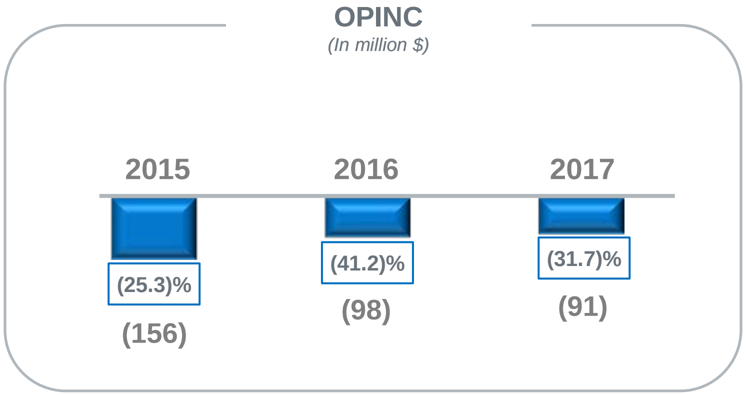


# Contractual Data Acquisition: persistently weak market conditions

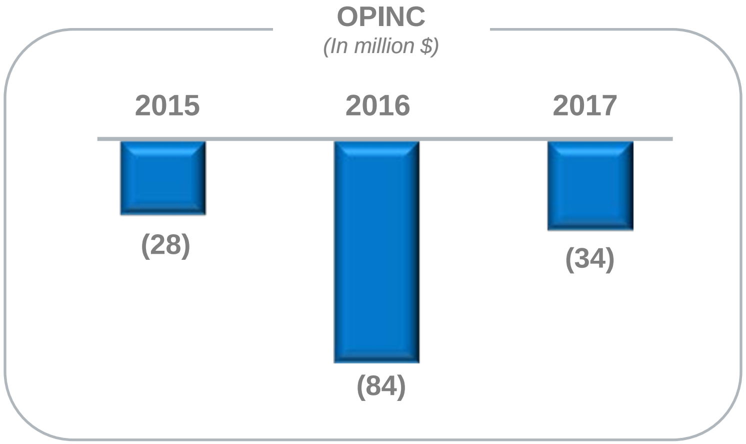
- Total revenue at $289m, up 21% y-o-y
- Marine revenue at $186m, up 40% y-o-y
  - Increase driven by two large contracts with high-end multi-source vessel setup
  - 52% allocation to marine contractual activities (50% in 2016)
  - 93% availability rate and 97% production rate
- Land & Multi-Physics total revenue at $102m, down (3)% y-o-y
  - Impacted by delayed contract in Algeria and early termination in Angola
- EBITDAs at $(47)m
- Operating Income at $(91)m
  - Continuing competitive market environment, stabilized at a low level
  - Impacted by delays and weather conditions in Q4
  - Positive impact of lower marine cost base in 2017
    - Partly offset by non-recurrent 2016 R&D tax credit



# Non-Operated Resources (N.O.R.)

- EBITDAs at $(14)m
- Operating Income at $(34)m
  - Mainly amortization of excess streamers
- Global Seismic Shipping (GSS) implemented in Q2 2017
  - Four cold-stacked vessels transferred to the GSS joint venture




