



# Oddo Forum

Catherine Leveau, SVP Investor Relations

Lyon, January 7<sup>th</sup> 2016

Passion for Geoscience

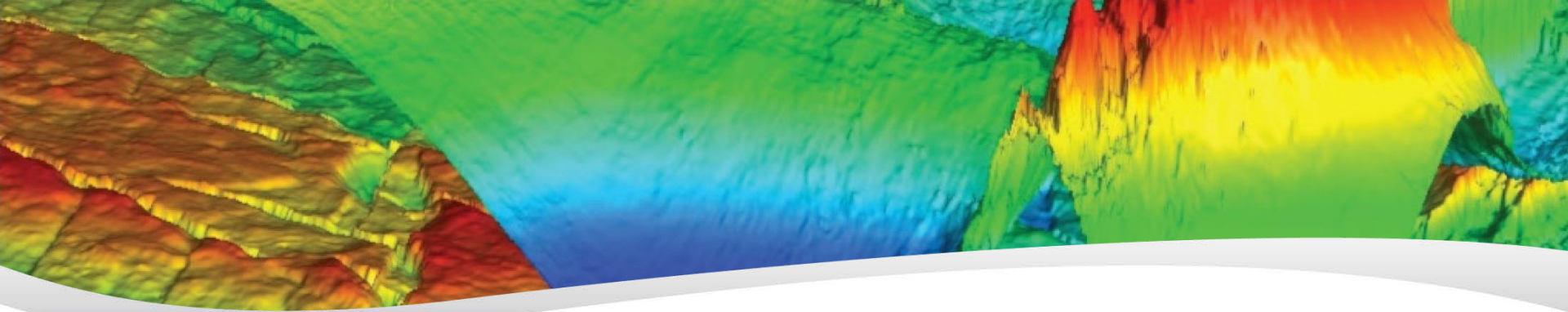


# Forward-Looking Statements

---

*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. The Company assumes no obligation to update or revise any forward-looking or other statements. Actual results may vary materially.*





# Industrial & Financial Review

*FY 2014 and 9M 2015 are presented before Non-Recurring Charges (NRC), unless stated otherwise*

Passion for Geoscience



# CGG at a glance: An integrated business model in Geosciences

- Market leader in geoscience industry globally and in each of its divisions, providing a comprehensive range of leading geological, geophysical and reservoir capabilities
- Market capitalisation of **\$0.5bn** (as of December 28, 2015)
- Around 7,650 employees in 50 locations at end of September 2015

## 3 business activities



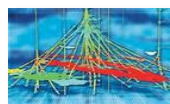
### Equipment targeting 25% of revenues

Sercel, CGG's Equipment division, is the world-leading designer and manufacturer of land and marine seismic equipment and reservoir monitoring instruments



### Contractual Data Acquisition targeting less than 15% revenues

Geophysical data acquisition services include land, marine, multi-physics and seabed, being operated either directly or through joint ventures



### Geology, Geophysics & Reservoir ("GGR") targeting more than 60% of revenues

Key activities include developing and licensing multi-client seismic surveys with three dedicated vessels, and Subsurface Imaging & Reservoir services (SIR).

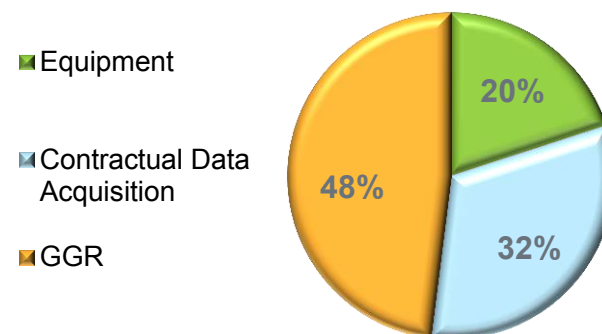
### 9M 2015 Financials

Revenues: <b>\$1,512m</b>	EBITDAS <sup>(1)</sup> : <b>\$379m</b>
Net Debt: <b>\$2,538m</b>	OPINC <sup>(1)</sup> : <b>\$(2)m</b>

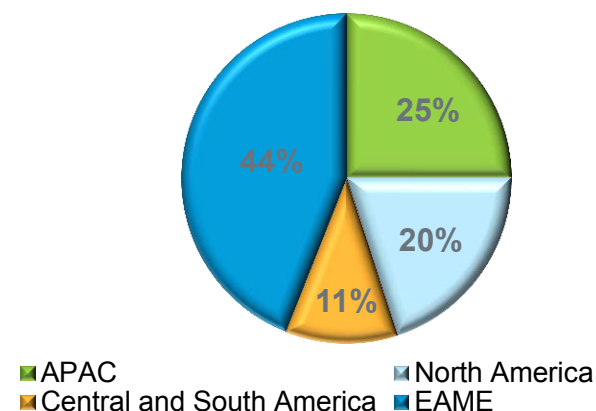
Note: (1) Before Non-Recurring Charges (2) External revenue (3) 9 months 2015

## Diversified businesses

### Revenue split by activity<sup>(2)(3)</sup>



### Revenue split by region<sup>(2)(3)</sup>

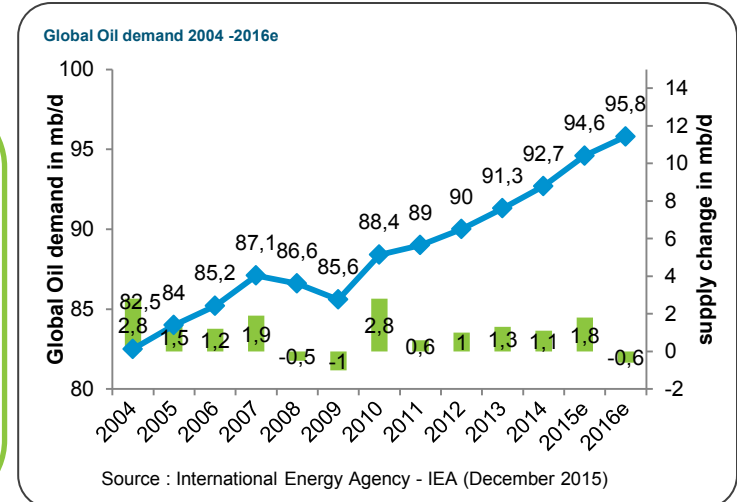
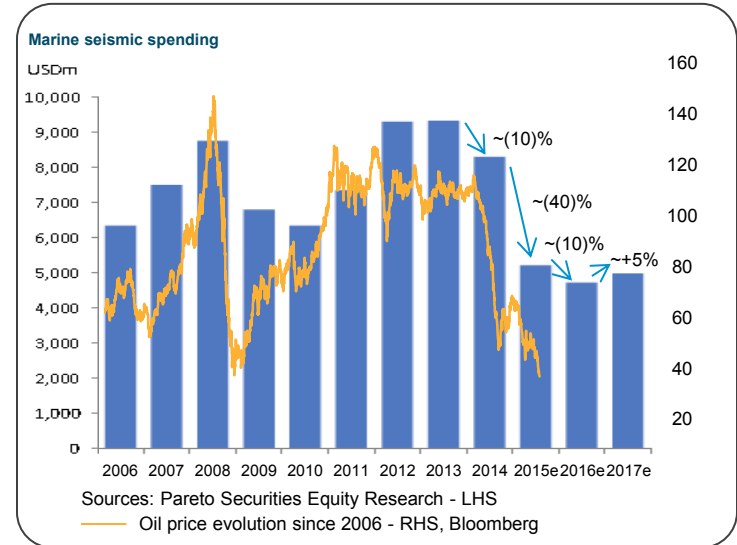


