CGG

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FINANCIAL REPORT

First quarter 2020 Results

May 12, 2020

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FORWARD-LOOKING STATEMENTS

This document includes “forward-looking statements”. We have based these forward-looking statements on our current views and assumptions about future events.

These forward-looking statements involve certain risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following risk factors:

Risks relating to our Business

- Customer satisfaction is important to our continued visibility
- Our proprietary technology could be rendered obsolete or be misappropriated by third parties
- We are subject to risks related to our information technology, including cyber security risks and risks of hardware and software failures
- We rely on third party supplies and are subject to disruptions outside our control
- We are subject to risks related to our international operations and geopolitical volatility
- We must sometimes provide performance bonds or guarantees to third parties
- Our reputation is important to our business
- Our backlog includes contracts that can be unilaterally delayed or terminated at the client’s option
- We are subject to risks related to our Marine acquisition exit

Risks relating to our Industry

- We are subject to economic uncertainty, volatility of oil and natural gas prices and conditions in financial markets
- The volume of our business depends on the level and location of capital expenditures by the oil and gas industry
- We need to attract and retain talented employees

Financial Risks

- We face risks related to the Covid-19 outbreak
- We are exposed to exchange rate fluctuations
- We must comply with the restrictions and covenants in our current and future debt agreements
- Our debt may adversely affect our financial health and pose risks to our liquidity
- We face the risk of payment, supplier and other types of fraud
- We are exposed to commercial, political and counterparty risk
- We invest significant amounts of money in our multi-client library, which we may not recover
- We may need to impair goodwill on our balance sheet
- We are subject to inherent rate risk on our floating rate debt
- We are restricted in our ability to pay dividends

Legal and Regulatory Risks

- We remain subject to the terms of the Safeguard Plan
- Our business and that of our customers are subject to complex laws and governmental regulations, and we may be subject to legal proceedings
- We may not be successful in maintaining the necessary regulatory authorization or licenses needed to operate our business and such authorizations and licenses may be invalid or may be subject to termination, revocation or material alterations in the event of a breach

Environmental and Social Risks

- Health and Safety
- We are exposed to financial risks related to compliance with environmental laws

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur.

Certain of these risks are described in our Universal Registration Document for the year ended December 31, 2019; the French version of which we filed with the AMF on April 14, 2020. Our Universal Registration Document is available in French and English on our website at www.cgg.com or on the website maintained by the AMF (French only) at www.amf-france.org. You may request a copy of our Universal Registration Document, which includes our complete audited financial statements, at no charge, by calling our investor relations department at + 33 1 6447 3811, sending an electronic message to invrelparis@cgg.com or invrelhouston@cgg.com or writing to CGG – Investor Relations Department – 27, avenue Carnot – 913341Massy, France.

FINANCIAL STATEMENTS

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UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS (*)

Amounts in millions of US$, except per share data in US$	Notes	Three months ended March 31, 2020	2019
Operating revenues	9	**252.7**	**271.4**
Other income from ordinary activities		0.3	0.2
Total income from ordinary activities		**253.0**	**271.6**
Cost of operations	7	(188.7)	(213.7)
Gross profit		**64.3**	**57.9**
Research and development expenses - net		(4.4)	(6.0)
Marketing and selling expenses		(9.1)	(9.9)
General and administrative expenses		(18.7)	(20.3)
Other revenues (expenses) - net		(71.9)	(2.1)
Operating income (loss)	9	**(39.8)**	**19.6**
Expenses related to financial debt		(33.9)	(33.6)
Income provided by cash and cash equivalents		1.0	0.7
Cost of financial debt, net		**(32.9)**	**(32.9)**
Other financial income (loss)	6	5.7	0.9
Income (loss) before incomes taxes		**(67.0)**	**(12.4)**
Income taxes		(4.8)	(2.9)
Net income (loss) from consolidated companies before share of income (loss) in companies accounted for under the equity method		**(71.8)**	**(15.3)**
Share of income (loss) in companies accounted for under the equity method		0.3	0.1
Net income (loss) from continuing operations		**(71.5)**	**(15.2)**
Net income (loss) from discontinued operations	3	(26.9)	(15.3)
Net income (loss)		**(98.4)**	**(30.5)**
Attributable to :			
Owners of CGG S.A		(99.4)	(33.9)
Non-controlling interests		1.0	3.4
Net income (loss) per share			
Basic		(0.14)	(0.05)
Diluted		(0.14)	(0.05)
Net income (loss) from continuing operations per share			
Basic		(0.10)	(0.03)
Diluted		(0.10)	(0.03)
Net income (loss) from discontinued operations per share			
Basic		(0.04)	(0.02)
Diluted		(0.04)	(0.02)

(*) the unaudited interim consolidated statements of operations are presented before IAS 36. See Note 1.

See the notes to the Interim Consolidated Financial Statements

C G G
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (*)

Amounts in millions of US$	Three months ended March 31, 2020 (**)	2019 (**)
Net income (loss) from statements of operations	**(98.4)**	**(30.5)**
Net gain (loss) on cash flow hedges	(0.1)	(0.3)
Exchange differences on translation of foreign operations	(17.4)	-
Net other comprehensive income (loss) to be reclassified in profit (loss) in subsequent period (a)	**(17.5)**	**(0.3)**
Net gain (loss) on actuarial changes on pension plan	-	(2.1)
Net other comprehensive income (loss) not to be reclassified in profit (loss) in subsequent period (b)	**-**	**(2.1)**
Total other comprehensive income (loss) for the period, net of taxes (a) + (b)	**(17.5)**	**(2.4)**
Total comprehensive income (loss) for the period	**(115.8)**	**(32.9)**
Attributable to :		
Owners of CGG S.A.	*(116.1)*	*(37.2)*
Non-controlling interests	*0.3*	*4.3*

(*) the unaudited interim consolidated statements of comprehensive income (loss) are presented before IAS 36. See Note 1.

(**) Including other comprehensive income related to the discontinued operations.

C G G - UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (*)

Amounts in millions of US$, unless indicated	Notes	March 31, 2020	December 31, 2019
ASSETS			
Cash and cash equivalents		623.5	610.5
Trade accounts and notes receivable, net		315.2	436.0
Inventories and work-in-progress, net		206.8	200.1
Income tax assets		79.1	84.9
Other current assets, net		96.8	116.7
Assets held for sale, net	3	159.8	316.6
Total current assets		**1,481.2**	**1,764.8**
Deferred tax assets		59.2	19.7
Investments and other financial assets, net	4	67.0	27.4
Investments in companies under the equity method		3.3	3.0
Property, plant and equipment, net		287.8	300.0
Intangible assets, net	5	632.9	690.8
Goodwill, net		1,202.2	1,206.9
Total non-current assets		**2,252.4**	**2,247.8**
TOTAL ASSETS		**3,733.6**	**4,012.6**
LIABILITIES AND EQUITY			
Bank overdrafts		–	–
Financial debt – current portion		69.8	59.4
Trade accounts and notes payables		114.8	117.4
Accrued payroll costs		127.9	156.6
Income taxes payable		64.1	59.3
Advance billings to customers		22.2	36.9
Provisions — current portion		36.3	50.0
Other current financial liabilities	6	21.7	–
Other current liabilities	7	303.9	327.3
Liabilities directly associated with the assets classified as held for sale	3	4.8	259.2
Total current liabilities		**765.5**	**1,066.1**
Deferred tax liabilities		48.9	10.4
Provisions — non-current portion		51.4	58.1
Financial debt – non-current portion		1,258.7	1,266.6
Other non-current financial liabilities	6	56.6	–
Other non-current liabilities	7	56.0	4.0
Total non-current liabilities		**1,471.6**	**1,339.1**
Common stock: 1,181,283,351 shares authorized and 709,961,702 shares with a €0.01 nominal value outstanding at March 31, 2020		8.7	8.7
Additional paid-in capital		3,184.7	3,184.7
Retained earnings		(1,631.8)	(1,531.1)
Other Reserves		(18.6)	(23.5)
Treasury shares		(20.1)	(20.1)
Cumulative income and expense recognized directly in equity		(0.8)	(0.7)
Cumulative translation adjustment		(71.6)	(56.3)
Equity attributable to owners of CGG S.A.		**1,450.5**	**1,561.7**
Non-controlling interests		46.0	45.7
Total equity		**1,496.5**	**1,607.4**
TOTAL LIABILITIES AND EQUITY		**3,733.6**	**4,012.6**