# Financial review

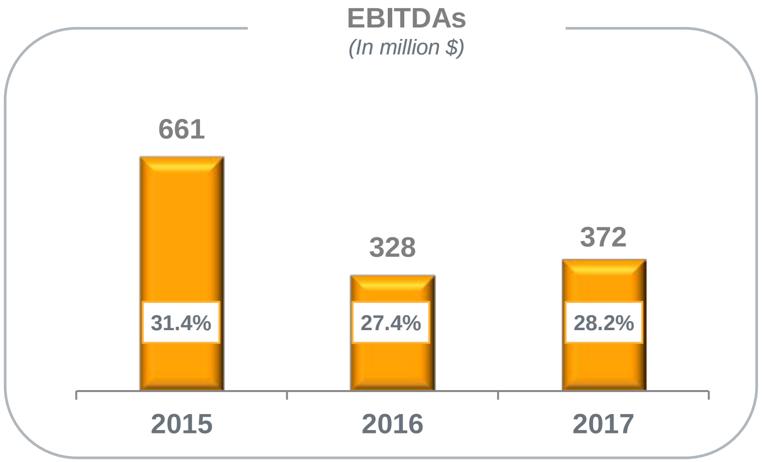
# 2017 full-year P&L

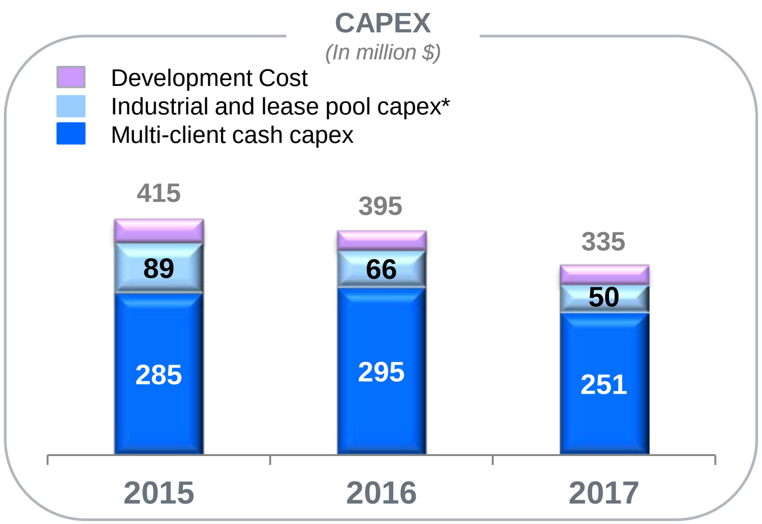
| In Million $ | FY 2016 | FY 2017 | Var. |
|---|---|---|---|
| **Total Revenue** | 1,196 | **1,320** | **10%** |
| Group EBITDAs excluding NOR | 350 | 387 | 10% |
| NOR | (22) | (14) | 36% |
| **Group EBITDAs** | 328 | **372** | **14%** |
| Group OPINC excluding NOR | (128) | (43) | 66% |
| NOR | (84) | (34) | 60% |
| **Group OPINC** | (213) | **(77)** | **64%** |
| Equity from Investments | (8) | (20) | (145)% |
| Net financial costs | (186) | (207) | 11% |
| Income Taxes | 14 | (24) | (273)% |
| Non-recurring charges | (184) | (186) | 1% |
| **Net Income** | (577) | **(514)** | **11%** |

- Group Revenue at $1,320m, up 10% y-o-y
- Group OPINC at $(77)m, versus $(213)m in 2016
- Net financial costs at $(207)m, including $(85)m cash cost of debt
- Non-recurring charges at $(186)m
  - Including non-cash $(63)m related to marine liabilities, mainly GSS
  - $(21)m related to the Industrial Transformation Plan versus $(56)m in 2016
- Net Income at $(514)m

# 2017 Financial indicators

- EBITDAs at $372m, up 14% y-o-y
- $(40)m change in working capital
  - compared to strong positive $198m in 2016
- Operating Cash Flow at $299m
- Capex at $335m, down (15)% y-o-y
  - Multi-client cash capex at $251m, 107% prefunded
  - Industrial and R&D capex at $84m
- Paid cost of debt at $(85)m
- Free Cash Flow at $(96)m, versus $(7)m last year
- $(101)m restructuring cash costs:
  - $(75)m related to our Industrial Transformation Plan
  - $(26)m net related to our Financial Restructuring
- Liquidity as of December-end at $315m