# Unprecedentedly difficult market environment

- **Prolonged period of low oil prices within a \$30-\$60 range**
  - Worsening conditions since the summer 2015
  - 2016 expected to be similar to 2015
- **Seismic market strongly hit by exploration cuts**
  - Marine contractual data acquisition market expected to remain oversupplied over next two years
  - Equipment market to remain low
  - Subsurface Imaging & Reservoir (SIR) market expected to be down in 2016, although more resilient

## Despite short-term challenges, longer-term trends are positive for the seismic industry

- Cost of seismic represents 2-3% of total E&P spending but is critical for de-risking and calibrating reserves
- The need to replace oil reserves and optimize current production favors sustained long-term capex growth



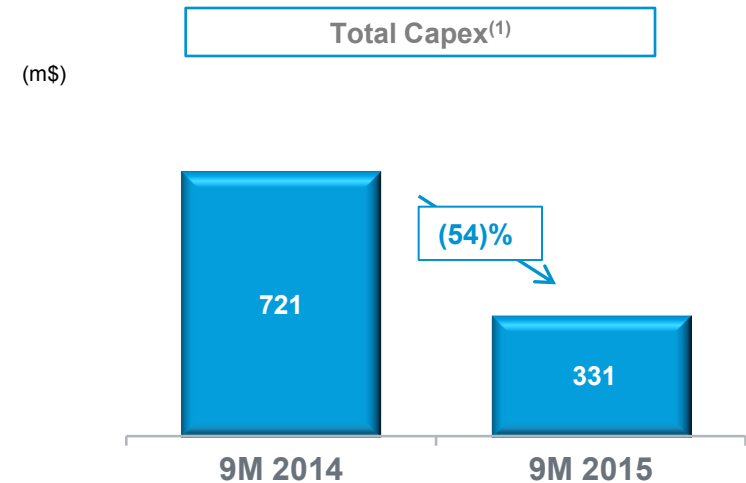
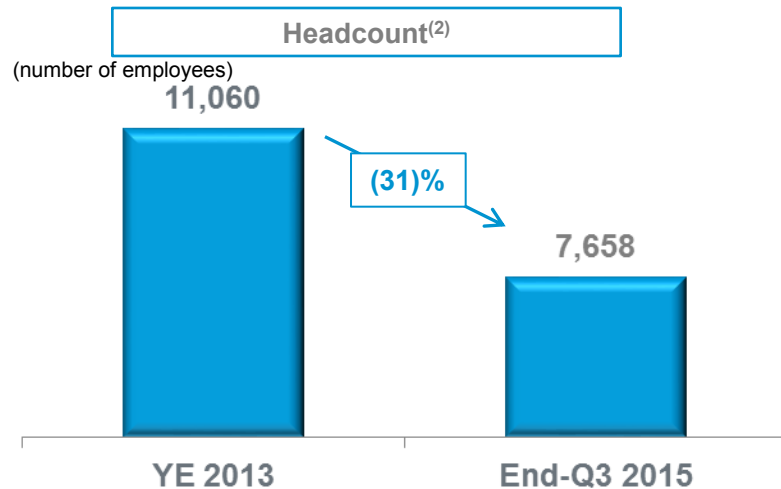
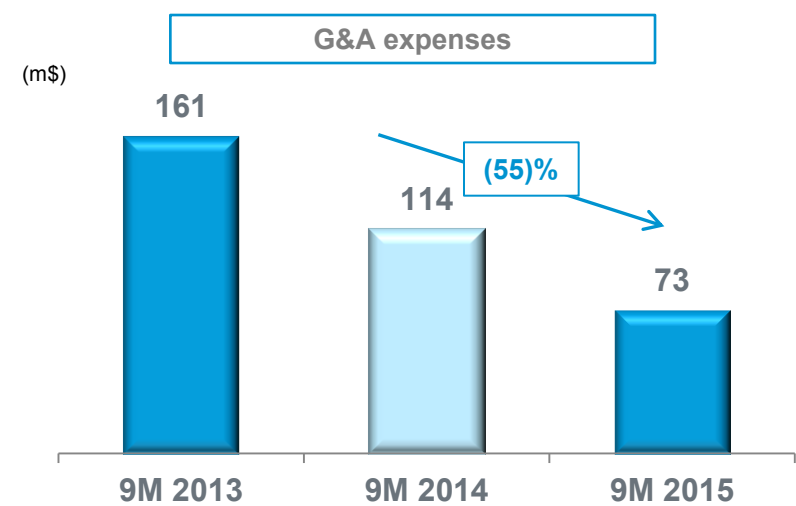
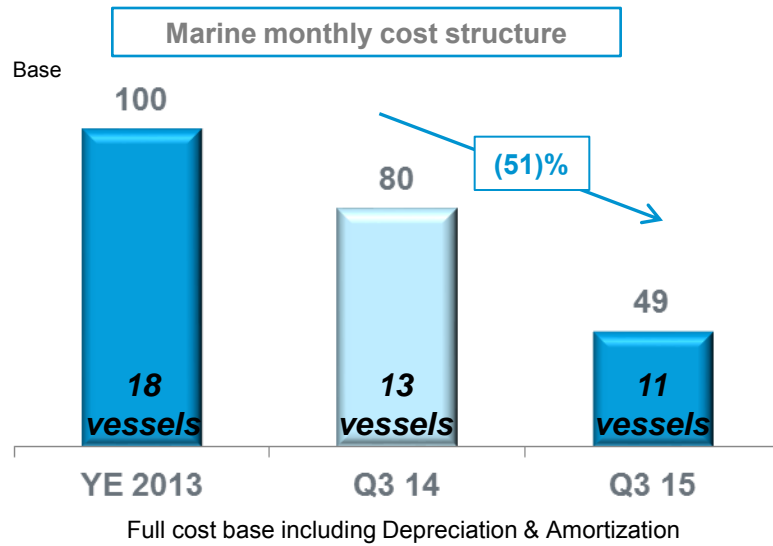
# Our long-standing Strategic Rationale