(*) the unaudited interim consolidated statements of financial position are presented before IAS 36. See Note 1.

See the notes to the Interim Consolidated Financial Statements

C G G

UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (*)

Amounts in millions of US$	Notes	Three months ended March 31, 2020	Three months ended March 31, 2019
OPERATING			
Net income (loss)	1	**(98.4)**	**(30.5)**
Less: Net income (loss) from discontinued operations	3	(26.9)	(15.3)
Net income (loss) from continuing operations		**(71.5)**	**(15.2)**
Depreciation, amortization and impairment		30.5	30.9
Multi-client surveys impairment and amortization	5	116.8	57.4
Depreciation and amortization capitalized in multi-client surveys	5	(4.3)	(0.9)
Variance on provisions		(2.2)	(3.5)
Share-based compensation expenses		1.4	1.3
Net (gain) loss on disposal of fixed and financial assets		-	-
Equity (income) loss of investees		(0.3)	(0.1)
Dividends received from investments in companies under the equity method		-	-
Other non-cash items		(3.1)	(5.8)
Net cash-flow including net cost of financial debt and income tax		**67.3**	**64.1**
Less : net cost of financial debt		32.9	32.9
Less : income tax expense (gain)		4.8	2.9
Net cash-flow excluding net cost of financial debt and income tax		**105.0**	**99.9**
Income tax paid		(0.8)	(4.1)
Net cash-flow before changes in working capital		**104.2**	**95.8**
Change in working capital		41.0	108.0
- change in trade accounts and notes receivable		80.8	147.9
- change in inventories and work-in-progress		(16.2)	(2.6)
- change in other current assets		(4.7)	(15.4)
- change in trade accounts and notes payable		16.5	(1.6)
- change in other current liabilities		(35.4)	(20.3)
Net cash-flow provided by operating activities		**145.2**	**203.8**
INVESTING			
Total capital expenditures (incl. variation of fixed assets suppliers, excluding multi-client surveys)		(20.6)	(18.6)
Investment in multi-client surveys, net cash	5	(66.8)	(39.7)
Proceeds from disposals of tangible and intangible assets		0.1	0.1
Total net proceeds from financial assets		-	-
Acquisition of investments, net of cash and cash equivalents acquired		-	-
Variation in loans granted		-	-
Variation in subsidies for capital expenditures		-	-
Variation in other non-current financial assets		9.0	(0.6)
Net cash-flow used in investing activities		**(78.3)**	**(58.8)**
FINANCING			
Repayment of long-term debt		-	-
Total issuance of long-term debt		-	-
Lease repayments		(14.0)	(15.9)
Change in short-term loans		-	-
Financial expenses paid		(7.4)	(7.4)
Net proceeds from capital increase:			
— from shareholders		-	-
— from non-controlling interests of integrated companies		-	-
Dividends paid and share capital reimbursements:			
— to shareholders		-	-
— to non-controlling interests of integrated companies			(1.2)
Acquisition/disposal from treasury shares		-	-
Net cash-flow provided by (used in) financing activities		**(21.4)**	**(24.5)**
Effects of exchange rates on cash		(13.2)	(1.2)
Impact of changes in consolidation scope		-	-
Net cash flows incurred by discontinued operations	3	(19.3)	**(78.3)**
Net increase (decrease) in cash and cash equivalents		**13.0**	**41.0**
Cash and cash equivalents at beginning of year		610.5	434.1
Cash and cash equivalents at end of period		**623.5**	**475.1**

(*) the unaudited interim consolidated statements of cash flows are presented before IAS 36. See Note 1.

See the notes to the Interim Consolidated Financial Statements

C G G
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (*)

Amounts in millions of US$, except share data	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense recognized directly in equity	Cumulative translation adjustment	Equity attributable to owners of CGG S.A.	Non-controlling interests	Total equity
Balance at December 31, 2018	*709,944,816*	**8.7**	**3,184.6**	**(1,457.8)**	**(27.9)**	**(20.1)**	**(0.9)**	**(55.1)**	**1,631.5**	**42.6**	**1,674.1**
IFRS 16 First Time Application				9.6					**9.6**		**9.6**
Balance at January 1, 2019	*709,944,816*	**8.7**	**3,184.6**	**(1,448.2)**	**(27.9)**	**(20.1)**	**(0.9)**	**(55.1)**	**1,641.1**	**42.6**	**1,683.7**
Net gain (loss) on actuarial changes on pension plan (1)				(2.1)					**(2.1)**		**(2.1)**
Net gain (loss) on cash flow hedges (2) ...							(0.3)		**(0.3)**		**(0.3)**
Exchange differences on foreign currency translation (3)								(0.9)	**(0.9)**	0.9	**–**
Other comprehensive income (1)+(2)+(3)..				**(2.1)**			**(0.3)**	**(0.9)**	**(3.3)**	**0.9**	**(2.4)**
Net income (4)				(33.9)					**(33.9)**	3.4	**(30.5)**
Comprehensive income (1)+(2)+(3)+(4).......................................				**(36.0)**			**(0.3)**	**(0.9)**	**(37.2)**	**4.3**	**(32.9)**
Exercise of warrants	*3,150*								**–**		–
Dividends.….....................................									**–**	(3.8)	**(3.8)**
Cost of share-based payment				1.3					**1.3**		**1.3**
Exchange differences on foreign currency translation generated by the parent company.......................................					4.1				**4.1**		**4.1**
Changes in consolidation scope and other...				(2.1)					**(2.1)**		**(2.1)**
Balance at March 31, 2019	*709,947,966*	**8.7**	**3,184.6**	**(1,485.0)**	**(23.8)**	**(20.1)**	**(1.2)**	**(56.0)**	**1,607.2**	**43.1**	**1,650.3**