* Excluding change in fixed assets payables


# Group restructuring completed

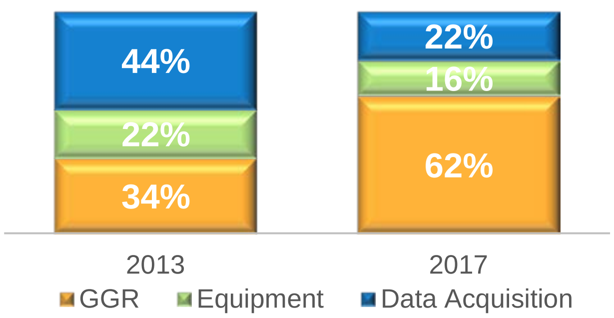
Passion for Geoscience

CGG

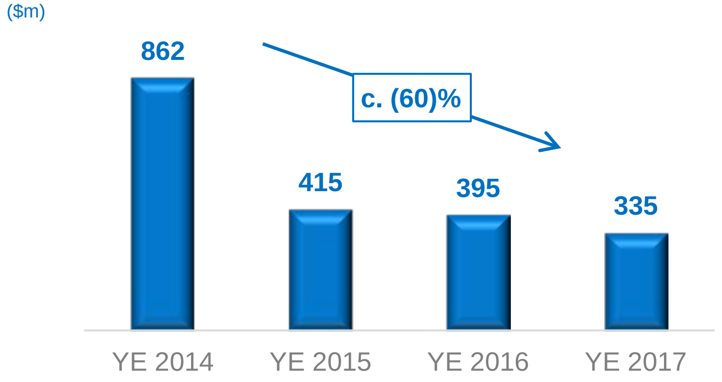
# Massive industrial transformation

- CGG's revenue mix has improved towards less capex-intensive activities and its cost base has decreased by c. 50 to c. 80% over 2013-2017, leading to a more resilient business model

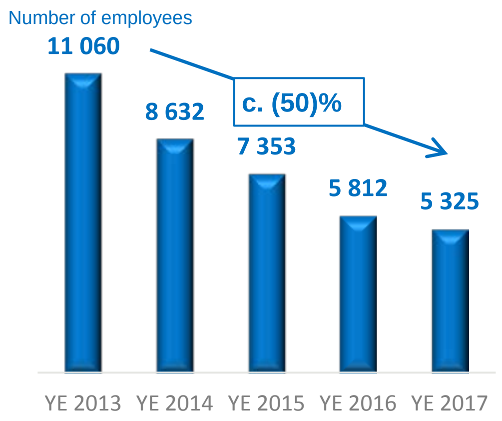
**CGG revenue mix evolution**



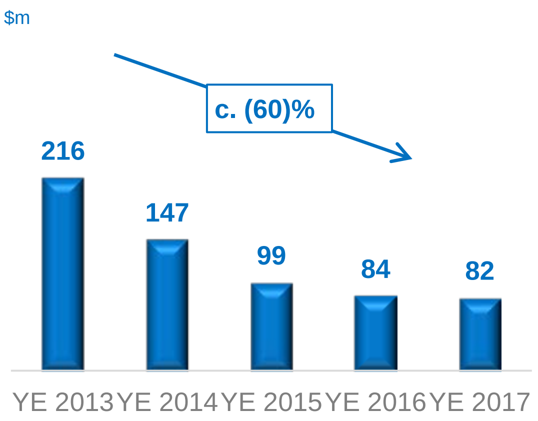

**Total Capex(1)**



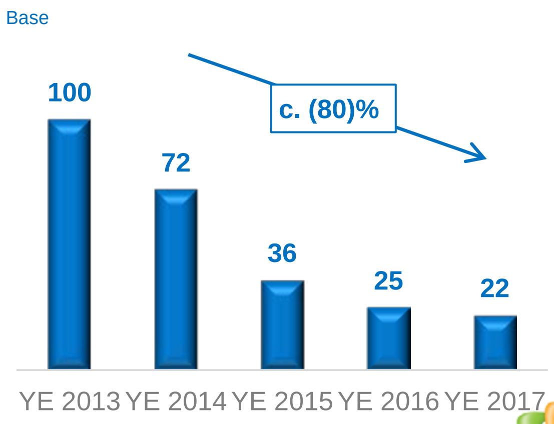

**Headcount(2)**




**G&A expenses**




**Marine monthly cost structure(3)**




*Source: Company*

Note: (1) Excluding impact of variation in fixed asset suppliers – 2017 estimate
(2) Including Manufacturing temporaries
(3) Full cost base including Depreciation and Amortization

# A three-part financial restructuring plan

- Full equitization of the principal amount of the unsecured debt leading to substantial Group deleveraging
  - **$2.0bn** from $1.6bn Senior Notes and from $0.4bn OCEANEs
- Secured debt maturity extended to 2023, five years from restructuring closing date
  - **$664m** 1st Lien Senior Notes outstanding, after $150m upfront paydown at closing
- Significantly improved liquidity position both to protect the Company in the event of operational sensitivities and to be able to finance future growth
  - **$355m** & **€80m** 2024 2nd Lien Senior Notes outstanding (comprising $275m and €80m as new money and $80m in exchange for part of the accrued interest claims under the Senior Notes)
  - **€112m** rights issue (at €1.56 per share) with warrants #2 attached
  - **c. $300m** net new money, post $150m secured creditors repayment and cash placement fees