---

- **From a Seismic Acquisition Company into an Integrated Geoscience Company**
  - We have been pursuing this strategy for the last two years
  - We are accelerating our plan as market conditions look set to remain difficult over the next few years
- **While remaining positioned over our three key seismic segments but with a more resilient business mix**
  - Far less exposed to marine contract data acquisition, the most cyclical and capital-intensive part of our operations
  - Focused on our high added-value businesses



# Transformation Plan: what we have delivered so far



Source: Company

(1) Excluding impact of variation of fixed asset suppliers of \$3.5m for FY 2014 and \$(3)m for 3Q 2015

(2) Including Manufacturing temporaries



# Transformation Plan: The next step

## Portfolio Rebalancing

- GGR representing more than 60% of revenue and Contractual Data Acquisition less than 15%
- 2/3<sup>rd</sup> of the fleet dedicated to Multi-Client programs
- Focus on high-end added-value businesses

## Further Restructuring

- Marine 3D fleet reduced from 11 to 5 vessels
- 3 vessels already cold-stacked by end of October, 3 more to come

## Further Cost Reduction

- Further cost reduction plan across the Group and worldwide
- Additional reduction of 930 positions worldwide

## Capex Reduction

- Industrial Capex further reduced by 20% to \$100/125m\* in 2015(e)
- Multi-Client Cash Capex further reduced by 15% to \$275/325m in 2015(e)

## Cost of Transformation

- \$950m non-cash write-off in Q3 2015
- \$200m of forward additional cash costs

## Financing

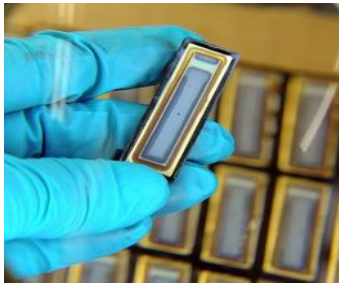
- Group financing requirements: disposal of non-core assets and equity offering





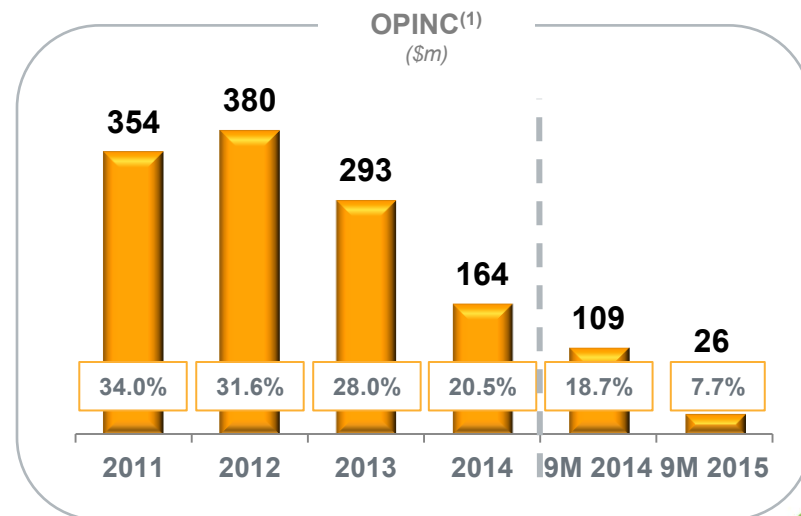
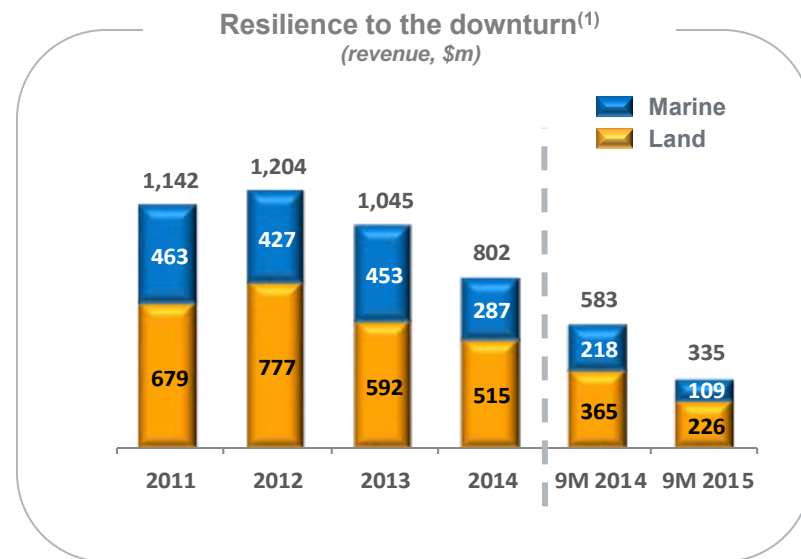


# Equipment



# Equipment: Historically good profitability, impacted by lower volumes in the last two years

- 9M 2015 total revenue at \$335m
  - Low volumes impacted by weak land and marine sales
  - Marine sales levels reaching rock bottom, only sustained by repair, oceanography and hydrography
- 9M 2015 EBITDAs at \$57m with 17% margin
- 9M 2015 Operating Income margin at 7.7%
- Sercel's drivers
  - Continued cost reduction initiatives to lower breakeven point
  - Land equipment sales driven by intensive production coming from existing and depleting resources

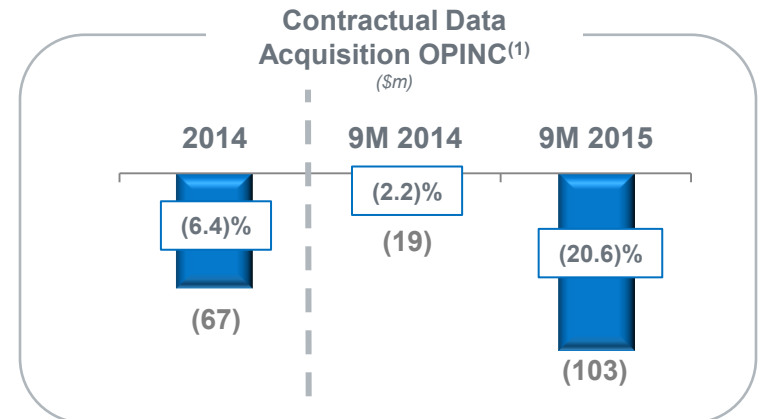
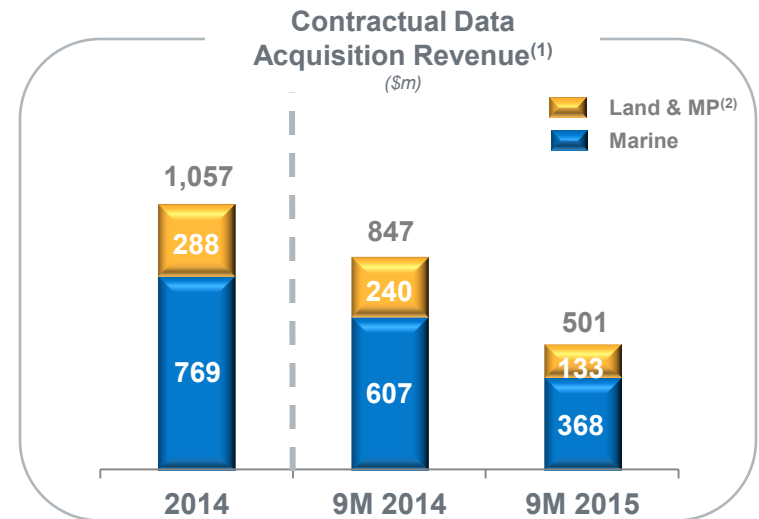