Amounts in millions of US$, except share data	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense recognized directly in equity	Cumulative translation adjustment	Equity attributable to owners of CGG S.A.	Non-controlling interests	Total equity
Balance at December 31, 2019	**709,956,358**	**8.7**	**3,184.7**	**(1,531.1)**	**(23.5)**	**(20.1)**	**(0.7)**	**(56.3)**	**1,561.7**	**45.7**	**1,607.4**
Net gain (loss) on actuarial changes on pension plan (1)				-							
Net gain (loss) on cash flow hedges (2) ...							(0.1)		**(0.1)**		**(0.1)**
Exchange differences on foreign currency translation (3)								(16.6)	**(16.6)**	(0.7)	**(17.3)**
Other comprehensive income (1)+(2)+(3)..							**(0.1)**	**(16.6)**	**(16.7)**	**(0.7)**	**(17.4)**
Net income (4)				(99.4)					(99.4)	1.0	(98.4)
Comprehensive income (1)+(2)+(3)+(4).......................................				**(99.4)**			**(0.1)**	**(16.6)**	**(116.1)**	**0.3**	**(115.8)**
Exercise of warrants	*5,344*								**–**		–
Dividends.….....................................									**–**		–
Cost of share-based payment				1.2					**1.2**		**1.2**
Exchange differences on foreign currency translation generated by the parent company.......................................					3.0				**3.0**		**3.0**
Changes in consolidation scope and other...				(2.5)	1.9			1.3	**0.7**		**0.7**
Balance at March 31, 2020	*709,961,702*	8.7	3,184.7	(1,631.8)	(18.6)	(20.1)	(0.8)	(71.6)	1,450.5	46.0	1,496.5

(*) the unaudited interim consolidated statements of changes in equity are presented before IAS 36. See Note 1.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CGG S.A. ("the Company"), along with its subsidiaries (together, the "Group") is a global geoscience technology leader providing a comprehensive range of data, products, services and equipment that support the discovery and responsible management of the Earth's natural resources.

Given that the Company is listed on a European Stock Exchange and pursuant to European regulation n°1606/2002 dated July 19, 2002, the accompanying interim condensed consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") and its interpretations, as issued by the *International Accounting Standards Board* (IASB) and adopted by the European Union as at March 31, 2020, with the exception of IAS 36 for the goodwill impairment testing as described in 1.1 Critical accounting policies below.

The Board of Directors has authorized these interim condensed consolidated financial statements for issue on May 11, 2020.

The interim condensed consolidated financial statements are presented in U.S. dollars and have been prepared on a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

1.1 - Critical accounting policies

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2019 included in its Universal Registration Document for the year 2019 filed with the AMF on April 14, 2020 and to be submitted to the General Meeting convened on June 16, 2020 for approval.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2019, with the exception of IAS 36 for the goodwill impairment testing due to the high uncertainty for the whole oil and gas industry triggered by unprecedented economic crisis created by the Covid-19 pandemic and the significant drop and continuing volatility in the oil price. We believe that the current lack of visibility should gradually improve in the coming months allowing us to better assess market dynamics going forward and more fairly account for any potential impairment loss in respect of goodwill in our consolidated financial statements as of and for the six months ended June 30, 2020. In addition, the Group has adopted of the following new Standards, Amendments, and Interpretations in these interim condensed consolidated financial statements:

- Amendment to IFRS 3 Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"
- Amendments to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8: Definition of Material

The adoption of the new Standards, Amendments, and Interpretations listed above had no impact on the Group's interim financial statements.

At the date of issuance of these interim condensed consolidated financial statements, the following Standards, Amendments, and Interpretations were issued but not yet adopted by the European Union and were thus not effective:

- IFRS 17 "Insurance Contracts"
- Amendments to IAS 1 : Classification of Liabilities as Current or Non-Current

We are currently reviewing these Standards, Amendments, and Interpretations to measure their potential impact on our consolidated financial statements.

1.2 - Use of judgment and estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates due to changes in economic conditions, changes in laws and regulations, changes in strategy and the inherent imprecision associated with the use of estimates.

Key judgments and estimates used in the financial statements are summarized in the following table:

Judgments and estimates	Key assumptions
Discount rate IFRS 16	Assessment of incremental borrowing rate
Recoverability of client receivables	Assessment of clients’ credit default risk
Classification of disposal groups as held for sale	Likelihood of disposal within twelve months
Valuation of disposal groups classified as held for sale	Assessment of disposal groups at fair value less cost to sell Final terms of disposals are in line with currently contemplated terms
Valuation of investments	Financial assets fair value
Amortization and impairment of multi-client surveys	Expected sales for each survey
Depreciation and amortization of tangible and intangible assets	Assets useful lives
Development costs	Assessment of future benefits of each project
Recoverable value of goodwill and intangible assets	Expected geophysical market trends and timing of recovery Discount rate (WACC)
Stock options	Fair value of each plan
Post-employment benefits	Discount rate Participation rate in post employment benefit plans Inflation rate
Provisions for restructuring and onerous contracts	Assessment of future costs related to restructuring plans and onerous contracts
Provisions for risks, claims and litigations	Assessment of risks considering court rulings and attorney’s positions
Revenue recognition	Geoscience Contract completion rates
Income tax liabilities – Uncertain tax positions	Assessment of most likely amount or expected value of the tax treatment
Deferred tax assets	Hypothesis supporting the achievement of future taxable profits

NOTE 2— SIGNIFICANT EVENTS

Covid-19 pandemic and drop in oil price

In the first quarter of 2020, the Covid-19 pandemic, which started in China in December 2019, has had a dramatic impact on economic growth and led to an unprecedented decline in the demand for oil and gas. On top of that, the radical increase in supply by Saudi Arabia and Russia to gain market share from early March 2020 due to the inability of OPEC and oil producing countries to reach a consensus on supply cuts, further exacerbated the crisis. As a result, the Brent oil price plummeted drastically in the first quarter of 2020, from trading in the high US$60's per barrel during late 2019 down to US$50 per barrel on March 5, 2020, the date of approval of the 2019 accounts by the CGG Board of Directors, before further dropping to US$27 per barrel on March 31, 2020.

This context opens a new period of high uncertainty for the whole oil and gas industry. We expect very challenging market conditions for 2020 as clients already announced severe spending cuts, and our result of operations and cash flows will be materially adversely affected. The situation remains highly volatile. It is currently difficult to predict how long the economic contraction as well as the imbalance between supply and demand in the oil market will persist.

Exit from Marine Data Acquisition business

In the first quarter of 2020, we delivered a key milestone on our strategic roadmap to an asset-light business model with the closing of our strategic partnership with Shearwater GeoServices Holding AS ("Shearwater") in the Marine Data Acquisition business.

On January 8, 2020 (the "Marine Closing"), Shearwater acquired all of the shares in Global Seismic Shipping AS ("GSS") (the indirect owner of five high end vessels) and five sets of streamers, and the Capacity Agreement (described below) entered into force. The agreements for the Streamer NewCo Transaction remain under negotiation. More precisely, the following transactions occurred on the Marine Closing:

- CGG acquired the 50% interest held by Eidesvik in GSS and indemnified Eidesvik for the end of the relationship with payment in Shearwater shares. CGG also granted Eidesvik an associated put option (the "Eidesvik Put Option");
- Shearwater acquired 100% of GSS and the streamers from CGG with payment in Shearwater vendor notes exchangeable into Shearwater shares (the "Shearwater Vendor Notes");
- The existing umbrella agreement and the existing bareboat charter agreements between CGG and GSS subsidiaries were terminated together with the guarantee granted by CGG;
- Shearwater CharterCo AS entered into five-year bareboat charter agreements with GSS subsidiaries, guaranteed by Shearwater, for the five high end vessels equipped with streamers (the "Shearwater Charter Agreements") and CGG Services SAS entered into the Capacity Agreement;
- Under payment instructions agreement (the "Payment Instructions Agreement"), Shearwater and Shearwater CharterCo AS direct CGG Services SAS to pay amounts due under the Capacity Agreement directly to GSS subsidiaries to cover Shearwater CharterCo's obligations under its bareboat charter agreements; and
- CGG also entered into step-in agreements with Shearwater and GSS (the "Step-In Agreements") which could come into force if certain conditions are met and would require CGG to substitute itself for Shearwater CharterCo AS as charterer of GSS subsidiaries' five high end seismic vessels (equipped with streamers).