# CGG *pro forma* post financial restructuring

**Pre restructuring by YE 2017**

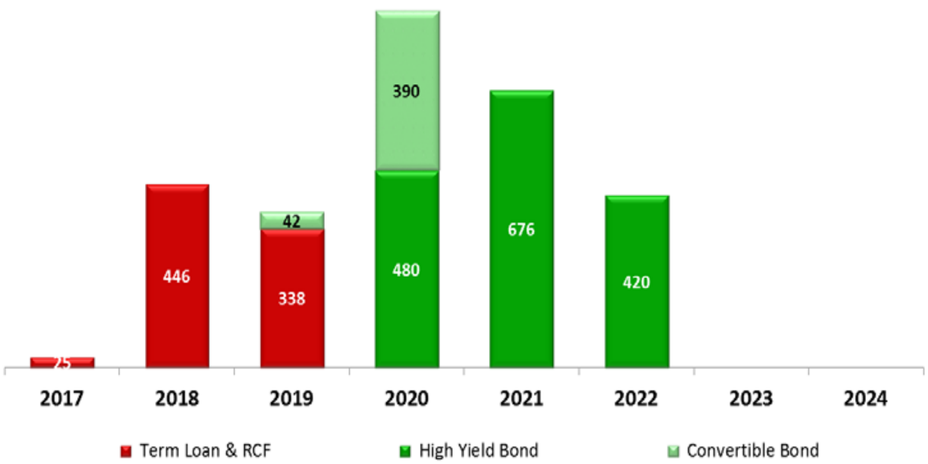
- **Gross Financial Debt of c. $3.0bn**
- **Liquidity at $315m**
- **Net Debt of c. $2.65bn**
- **First maturity in July 2018**
- **Financial leverage at 7.2x**

**Post restructuring/ *Pro Forma* basis**

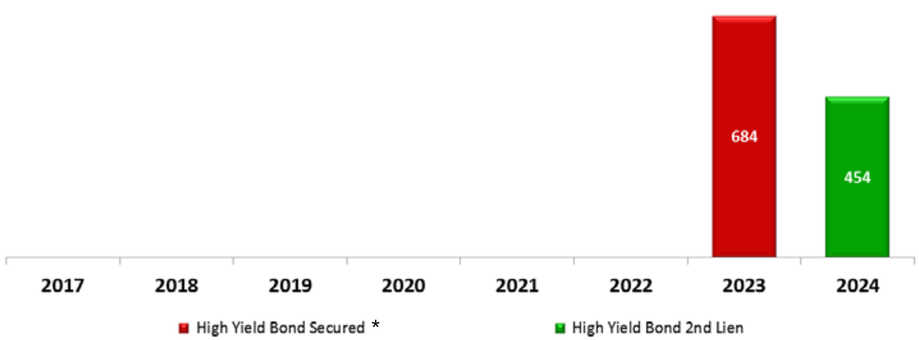
- ***Pro Forma*** **Net Debt of c. $0.63bn**
- **Gross Financial Debt of c. $1.2bn**
- **Liquidity at $575m**
- **First maturity in Feb. 2023**
- **Financial leverage at 1.7x**