# Contractual Data Acquisition



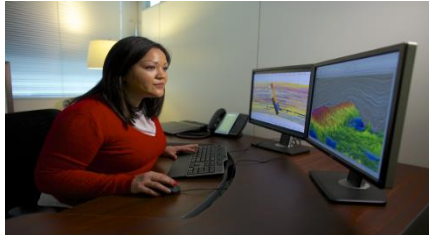
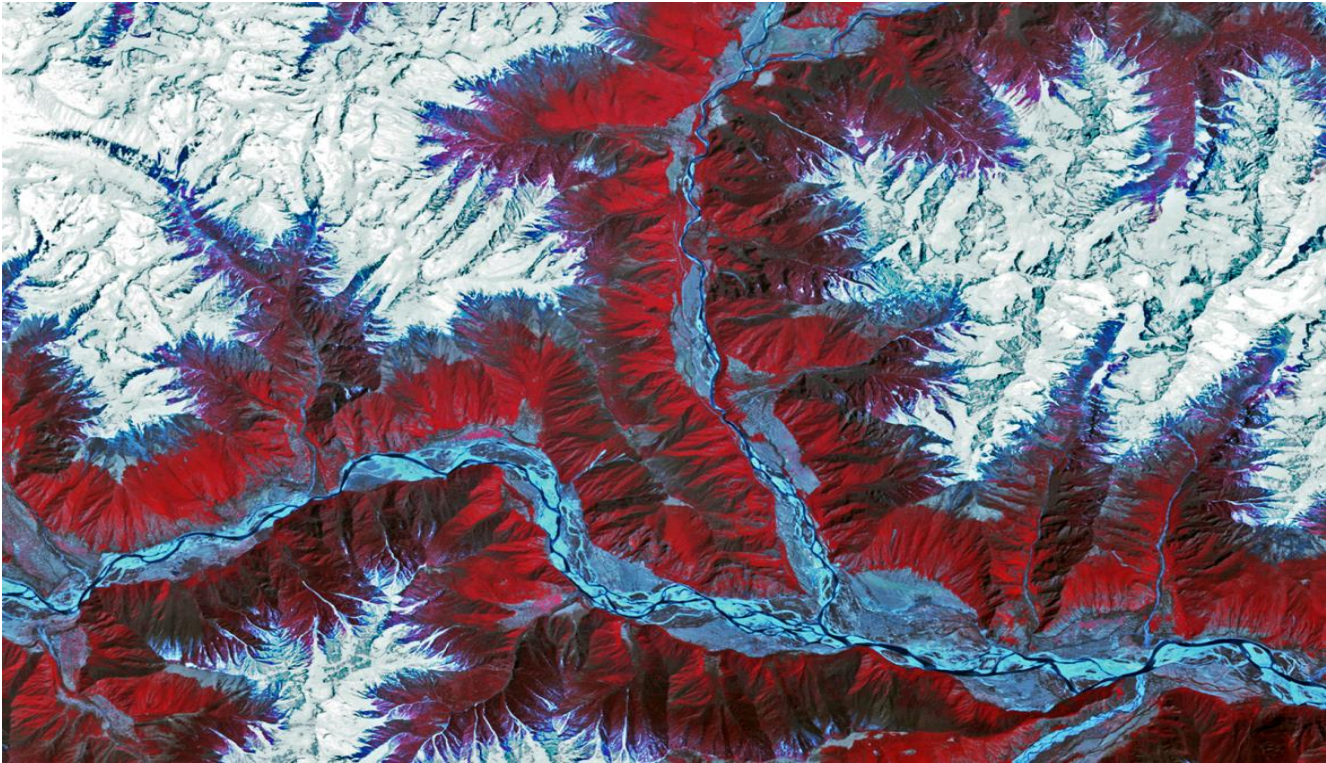
# Contractual data acquisition: Difficult market conditions

- 9M 2015 total revenue at \$501m
- Marine data contractual revenue at \$368m
  - Higher availability rate at 82%
  - Solid production rate at 92.5%
- Land & Multi-Physics total revenue at \$133m
- 9M 2015 EBITDAs at \$5m, a significant y-o-y drop in profitability
- 9M 2015 Operating Income at \$(103)m
  - Poor pricing conditions in marine contractual
- With less than 2 vessels fleet, contractual marine activity will be very low
  - Will represent 7/8% of total group revenues



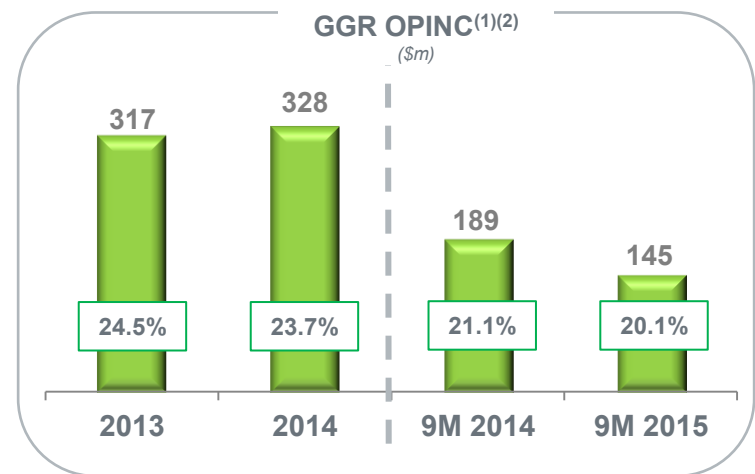
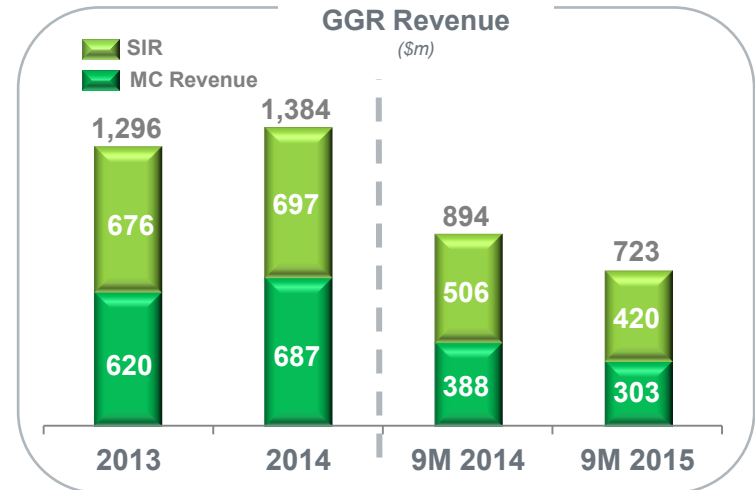
# GGR: Geology, Geophysics & Reservoir