As a result, CGG recognized the following items in these interim financial statements at the date of Marine Closing:

- US$52.9 million of Shearwater Vendor Notes;
- US$(148.0) million of liabilities related to the Capacity Agreement; and
- US$(4.6) million of liability related to fair value of the Eidesvik Put Option.

Shearwater Vendor Notes

Those notes are exchangeable into Shearwater shares. They can also be used to setoff payment obligations or buy assets, but only as agreed with Shearwater. Shearwater is in no case required to settle the notes with cash. If those notes are not settled by December 31, 2020, Shearwater may require CGG to use the notes as consideration in kind for the purchase of shares in Shearwater at the price of US$25.2262 per share. *Please refer to note 4.*

Capacity Agreement

The main terms of the Capacity Agreement are that CGG will:

- work exclusively with Shearwater's global fleet of high-end 3D and source vessels for our multi-client marine and nodes data acquisition projects up to 730 vessel days per year on average for the next five years;
- pay a pre-agreed day rate for the first 2.5 years and the higher of market rate or the pre-agreed day rate for the remaining 2.5 years;
- reimburse Shearwater for project-related operational costs and fuel and compensate Shearwater for days during which more than one of its high end seismic vessels are idle for a maximum of three vessels (the "Idle Vessels Compensation").

The pre-agreed day rate as negotiated in summer 2019 is higher than the current estimated average market day rate. Thus, an off-market operational liability of US$(69.3) million was recognized at the Marine Closing date representing the net present value of the positive difference between the pre-agreed rate and the estimated market rate over the five-year contractual term. *Please refer to note 7.*

The Idle Vessels Compensation gave rise to a US$(78.7) million financial liability at the Marine Closing date representing the net present value of expected payments under this clause. The expected payments were estimated based on Shearwater fleet utilization assumptions over the five-year commitment period. *Please refer to note 6 and 8.*

Eidesvik Put Option

Eidesvik has the right to sell all its Shearwater shares to CGG at a strike price of US$30 million. The exercise period starts at the earlier of: i) the date of Shearwater IPO, and ii) 1 year after Marine Closing. It ends at the earlier of: i) 6 months after the date of Shearwater IPO, and ii) 3 years after Marine closing. The fair value of this put option has been assessed at US$(4.6) million as of the Marine Closing Date. *Please refer to note 6 and note 8.*

Step-In Agreements

As described above, following the Marine Closing, Shearwater CharterCo AS has entered into five-year bareboat charter agreements with the GSS subsidiaries, guaranteed by Shearwater, for the five high-end vessels equipped with streamers. CGG has agreed to substitute itself for Shearwater CharterCo AS as charterer of GSS subsidiaries' five high-end seismic vessels (equipped with streamers) in the event of a payment default under the charter party between GSS subsidiaries and Shearwater CharterCo AS. This payment default can only be triggered either by CGG non-payment under the Payment Instructions Agreement, or by Shearwater's insolvency.

Were the Step-in Agreements to be triggered:

- CGG would be entitled to terminate the Capacity Agreement;
- CGG would have the right to use the five high end seismic vessels equipped with streamers under bareboat charter agreements;
- CGG would be entitled, through pledge in its favor, to acquire all the share capital of GSS, knowing that GSS and subsidiaries' principal assets would be the vessels and streamers and its principal liabilities would be the external debt associated with the vessels.

The Step-In Agreements will not impact the statement of financial position unless a trigger, as described above, occurs. In such circumstances, the obligations under the Capacity Agreement should be terminated and replaced by the obligations under the Step-In Agreements, representing a lower amount of commitment compared to the Capacity Agreement.

For more information about the Exit from Marine Data Acquisition business and the strategic partnership with Shearwater, please refer to the notes 2 and 5 to our consolidated financial statements in the 2019 Universal Registration Document.

Decision of the French Supreme Court

On July 17, 2018, certain holders of CGG’s convertible bonds filed an appeal before the French Supreme Court (Cour de cassation) against the ruling rendered on May 17, 2018 by the Appeals Court of Paris rejecting a claim by a group of Convertible Bondholders against the ruling of the Commercial Court of Paris sanctioning the Safeguard Plan on December 1, 2017.

On February 26, 2020, the French Supreme Court (Cour de cassation) confirmed the ruling rendered by the Appeals Court of Paris and rejected the claim from a group of Convertible Bondholders, putting a definitive end to this litigation.

NOTE 3— NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Disaggregation of assets

Amounts in millions of US$	**March 31, 2020**	**December 31, 2019**
Goodwill	23.0	23.0
Intangible assets, net	80.0	77.2
Property, plant and equipment, net	9.8	48.4
Right of use-assets	-	82.0
Investments in companies formerly under the equity method	39.5	72.0
Trade accounts and notes receivable, net	5.4	12.1
Other current assets, net	1.8	1.9
Other non-current assets, net	0.3	
Assets held for sale, net [(a)]	**159.8**	**316.6**

(a) Decrease mainly related to Marine exit for US$(144.6) million.

As of March 31, 2020, the assets held for sale amounted to US$159.8 million, which comprised US$106.9 million of GeoSoftware assets and US$52.9 million of Other assets held for sale.

Disaggregation of liabilities

Amounts in millions of US$	**March 31, 2020**	**December 31, 2019**
Trade accounts and notes payable	3.4	2.6
Accrued payroll costs	0.1	3.2
Other non-current liabilities	1.3	1.7
Lease liability	-	190.7
Provisions for onerous contracts	-	61.0
Liabilities directly associated with the assets classified as held for sale [(a)]	**4.8**	**259.2**

(a) Decrease mainly related to Marine exit for US$(252.8) million.

As of March 31, 2020, the liabilities directly associated with the assets classified as held for sale amounted to US$(4.8) million, which comprised US$(1.3) million for GeoSoftware and US$(3.5) millions for Other Liabilities directly associated with the Other Asset classified as held for sale.

Net income (loss) from discontinued operations

Amounts in millions of US$	**Three months ended March 31,**	
	2020	**2019**
Operating revenues	14.4	70.3
Operating income (loss)	(25.9)	(12.8)
Net income (loss) from discontinued operations	**(26.9)**	**(15.3)**

For the period ended March 31, 2020, we recognized US$(16.4) million of restructuring costs as part of the CGG 2021 Plan including US$(13.9) million of impairment of assets, mainly coming from the loss recognized on the remeasurement to fair value less cost to sell of our disposal groups.