# Restored capital structure post-restructuring

**Senior debt profile as of December 31, 2017**




**Senior debt profile post-restructuring**

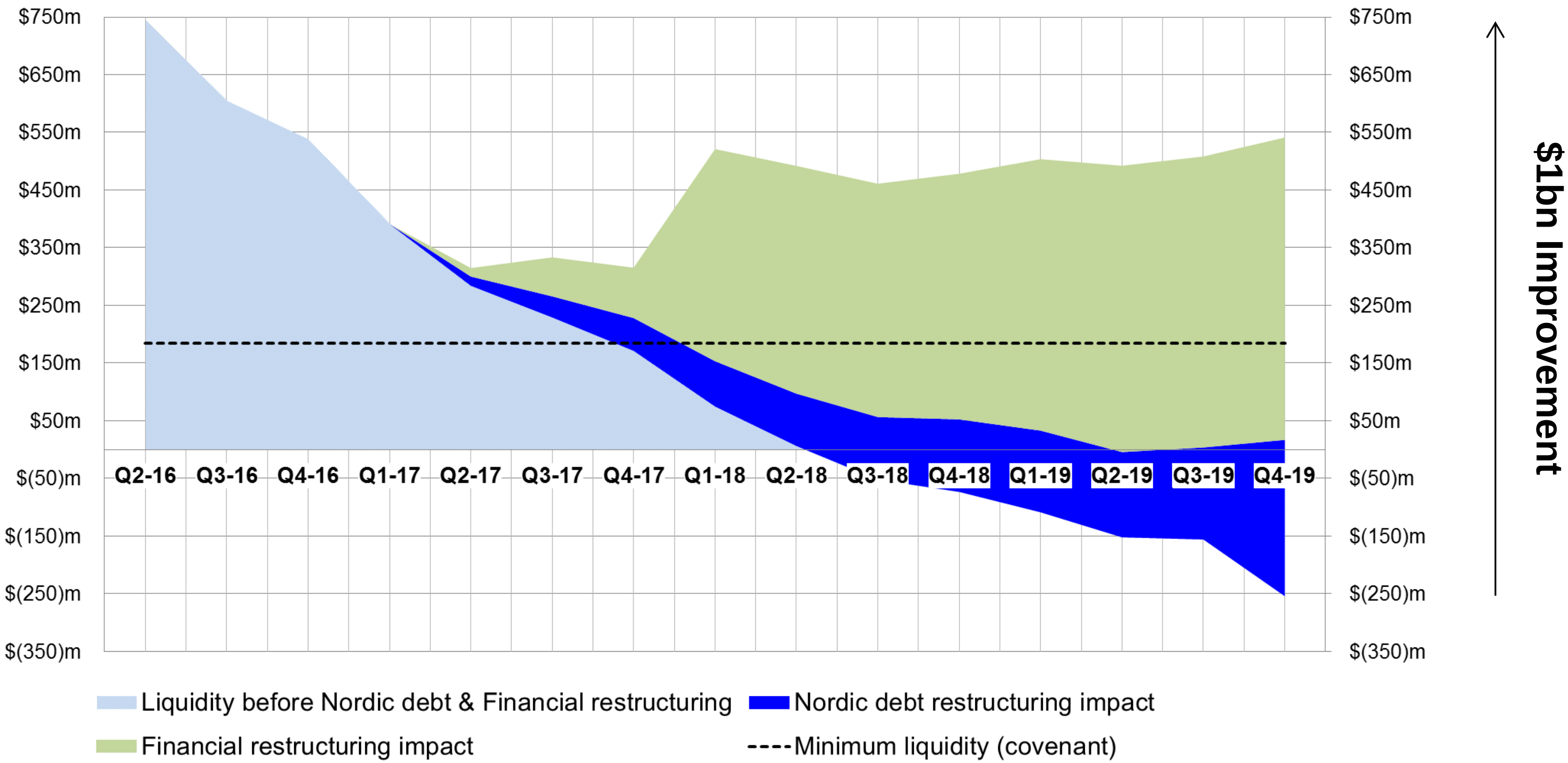



- c. $3.0bn senior debt by year-end 2017 (including accrued interests)
- **$1.15bn senior debt pro forma** post-Restructuring
- **Maturities** extended to February **2023** and February **2024**
- Average cost of debt at 7.0% cash + 5.0% PIK
- **Sustainable cash cost of debt** of **~$85m** per year

- **1st lien refinancing**: free up to May 21st; 3% roll-over fee up to August 21st; NC3 after
- **2nd lien**: callable at 120% in year 1 and 2