---



# GGR: Sustained profitability despite slowdown in revenue

- 9M 2015 total revenue at \$723m, down (19)% yoy
- Multi-Client revenue at \$303m, down (30)% yoy
  - Q3 and 9M 2015 cash prefunding rate at 83%
  - After-sales at \$121m, up 8%
- Subsurface Imaging (SI) & Reservoir revenue at \$420m, down (17)% yoy
  - Resilient activity in North America
- 9M 2015 EBITDAs at \$369m, a 51% margin
- 9M 2015 Operating Income at \$145m, a 20% margin



# GGR Multi-Client: Key driver for cash generation in 2016-2017

- Utilize 3 Marine vessels in average: Business Plan based on 36 vessel months Marine Capex

- Market-wise: High end positioning

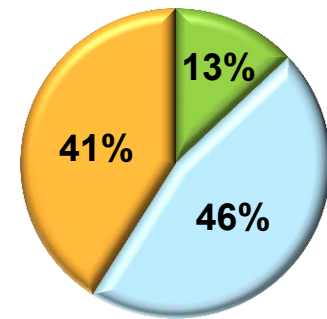
- No 2D Library, 100% 3D
- Not on the frontier exploration
- High number of data / sq. km

NBV Sep.15-end by age

■ Before 2013

■ Library 2014

■ Surveys to be delivered



- Harvest and continue to develop :

- Strive for high prefunding (70%)
- Harvesting our significant investments in Gulf of Mexico, Scandinavia, West Africa
- Continuing to develop our core basins (Brazil, North Sea), and establishing large positions on specific basin,
- Differentiate with technology (StagSeis, BroadSeis)
- Reprocessing of vintage libraries, including Mexico

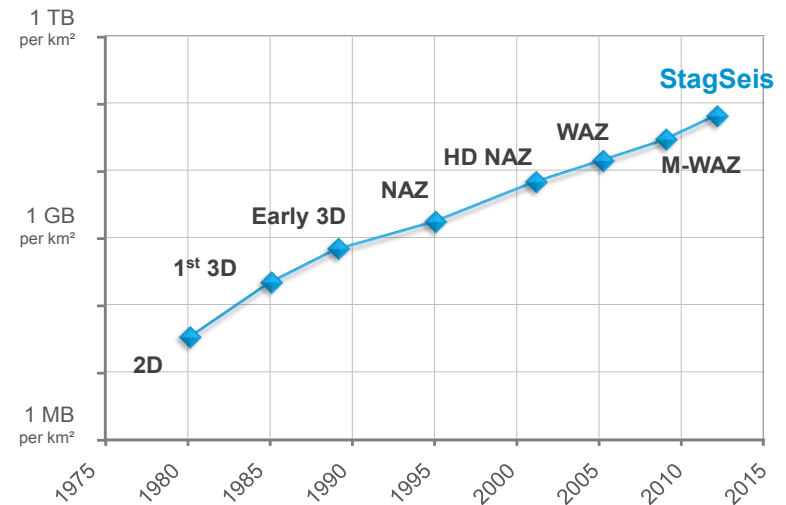
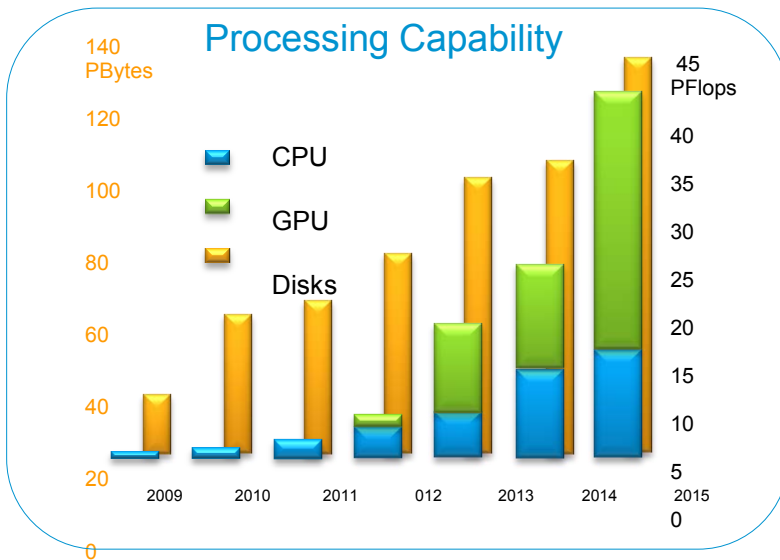




# Subsurface Imaging: a leading position driven by people and technology

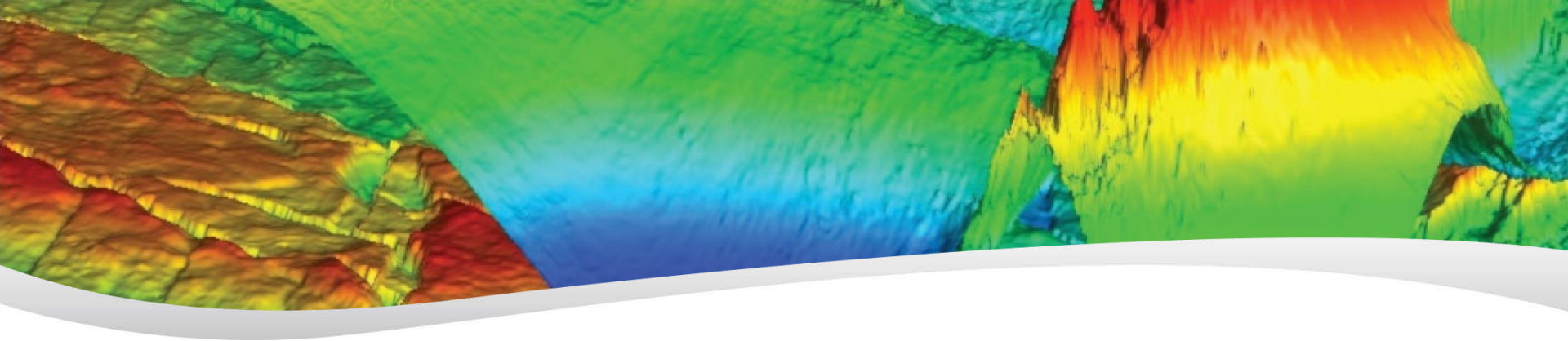
Highly skilled engineers producing new algorithms and handling large data volumes