Net cash flows incurred by discontinued operations are as follows

The following table presents the net cash-flow from discontinued operations for each of the periods stated:

Amounts in millions of US$	**Three months ended March 31,**	
	2020	**2019**
Net cash-flow from discontinued operations	**(19.3)**	**(78.3)**

NOTE 4— INVESTMENTS AND OTHER FINANCIAL ASSETS

Amounts in millions of US$	March 31, 2020	December 31, 2019
Non-consolidated investments [(a)]	50.5	1.1
Loans and advances [(b)]	1.5	7.3
Deposits and other [(c)]	15.0	19.0
TOTAL	**67.0**	**27.4**

(a) Mainly concerns Shearwater vendor notes for US$49.4 million as of March 31, 2020. The vendor notes amounted to US$52.9 million at the Marine Closing Date. US$3.5 million were used to settle various operational costs.
(b) The variance of US$5.8 million corresponds to trust ("Fiducie") releasing of guarantees,
(c) As of March 31, 2020, the amount of pledged financial assets was US$14.3 million.

NOTE 5— INTANGIBLE ASSETS

As of March 31, 2020, the net intangible assets amount to US$632.9 million compared to US$690.8 at the end of December 2019. The variance is mainly attributable to:

- the capitalisation in multi-client surveys for US$71.1 million, with a US$55.8 million increase in offshore surveys;
- the amortization on multi-client surveys for US$116.8 million, including US$68.9 million of impairment loss triggered by downward revision in sales forecasts in frontier exploration areas (Africa and Ireland mainly) in the current depressed oil and gas market environment; and
- a negative change in exchange rates of US$12.1 million mostly relating to the Brazilian library.

NOTE 6—OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

The Idle Vessels Compensation gave rise to a US$(78.7) million financial liability at the Marine Closing date representing the net present value of expected payments under this clause. The expected payments are based on Shearwater fleet utilization assumptions over the five-year commitment period. *Please refer to Note 2.*

As of March 31, 2020, the outstanding Idle Vessels Compensation financial liability was US$(73.7) million. The current portion of the Idle Vessels Compensation was US$(17.1) million and the non-current portion was US$(56.6) million.

Eidesvik has the right to sell all its Shearwater shares to CGG at a strike price of US$30 million. *Please refer to Note 2.*

As of March 31, 2020, the fair value of this put option was US$(4.6) million, presented on the line Other current financial liabilities.

NOTE 7—OTHER CURRENT AND NON-CURRENT LIABILITIES

Amounts in millions of US$	March 31, 2020	December 31, 2019
Value added tax and other taxes payable	35.0	40.8
Deferred revenue	255.5	280.7
Fair value of financial instruments	-	0.1
Off Market Component [(a)]	13.4	-
Other liabilities	-	5.7
TOTAL OTHER CURRENT LIABILITIES	**303.9**	**327.3**

(a) "Capacity Agreement", see note 2.

Amounts in millions of US$	March 31, 2020	December 31, 2019
Research and development subsidies	0.2	0.2
Profit sharing scheme	3.1	3.2
Off Market Component [(a)]	52.0	-
Other non-current liabilities	0.7	0.6
TOTAL OTHER NON-CURRENT LIABILITIES	**56.0**	**4.0**

(a) "Capacity Agreement", see note 2.

NOTE 8— CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

Contractual obligations

Amounts in millions of US$	March 31, 2020	December 31, 2019
Long-term debt obligations	1,663.3	1,688.9
Lease obligations – other than bareboat agreements	162.5	173.1
Lease obligations - bareboat agreements	—	326.3
Total obligations	**1,825.8**	**2,188.3**

The following table sets forth our future cash obligations (not discounted) as of March 31, 2020:

	Payments Due by Period				
Amounts in millions of US$	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**	**Total**
Financial debt (including cumulated PIK) [(a)]	0.3	0.6	1,341.7	4.4	1,347.0
Other long-term obligations (cash interests)	81.5	170.7	64.1	—	316.3
Total long term debt obligations	**81.8**	**171.3**	**1,405.8**	**4.4**	**1,663.3**
Lease obligations	54.5	62.4	31.4	14.2	162.5
Total contractual cash obligations [(b)]	**136.3**	**233.7**	**1,437.2**	**18.6**	**1,825.8**

(a) PIK : Payment In Kind interest
(b) Payments in other currencies are converted into U.S. dollar at March 31, 2020 exchange rates.

Capacity Agreement

As described above in Note 2, on January 8, 2020, CGG and Shearwater entered in a Capacity Agreement at the Marine Closing Date, for which the main terms of the agreement are as follows:

- work exclusively with Shearwater's global fleet of high-end 3D and source vessels for our multi-client marine and nodes data acquisition projects up to 730 vessel days per year on average for the next five years:
  - pay a pre-agreed day rate for the first 2.5 years and the higher of market rate or the pre-agreed day rate for the remaining 2.5 years;
  - reimburse Shearwater for project-related operational costs and fuel; and
- compensate Shearwater for days during which more than one of its high end seismic vessels are idle for a maximum of three vessels (the "Idle Vessels Compensation"). The maximum Idle Vessel Compensation for a full year represents US$(21.9) million. As of March 31, 2020 the Idle Vessels remaining maximum commitment until the end of the five-year commitment period was US$(104.6) million.

Contingencies

As described above in Note 2, CGG has agreed to substitute itself for Shearwater CharterCo AS as charterer of GSS subsidiaries' five high-end seismic vessels (equipped with streamers) in the event of a payment default under the charter party between the GSS subsidiaries and Shearwater CharterCo AS. This payment default can only be triggered either by CGG non-payment under the Payment Instructions Agreement, or by Shearwater's insolvency.

The Step-In Agreements will not impact the financial statement of position unless a trigger, as described above in Note 2, occurs. In such circumstances, the obligations under the Capacity Agreement should be terminated and replaced by the obligations under the Step-In Agreements, representing a lower amount of commitment compared to the Capacity Agreement.

Others

As described above in Note 2, CGG granted Eidesvik with a put option, granting the latter the right to sell all its Shearwater shares to CGG at a strike price of US$30 million. The fair value of this put option has been assessed to be US$(4.6) million as of March 31, 2020.

NOTE 9—ANALYSIS BY OPERATING SEGMENT

Group organization

Segment presentation and discontinued operations

The financial information by segment is reported in accordance with our internal reporting system and provides internal segment information that is used by the chief operating decision maker to manage and measure performance.

Until the last quarter of 2018, we organized our activities in four segments for financial reporting: (i) Contractual Data Acquisition, (ii) Geology, Geophysics & Reservoir (“GGR”), (iii) Equipment and (iv) Non-Operated Resources. In November 2018, we announced the new strategy for our Group that included the transition to an asset-light model by reducing CGG’s exposure to the Contractual Data Acquisition business. As a result of these strategic announcements and actions undertaken since then, our Contractual Data Acquisition segment and part of our Non-Operated Resources segment have been presented as discontinued operations in our income statement and as assets held for sale in our balance sheet in accordance with IFRS 5. The costs of implementation of our strategic plan described above, referred to as the “CGG 2021 Plan”, are reported in discontinued operations in the related Contractual Data Acquisition business lines.

Our Geology, Geophysics & Reservoir (“GGR”) and Equipment segments are reported in continuing operations.