* 3% roll-over fee included

# Enough liquidity to manage potential recovery delay



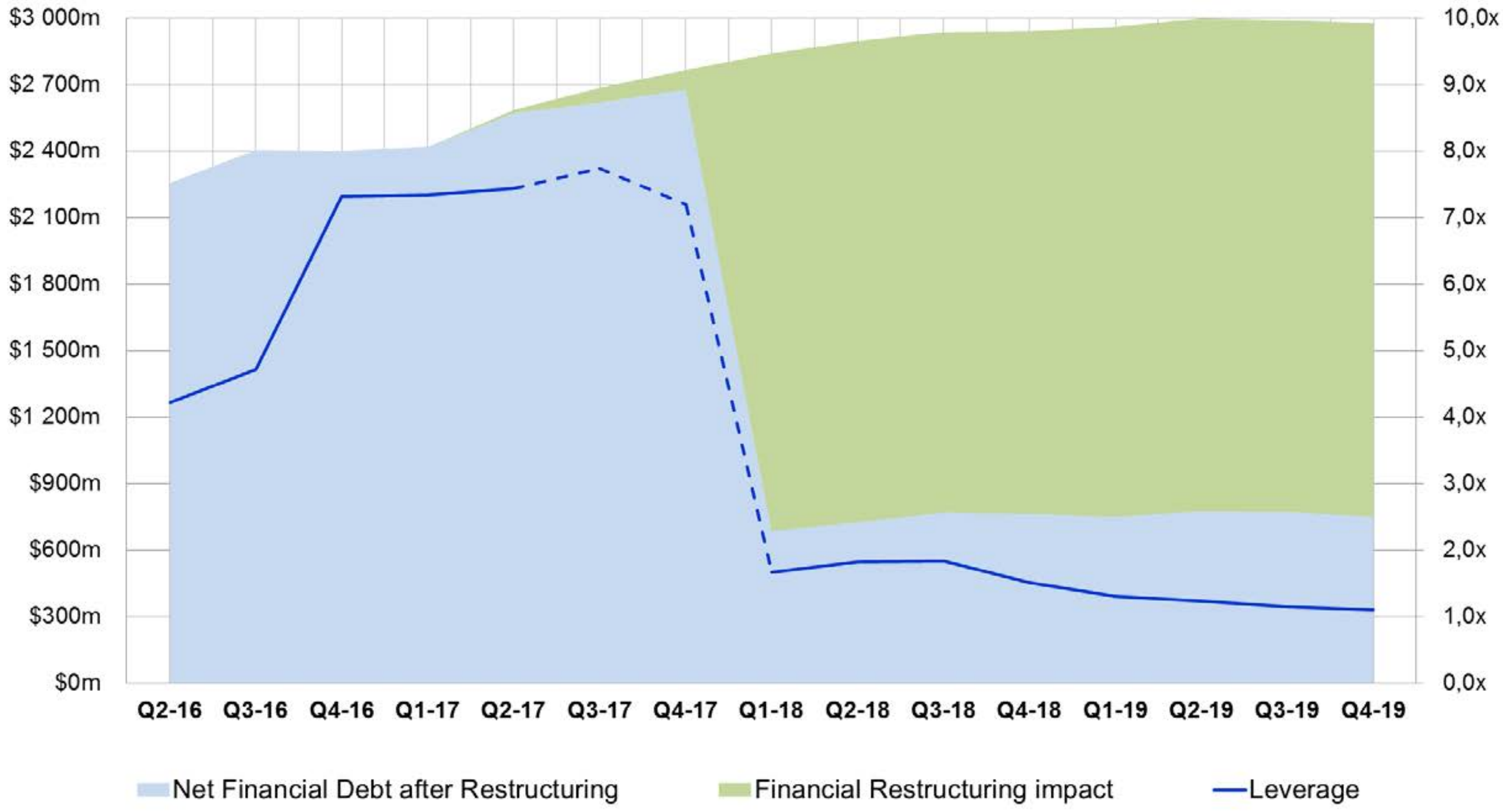

<u>Savings related to the Nordic & Fin. Restructuring:</u>

- Nordic Restructuring: **~$275m**
- Net reduction of finance costs: **~$225m**

<u>New liquidity:</u>

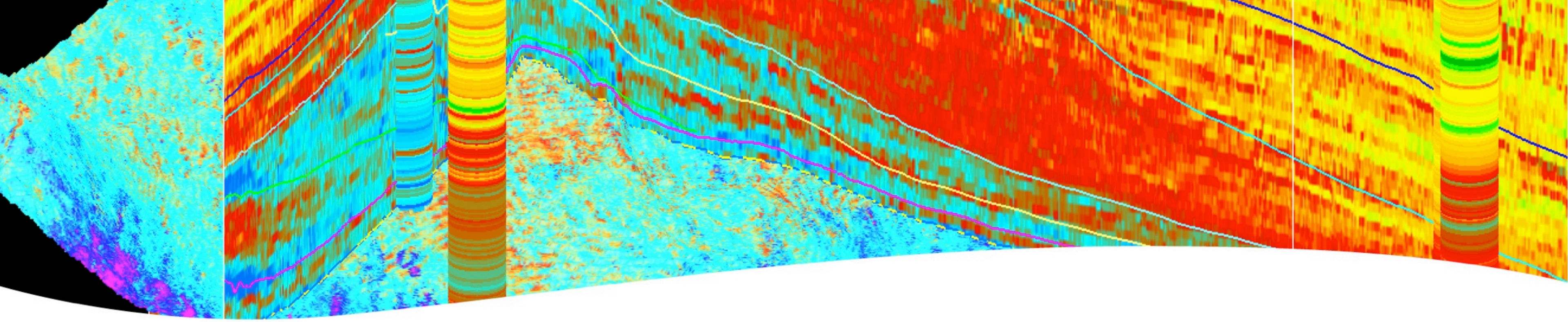
- Immediate cash injection: ~**$300m**
- Authorized floor of new secured debt: ~**$200m**