- Processing capacity c. 45 petaflops installed by year-end 11th in the world
  - 12 000 billion operations per second (equivalent to NASA's capacity)
  - 36 processing centers worldwide managing c. 250 petaoctet (10 times the volume of data exchanged on Google every day)
- GOM seismic data density doubles every c. 3 years requiring
  - More powerful imaging algorithms
  - Increased computing power
- Land seismic data density increasing with new Sercel land equipment 508 xt sold in Middle East



Drive the high-end quality of the image, critical to the client





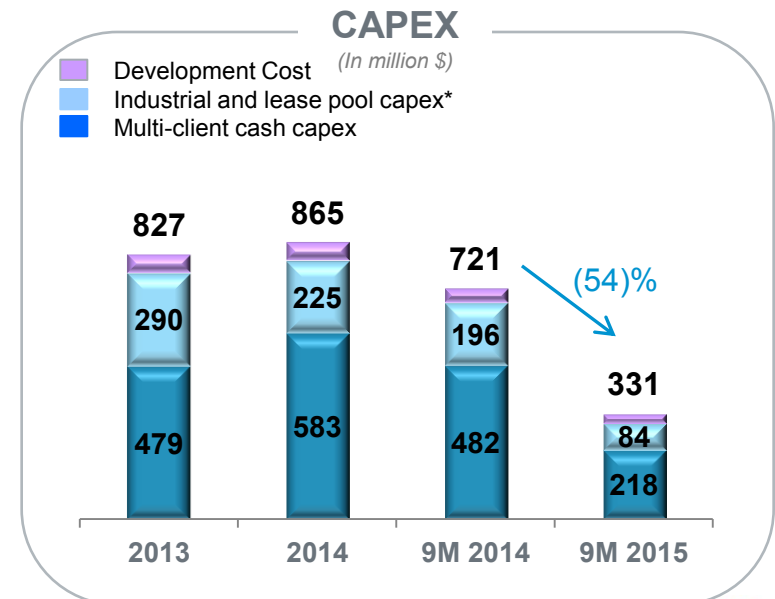
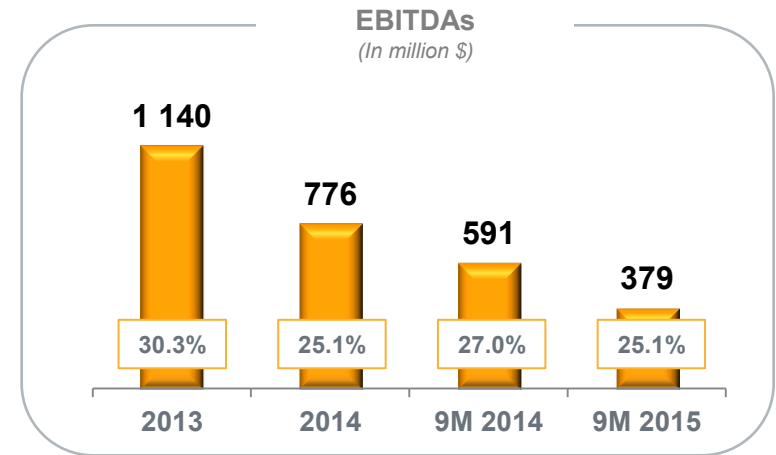
# Financial Structure

Passion for Geoscience



# 9M 2015: Efficient cash management throughout the year

- EBITDAs at \$379m
  - 25.1% margin reached in a difficult environment
- Operating Cash Flow at \$362m
- Capex at \$331m, sharply reduced
  - Multi-Client cash Capex at \$218m, 83% prefunded
- Free Cash Flow at \$(61)m versus \$(267)m last year
  - \$(133)m including the non-recurring payments related to the on-going Transformation Plan



\* Excluding change in fixed assets payables



# Managing the liquidity and covenant headroom

## Net debt and Liquidity by end of September

- Net Debt at **\$2,538m**
  - Leverage ratio (Net Debt over LTM EBITDA) at **3.2x**, below the 4.0x Cap
  - Coverage ratio (LTM EBITDA over Cash Interest) at **5.1x**, above the 3.0x floor
- Solid liquidity at **\$440m** (versus \$472m by June-end)



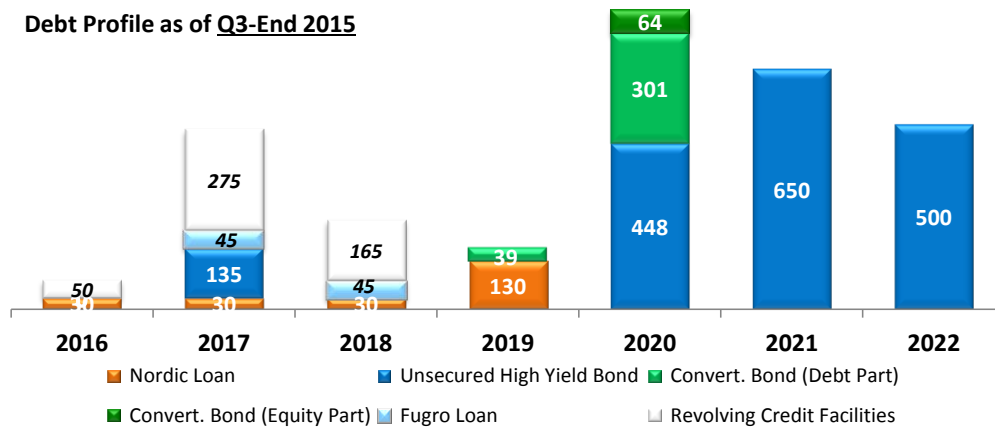
## Managing the Group Liquidity and Covenant headroom

- Covenant Holiday by December-end 2015
  - Unfavorable EBITDAs comparison with record Q4 2014
  - However FY'15 current Free Cash Flow expected to be stable y-o-y
- Preserve the Group Liquidity by proactively addressing Group Financing Needs
  - Transformation cost to be cashed out mostly in Q2-Q3 2016