Internal reporting and Segment presentation

Before the implementation of IFRS 15, the Group applied the percentage of completion method for recognizing multi-client prefunding revenues. Following the implementation of IFRS 15, the Group recognizes multi-client prefunding revenues only upon delivery of final processed data.

Although IFRS fairly presents the Group’s statement of financial position, for internal reporting purposes CGG management continues to apply the pre-IFRS 15 revenue recognition principles, with multi-client prefunding revenues recorded based on percentage of completion. CGG management believes this method aligns revenues closely with the activities and resources used to generate it and provides useful information as to the progress made on multi-client surveys, while also allowing for useful comparison across time periods.

CGG therefore presents the Group’s results of operations in two ways:

- the “Reported” or “IFRS” figures, prepared in accordance with IFRS, with multi-client prefunding revenues recognized upon delivery of the final data; and
- the “Segment” figures, for purposes of internal management reporting, prepared in accordance with the Group’s previous method for recognizing multi-client prefunding revenues.

Other companies may present Segment and related measures differently than we do. Segment figures are not a measure of financial performance under IFRS and should not be considered as an alternative to operating revenues, operating income or any other measures of performance derived in accordance with IFRS as indicators of our operating performance.

Alternative Performance Measures

As a complement to Operating Income, EBIT may be used by management as a performance measure for segments because it captures the contribution to our results of the significant businesses that are managed through our joint ventures. We define EBIT as Operating Income plus our share of income in companies accounted for under the equity method.

We define EBITDAs as earnings before interest, tax, income from equity affiliates, depreciation, amortization net of amortization expense capitalized to multi-client, and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our share allocation plans. EBITDAs is presented as additional information because we understand that it is a measure used by certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements.

Inter-segment transactions are made at arm's length prices. They relate primarily to geophysical equipment sales made by the Equipment segment. These inter-segment revenues and the related earnings are eliminated in consolidation in the tables that follow under the column "Eliminations and other".

Operating Income and EBIT may include non-recurring or restructuring items, which are disclosed in the reportable segment if material. General corporate expenses, which include Group management, financing, and legal activities, have been included in the column "Eliminations and other" in the tables that follow. The Group does not disclose financial expenses or financial revenues by segment because they are managed at the Group level.

Identifiable assets are those used in the operations of each segment. Unallocated and corporate assets consist of "investments and other financial assets" and "cash and cash equivalents" of our consolidated statement of financial position. The group does not track its assets based on country of origin.

Capital employed is defined as "total assets" excluding "cash and cash equivalents" less (i) "current liabilities" excluding "bank overdrafts" and "current portion of financial debt" and (ii) "non-current liabilities" excluding "financial debt".

Analysis by segment (continuing operations)

The following tables present operating revenues, Operating Income, EBITDAs, and EBIT by segment:

Amounts in millions of US$, except for assets and capital employed in billions of US$	Three months ended March 31, 2020					
	GGR	**Equipment**	**Eliminations and other**	**Segment figures**	**IFRS 15 adjustments**	**Consolidated Total / As reported**
Revenues from unaffiliated customers	197.4	73.4	-	270.8	(18.1)	252.7
Inter-segment revenues [(1)]		1.1	(1.1)	-		-
Operating revenues	**197.4**	**74.5**	**(1.1)**	**270.8**	**(18.1)**	**252.7**
Depreciation and amortization (excluding multi-client surveys)	(22.6)	(7.6)	(0.3)	(30.5)		(30.5)
Depreciation and amortization of multi-client surveys	(126.1)		-	(126.1)	9.3	(116.8)
Operating income [(2)]	**(22.4)**	**0.1**	**(8.7)**	**(31.0)**	**(8.8)**	**(39.8)**
EBITDAs	**122.8**	**7.8**	**(7.9)**	**122.7**	**(18.1)**	**104.6**
Share of income in companies accounted for under the equity method	0.3			0.3		0.3
Earnings Before Interest and Tax [(2)]	**(22.1)**	**0.1**	**(8.7)**	**(30.7)**	**(8.8)**	**(39.5)**
Capital expenditures (excluding multi-client surveys) [(3)]	12.8	6.3	1.5	20.6		20.6
Investments in multi-client surveys, net cash	66.8	-	-	66.8		66.8
Capital employed [(4)]	**1.7**	**0.5**		**2.2**		**2.2**
Total identifiable assets [(4)]	**2.2**	**0.6**	**0.2**	**3.0**		**3.0**

(1) Sale of equipment to the Contractual Data Acquisition segment which is classified as discontinued operation.
(2) "Eliminations and other" corresponded to general corporate expenses.
(3) Capital expenditures included capitalized development costs of US$(12.6) million for the three months ended March 31, 2020. "Eliminations and other" corresponded to the variance of suppliers of assets for the three months ended March 31, 2020.
(4) Capital employed and identifiable assets related to discontinued operations are included under the column "Eliminations and other".

Amounts in millions of US$, except for assets and capital employed in billions of US$	Three months ended March 31, 2019					
	GGR	**Equipment**	**Eliminations and other**	**Segment figures**	**IFRS 15 adjustments**	**Consolidated Total / As reported**
Revenues from unaffiliated customers	180.1	102.3	-	282.4	(11.0)	271.4
Inter-segment revenues [(1)]	-	2.9	(2.9)	-	-	-
Operating revenues	**180.1**	**105.2**	**(2.9)**	**282.4**	**(11.0)**	**271.4**
Depreciation and amortization (excluding multi-client surveys)	(22.8)	(7.9)	(0.2)	(30.9)	-	(30.9)
Depreciation and amortization of multi-client surveys	(77.2)	-	-	(77.2)	19.8	(57.4)
Operating income [(2)]	**5.2**	**14.9**	**(9.3)**	**10.8**	**8.8**	**19.6**
EBITDAS	**105.0**	**23.0**	**(8.7)**	**119.3**	**(11.0)**	**108.3**
Share of income in companies accounted for under the equity method	0.1	-	-	0.1	-	0.1
Earnings Before Interest and Tax [(2)]	**5.3**	**14.9**	**(9.3)**	**10.9**	**8.8**	**19.7**
Capital expenditures (excluding multi-client surveys) [(3)]	14.9	4.8	(1.1)	18.6	-	18.6
Investments in multi-client surveys, net cash	39.7	-	-	39.7	-	39.7
Capital employed [(4)]	**2.0**	**0.5**	**-**	**2.5**	**–**	**2.5**
Total identifiable assets [(4)]	**2.2**	**0.6**	**0.8**	**3.6**	**–**	**3.6**

(1) Sale of equipment to the Contractual Data Acquisition segment which is classified as discontinued operation.
(2) "Eliminations and other" corresponded to general corporate expenses.
(3) Capital expenditures included capitalized development costs of US$(8.1) million for the three months ended March 31, 2019. "Eliminations and other" corresponded to the variance of suppliers of assets for the three months ended March 31, 2019.
(4) Capital employed and identifiable assets related to discontinued operations are included under the column "Eliminations and other".