# Significant leverage reduction



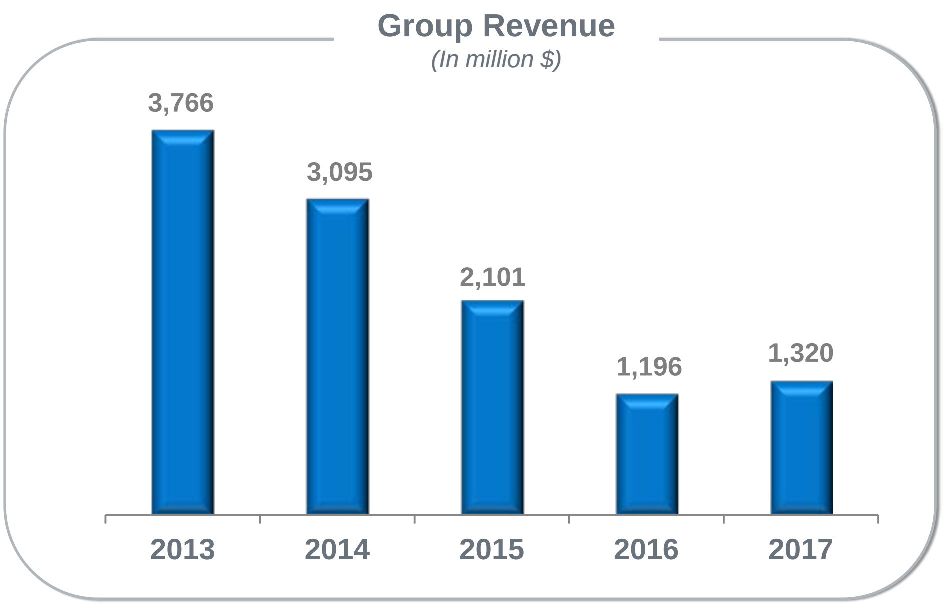

**Net debt reduction of ~$2.2bn post restructuring**

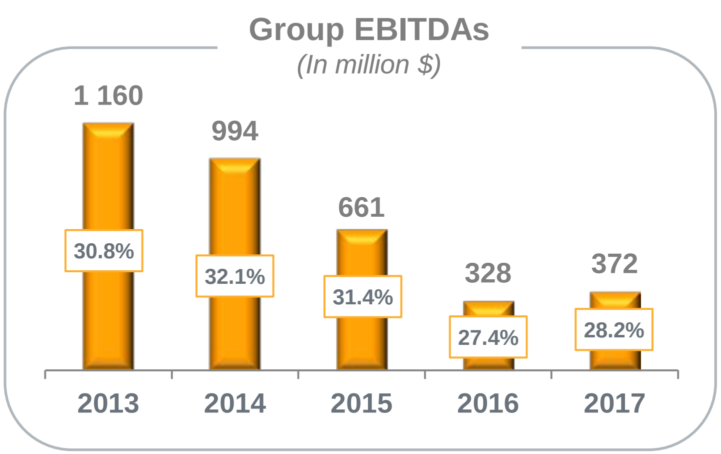
**Leverage ratio below 2x**

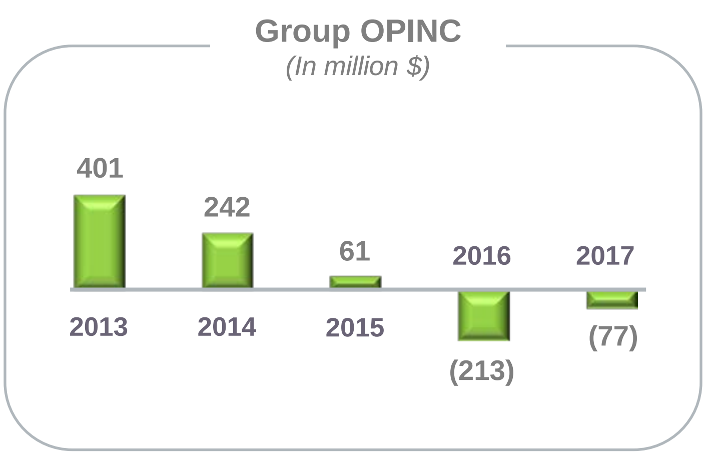


# Conclusion

# 2017: 10% revenue increase and 14% EBITDAs growth after three years of decline



# 2018 outlook

- **Revenue**[1] expected **up at c. $1.5bn** +/- 5% in a stabilized and still uncertain market
- **EBITDAs**[1] **margin** within **35% - 40%** range
- **Multi-client cash capex** at **$275/325m** with cash prefunding rate above 70%
- **Industrial** and **R&D capex** at **$100/135m**
- Cash cost of debt at c. $85m
- Industrial Transformation Plan cash cost at c. $25m
- Liquidity: starting the year *pro forma* at $575m

**Restored balance sheet and improved liquidity**

**Ready for the market rebound**



[1] Subject to final IFRS 15 application

# Thank you

Visit our website at cgg.com

Passion for Geoscience

Passion for Geoscience

# Appendix

# Share count post financial restructuring on February 21, 2018

| | **Shares** (actual and potential) | *Number of Warrants* | *Parity* | *Maturity* | *Subscription price (€)* | *Subscription price ($)* * |
|---|---|---|---|---|---|---|
| Initial share count | 22 133 149 | | | | | |
| Rights Issue with PSR | 71 932 731 | | | | | |
| Debtor shares 1 (OCEANES) | 35 311 528 | | | | | |
| Debtor shares 2 (Senior Notes) | 449 197 594 | | | | | |
| **Subtotal on February 21, 2018** | **578 575 002** | | | | | |