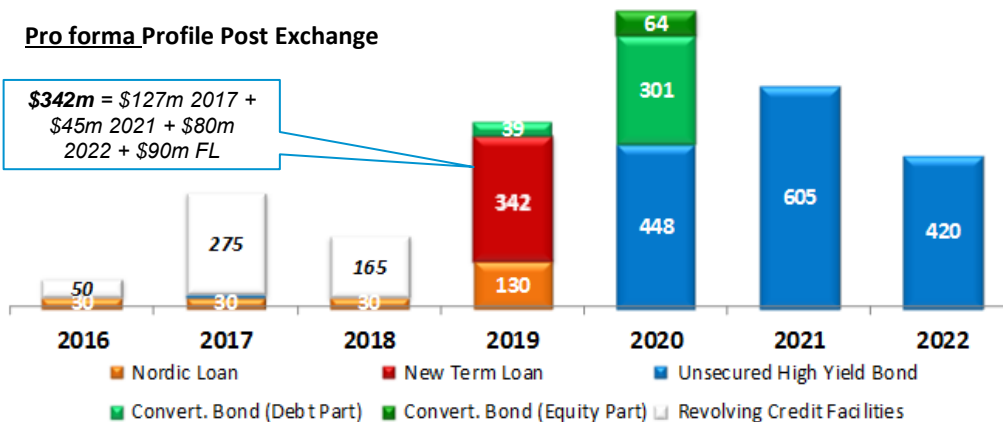
# Successful refinancing plan and debt profile with more than \$215m of debt postponed to 2019

Debt Profile as of Q3-End 2015



- Group Net Debt at \$2,538m as of Sept 2015
- Two « paper to paper » refinancing
  - In June 2015, 2019 convertible exchanged in 2020 convertible with a restriking price
  - In December 2015, Issue of a **Secured 2019 Term Loan** to replace (i) part of the 2017 HYB (dragged by 2021/2022 Bondholders) and (ii) the Fugro Loan (FL)
  - Loan 6.5% interest-weighted and maturing May 2019

Pro forma Profile Post Exchange



# Financing plan: launch of the capital increase

---

- **Rationale:**

- Announced On December 7, 2015 to finance in particular its Transformation Plan
- Size related to financing the transformation Plan in 2016-2017

- **Timing:**

- AGM on January 11, 2016 to delegate authority to the board of directors to decide on a capital increase of a maximum amount of **€350 million** by issuance of ordinary shares with preferential subscription rights
- Subject to the approval of the general shareholders' meeting and market conditions, this capital increase will be launched as soon as possible following the general meeting

- **Publicly supported by Bpifrance (acting in concert with IFPEN) and by Total.** Some of our current shareholders have also expressed interest



# Sept-End 2015 Balance Sheet and breakdown of Capital Employed

- **\$4.15bn Capital Employed by end September**

- Net debt at \$2.55bn / Minority Interests at \$0.05bn
- Equity at \$1.55bn post Impairment and write-offs

- **\$0.8bn Capital Employed for Contractual Data Acquisition Post Impairment**

- \$0.6bn on a pro forma basis (6 vessels cold-stacked)
- More than half of the pro forma Capital Employed are related to Investees (ARGAS, SBGS, etc)

- **\$0.05bn Capital Employed for N.O.R**

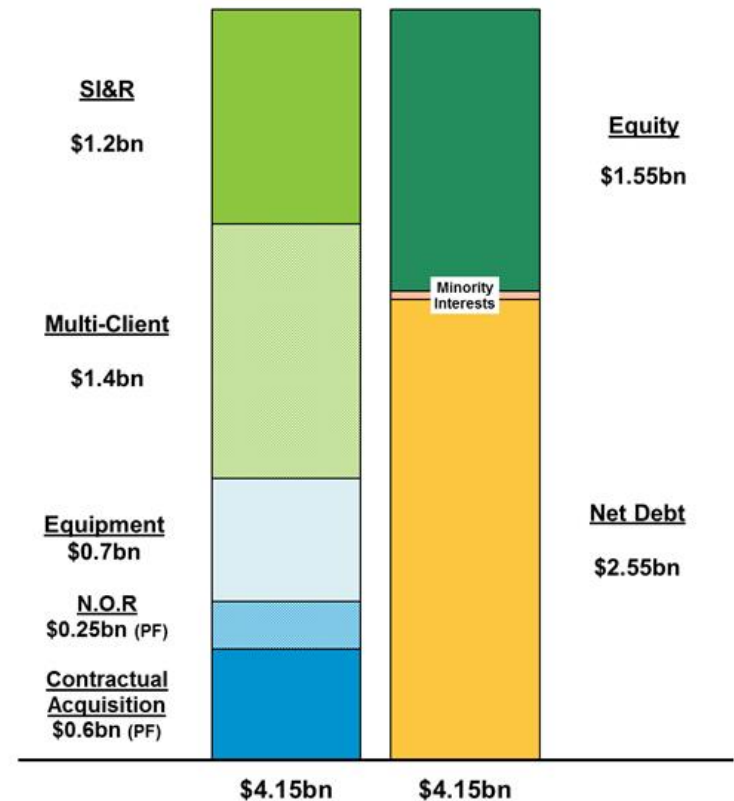
- \$0.25bn on a pro forma basis (6 vessels cold-stacked)
- Assets: cold-stacked hulls and streamers in excess
- Restructuring liabilities

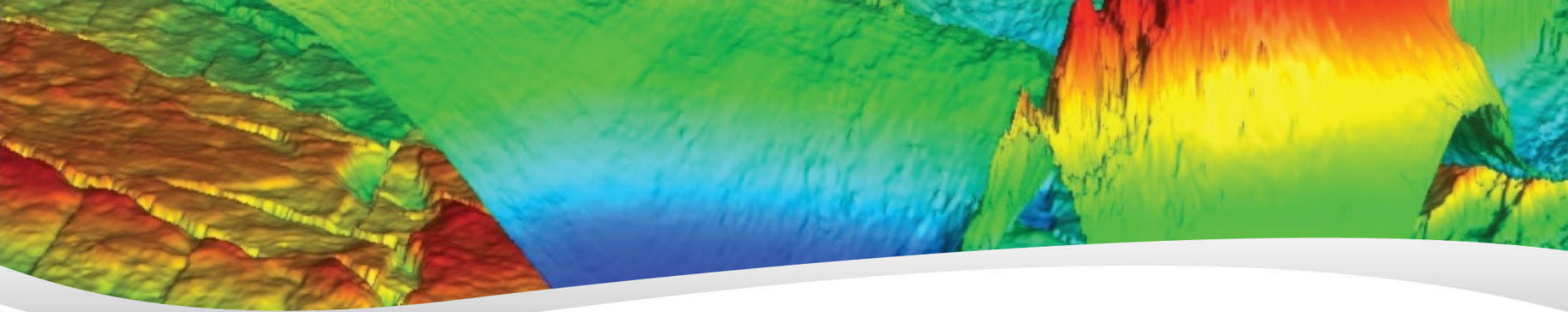
- **\$0.7bn Capital Employed for Equipment**