The following table disaggregates our operating revenues by major sources for the period ended March 31, 2020:

	Three months ended March 31, 2020		
Amounts in millions of US$	**GGR**	**Equipment**	**Consolidated Total**
Multi clients prefunding	*57.0*	-	*57.0*
Multi clients after sale	*47.1*	-	*47.1*
Total Multi clients	**104.1**	-	**104.1**
Geoscience	**93.3**	-	**93.3**
Equipment, Land equipment	-	*52.5*	*52.5*
Equipment, Marine equipment	-	*13.0*	*13.0*
Equipment, Downhole Gauges	-	*7.0*	*7.0*
Equipment, Non-Oilfield related	-	*2.0*	*2.0*
Total equipment	-	**74.5**	**74.5**
Internal revenues	-	**(1.1)**	**(1.1)**
Total operating revenues before IFRS 15 impact	**197.4**	**73.4**	**270.8**
IFRS 15 impact on prefunding	(18.1)	-	(18.1)
Total Group operating revenues as reported	**179.3**	**73.4**	**252.7**

NOTE 10— SUBSEQUENT EVENTS

Divestment from Seabed Geosolutions BV

In line with our strategy to exit the Contractual Data Acquisition business, on December 30, 2019 CGG SA entered into in a Share Purchase and Exit Agreement ("Exit Agreement") to transfer on that date 15% (out of its total 40% stake) of its shares in the Seabed Geosolutions BV joint venture ("Seabed") to its partner Fugro NV ("Fugro"), with its remaining 25% shareholding to be transferred before April 1, 2020.

The full divestment from Seabed was effective on April 1, 2020 with the transfer of the remaining shares to Fugro.

OPERATING AND FINANCIAL REVIEW

Group organization

Segment presentation and discontinued operations

The financial information by segment is reported in accordance with our internal reporting system and provides internal segment information that is used by the chief operating decision maker to manage and measure performance.

Until the last quarter of 2018, we organized our activities in four segments for financial reporting: *(i)* Contractual Data Acquisition, *(ii)* Geology, Geophysics & Reservoir ("GGR"), *(iii)* Equipment and *(iv)* Non-Operated Resources. In November 2018, we announced the new strategy for our Group that included the transition to an asset-light model by reducing CGG's exposure to the Contractual Data Acquisition business. As a result of these strategic announcements and actions undertaken since then, our Contractual Data Acquisition segment and part of our Non-Operated Resources segment have been presented as discontinued operations in our income statement and as assets held for sale in our balance sheet in accordance with IFRS 5. The costs of implementation of our strategic plan described above, referred to as the "CGG 2021 Plan", are reported in discontinued operations in the related Contractual Data Acquisition business lines.

Our Geology, Geophysics & Reservoir ("GGR") and Equipment segments are reported in continuing operations.

For a further description of our segments, see paragraph 5.1 "Operating and Financial Review - Group organization - Description of our segments" in our 2019 Universal Registration Document

Internal reporting and Segment presentation

CGG implemented the new accounting standard for revenue, IFRS 15, on January 1, 2018 with a modified retrospective application. The only change from Group historical practices related to recognition of multi-client prefunding revenues. Before the implementation of IFRS 15, the Group applied the percentage of completion method for these revenues. Following the implementation of IFRS 15, the Group, instead, recognized multi-client prefunding revenues only upon delivery of final processed data. Consequently, the implementation of IFRS 15 impacts the timing of revenue recognition and amortization compared to previous accounting principles that provided for recognition of revenues and amortization over time as work was carried out. The multi-client prefunding revenues and related amortization are generally recognized later under IFRS 15 compared to the previous accounting principles.

Although IFRS fairly presents the Group's statement of financial position, for internal reporting purposes, CGG management continues to apply the previous (pre-IFRS 15) revenue recognition principle, with multi-client prefunding revenues recorded based on percentage of completion. CGG management believes this method aligns revenues more closely with the activities and resources used to generate it and provides useful information as to the progress made on multi-client surveys, while also allowing for useful comparison across time periods. CGG therefore presents the Group's results of operations in two ways:

- the "Reported" or "IFRS" figures, prepared in accordance with IFRS, with multi-client prefunding revenues recognized upon delivery of the final data; and
- the "Segment" figures, for purposes of internal management reporting, prepared in accordance with the Group's previous method for recognizing multi-client prefunding revenues.

Beyond IFRS 15 effects, the "Segment" figures also exclude the financial impacts of events and/or decisions made in consideration of exceptional conditions, such as the Group's Transformation Plan and its financial restructuring completed in February 2018. CGG management believes that Segment figures presented this way provide a useful indication of the underlying profitability of operating activities for the period, while allowing for better tracking of organic performance and comparison across periods. However, other companies may present Segment and related measures differently than we do. Segment figures are not a measure of financial performance under IFRS and should not be considered as an alternative to operating revenues, operating income or any other measures of performance derived in accordance with IFRS as indicators of our operating performance.

Factors affecting our results of operations

Our operating results are generally affected by a variety of factors, some of which are described below and others that are set out in paragraphs 1.2 "Business Description", 2.1 "Risks factors" and 5.1 "Operating and financial review—Factors affecting our results of operations" in our 2019 Universal Registration Document.

Geophysical Market Environment

Overall demand for geophysical services and equipment is dependent on spending by oil and gas companies for exploration, development and production and field management activities. We believe the level of spending of such companies depends on their assessment of their ability to efficiently supply the oil and gas market in the future and the current balance of hydrocarbon supply and demand. The geophysical market has historically been extremely volatile. We believe many factors contribute to the volatility of this market, such as the geopolitical uncertainties that can harm the confidence and visibility that are essential to our clients' long-term decision-making processes and the expected balance in the mid- to long-term between supply and demand for hydrocarbons. Lower or volatile hydrocarbon prices tend then to limit the demand for seismic services and products. In recent years, oil and gas companies have reduced their exploration and production spending due to falling or volatile oil prices, affecting demand for our products and services as reflected in our results.

In the first quarter of 2020, the Covid-19 pandemic, which started in China in December 2019, has had a dramatic impact on economic growth and led to an unprecedented decline in the demand for oil and gas. On top of that, the radical increase in supply by Saudi Arabia and Russia to gain market share from early March 2020 due to the inability of OPEC and oil producing countries to reach a consensus on supply cuts, further exacerbated the crisis. As a result, the Brent oil price plummeted drastically in the first quarter of 2020, from trading mark in the high US$60's per barrel late 2019 down to US$50 per barrel on March 5, 2020, the date of approval of the 2019 accounts by the CGG Board of Directors, before further dropping to US$27 per barrel on March 31, 2020.

This context opens a new period of high uncertainty for the whole oil and gas industry. We expect very challenging market conditions for 2020 as clients have already announced severe spending cuts, and our result of operations and cash flows will be materially adversely affected. The situation remains highly volatile. It is currently difficult to predict how long the pandemic and economic contraction, as well as the imbalance between supply and demand in the oil market will persist.

Write-off, impairment and restructuring costs

To adjust to the volatile market environment, the Group may have to incur restructuring costs, as it did over the last years with the Transformation Plan, or, more recently, within the context of the CGG 2021 Plan. The Group had in the past and may have in the future impairment losses or write-offs as events or changes in circumstances occur that reduce the fair value of an asset below its book value.

In the first quarter of 2020, in continuing operations, we recognized *(i)* US$3 million of restructuring costs corresponding to sundry right sizing measures and *(ii)* US$69 million of impairment loss triggered by the downward revision in sales forecasts in frontier exploration areas (Africa and Ireland mainly) in the current depressed oil and gas market environment.