| Penny Warrants** | 131 332 974 | *131 332 974* | *1 : 1* | *6 months* | *0.01* | *0.01* |
| **Subtotal post-Penny Warrants** | **709 907 976** | | | | | |
| Warrants #1 | 29 477 536*** | *22 133 149* | *3 : 4* | *4 years* | *3.12* | *3.50* |
| **Subtotal post-Warrants #1** | **739 385 512** | | | | | |
| Warrants #2 | 47 955 154 | *71 932 731* | *3 : 2* | *5 years* | *4.02* | *4.50* |
| **Maximum share count post-Warrants #2** | **787 340 666** | | | | | |

* €/$ FX rate set on June 14th, 2017 midday CET at 1.1206 (date of the agreement with key financial creditors)

** Penny warrants comprises: 113,585,276 Warrants #3; 7,099,079 Coordination Warrants and 10,648,619 Backstop Warrants.

*** The 24,996 Warrants #1 allocated to the Company in connection with the treasury shares were cancelled

# Company's financial outlook

| *FYE 31/12* | **2016** | **2017** | **2018E** | **2019E - 2020E** |
|---|---|---|---|---|
| **Revenue** [1] | $1.2bn | $1.3bn | ~$1.5bn | ~$2.0bn |
| ***EBITDA Margin*** [1] | *27.4%* | *28.2%* | *35.0% - 40.0%* | *37.5% - 42.5%* |
| **MC Capex** | $295m | $251m | $275m – $325m<br>*(>70% cash prefunding rate)* | |
| **Industrial Capex** | $71m | $47m | $100m – $125m | |
| **R&D Capex** | $34m | $34m | Stable at ~$35m | |
| **Change in Working Capital** | $198m | $(40)m | *Negative – in line with revenue growth* | |
| **Cash Transformation Cost** [2] | $167m | $75m | c. $25m | c. $10m |

[1] *Subject to final IFRS 15 application*
[2] *Only related to Industrial Transformation Plan*