- 50% of Inventories

- **\$2.6bn Capital Employed for GGR, post Marine Capital Employed transfer and Impairment**

- \$1.4bn Capital Employed for Multi-Client (including \$1.05bn for the sole Library)
- \$1.2bn Capital Employed for Subsurface Imaging and Reservoir businesses (SI&R)





# Conclusion

Passion for Geoscience





# A rebalanced company

---

- A reduced exposure to Marine contract acquisition:
    - Fleet of 5 active vessels
    - 2/3 of our fleet capacity to be dedicated to Multi-Client programs
  - **GGR: A unique integrated geoscience platform with two key businesses**
    - Subsurface Imaging & Reservoir, a global, leading position
    - Multi-Client: The combination of our latest data acquisition technology and subsurface imaging located in key places
  - **Equipment business generating cash and profit in very low volume**
  - **Overall, a new Group profile with reduced headcount, lower fixed cost base and lower Capex needs**
    - Additional 13% headcount reduction
    - Additional \$50m cut in capex, leading close to 50% reduction y-o-y
- ⇒ **A rebalanced company with GGR representing above 60% of revenue and Contractual Data Acquisition 15% only**
- Resilient through a prolonged downturn
  - Strongly cash generative when the market bounces back



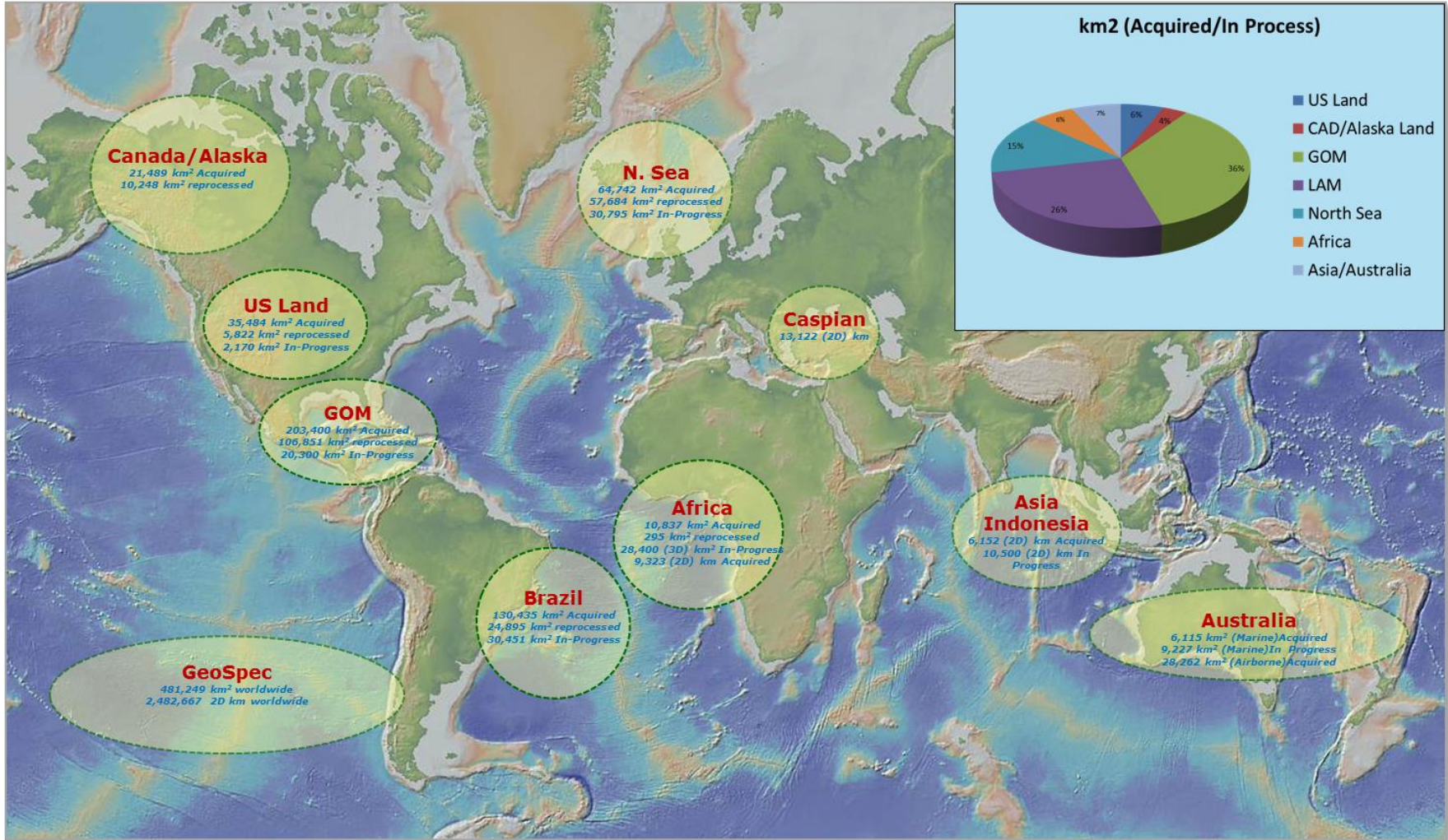


# Appendix

Passion for Geoscience



# CGG Worldwide Library (End 2014): Focus on safe harbors (GoM, Brazil, North Sea)



# New segment reporting

---

- **Equipment:** seismic equipment used for data acquisition, both onshore and offshore
  - No change to the existing segment
- **Contractual Data Acquisition:** Marine offshore seismic data acquisition and Land and Multi-Physics
  - Solely dedicated to external clients (proprietary market)
- **Geology, Geophysics & Reservoir GGR:** Multi-Client and Subsurface Imaging and Reservoir (SIR)
  - Marine capacity dedicated to Multi-Client, merged within Multi-Client BL of “GGR” segment
  - Representing 2/3 of 5 vessels’ time
  - Corresponding costs and capital employed directly incorporated within Multi-Client
- **Non Operated Resources:** costs of the non-operated marine assets, as well as the transformation costs related to cold-stacked assets
  - This segment will never have any revenue



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

*Creation of this new reporting segment to improve quality of reporting*

- **Scope**
  - Cold-stacked vessels: maintenance costs and Hull amortization
  - Amortization of streamers in excess
  - Restructuring current costs and liabilities
- **Operating Income before NRC at \$(5)m in Q3**
  - Amortization of excess streamers
- **Operating Income after NRC at \$(10)m in Q3**