In the first quarter of 2020, in discontinued operations, we recognized US$16 million of impairments of assets and restructuring costs as part of the CGG 2021 Plan, including US$14 million of net impairment loss recognized on the remeasurement to fair value less cost to sell for the disposal groups.

Accounting policies

This operating and financial review and prospects should be read in conjunction with our consolidated interim financial statements and the notes thereto.

For more information on these items, please refer to note 1 "Summary of significant accounting policies" in our interim consolidated financial statements.

Significant events, Acquisitions and Divestures

During the period under review, the most significant event was the Covid-19 pandemic combined with the heavy drop in Brent Oil price. The most significant change to our perimeter was the Closing of Marine strategic partnership with Shearwater on January 8, 2020.

For more information on these items, please refer to note 2 "Significant Events" in our interim consolidated financial statements.

Three months ended March 31, 2020 compared to three months ended March 31, 2019

Unless otherwise specified, comparisons made in this section are between the three months ended March 31, 2020 and the three months ended March 31, 2019. References to 2020 correspond to the three months ended March 31, 2020 and references to 2019 correspond to the three months ended March 31, 2019.

Operating revenues

The following table sets forth our operating revenues by division for each of the periods stated:

Amounts in millions of US$	**Three months ended March 31,**						Increase/(Decrease)	
	2020			**2019**			2020 vs. 2019	
	Segment figures	**IFRS 15 adjustments**	**As reported**	**Segment figures**	**IFRS 15 adjustments**	**As reported**	Segment figures	As reported
Geoscience	93.3	—	93.3	91.3	—	91.3	2%	2%
Multi-client data	104.1	(18.1)	85.9	88.8	(11.0)	77.8	17%	10%
GGR Revenues	**197.4**	**(18.1)**	**179.3**	**180.1**	**(11.0)**	**169.1**	**10%**	**6%**
Equipment Revenues	**74.5**	—	**74.5**	**105.2**	—	**105.2**	**-29%**	**-29%**
Eliminated revenues and others	(1.1)	—	(1.1)	(2.9)	—	(2.9)	-62%	-62%
Total operating revenues	**270.8**	**(18.1)**	**252.7**	**282.4**	**(11.0)**	**271.4**	**-4%**	**-7%**

Our consolidated operating revenues as reported, following the application of IFRS 15, decreased 7% to US$253 million in 2020 from US$271 million in 2019.

The respective contributions from the Group's businesses to our segment operating revenues were 73 % from GGR and 27 % from Equipment.

GGR

Operating revenues as reported from our GGR segment increased 6 % to US$179 million compared to 2019. Before IFRS 15 adjustments, GGR segment revenues increased 10 % to US$197 million from US$180 million in 2019.

Geoscience

Operating revenues from our Geoscience business lines increased 2 % to US$93 million in 2020 compared to US$91 million in 2019, driven by 11% growth in imaging business revenue. In March, we managed to maintain business continuity with the majority of our people working from home due to the excellent support of our IT organization.

Multi-client Data

Multi-client data revenues as reported increased 10 % in 2020 compared to 2019. Before IFRS 15 adjustments, multi-client data segment revenues increased 17 % at US$104 million.

Prefunding revenues as reported increased 25% to US$39 million in 2020 from US$31 million in the first quarter of 2019. Excluding IFRS 15 adjustment, prefunding revenue of our multi-client projects reached US$57 million this quarter, up 36% from US$42 million in the first quarter of 2019, mainly due to higher multi-client capex this quarter, up to US$67 million from US$40 million in 2019, with a solid cash prefunding rate at 86% from 106% in 2019.

After-sales revenues were US$47 million in 2020, stable year on year and solid across all regions.

Equipment

Total revenues for our Equipment segment (including internal and external sales) decreased 29 % to US$75 million in 2020.

Internal sales represented 1% of total revenues in 2020 compared to 3% in 2019. External revenues for our Equipment segment decreased 28 % to US$73 million in 2020 from US$102 million in 2019.

- Land equipment sales represented 71% of total revenues in 2020, compared to 81 % in 2019, with important deliveries over eighty thousand 508^{XT} channels in 2020, mainly in North Africa, India and Russia, in reduction though compared to last year.

- Marine equipment sales represented 17% of total revenues in 2020 compared to 12% in 2019 in a still low marine equipment market with mostly sales of spares for Sentinel sections.

- Downhole equipment sales were US$7 million in 2020 compared to US$5 million in 2019 mainly driven by resilient memory gauges activity. Non-Oil & Gas sales were stable at US$2 million.

Operating expenses

The following table sets forth our operating expenses for each of the periods stated:

	Three months ended March 31,				Increase/(Decrease)	
Amounts in millions of US$	**2020**		**2019**		2020 vs. 2019	
	Segment figures	**As reported**	**Segment figures**	**As reported**	Segment figures	As reported
Operating revenues................	**270.8**	**252.7**	**282.4**	**271.4**	**-4%**	**-7%**
Cost of Operations................	**(198.0)**	**(188.7)**	**(233.5)**	**(213.7)**	**-15%**	**-12%**
% operating revenues	-73%	*-75%*	*-83%*	*-79%*		
Gross Margin........................	**73.1**	**64.3**	**49.1**	**57.9**	**49%**	**11%**
% operating revenues	27%	*25%*	*17%*	*21%*		
Research and Development.....	**(4.4)**	**(4.4)**	**(6.0)**	**(6.0)**	**-26%**	**-26%**
% operating revenues	-2%	*-2%*	*-2%*	*-2%*		
Marketing and Selling	**(9.1)**	**(9.1)**	**(9.9)**	**(9.9)**	**-8%**	**-8%**
% operating revenues	-3%	*-4%*	*-4%*	*-4%*		
General and Administrative ...	**(18.7)**	**(18.1)**	**(20.3)**	**(20.3)**	**-11%**	**-11%**
% operating revenues	-7%	*-7%*	*-7%*	*-7%*		
Other incomes (expenses)	**(71.9)**	**(71.9)**	**(2.1)**	**(2.1)**		

The amortization cost of our seismic library as reported corresponded to 56% of the multi-client data revenues as reported in 2020 compared to 74% in 2019. Excluding IFRS 15 adjustments, the segment amortization cost of our seismic library decreased to 55% of the multi-client data segment revenues in 2020 (excluding impairment loss) compared to 87% in 2019, mainly as a consequence of a favourable after-sales mix.

As a percentage of operating revenues as reported, cost of operations as reported decreased to 75% in 2020 from 79% in 2019. Excluding IFRS 15 adjustments, segment cost of operations, as a percentage of the segment operating revenues, decreased to 73% in 2020 from 83% in 2019, mainly as consequence of the reduction in activity of our Equipment segment and the decrease of our seismic library amortization cost as mentioned above.

The decrease in research and development expenses in 2020 compared to 2019 was mainly due to higher capitalization of development costs, mostly in our Equipment segment.

Marketing and Selling expenses and General and Administrative expenses decreased in 2020 compared to 2019, mainly due to the impact of our support costs reduction measures as part of our CGG 2021 Plan and the favourable exchange rate environment, with a rate of US$1.11 per euro for the three months ended March 31, 2020 compared to US$1.15 per euro for the three months ended March 31, 2019.

Other expenses of US$72 million in 2020 included US$69 million of impairment loss of multi-client surveys in frontier exploration areas and US$3 million of sundry costs relating to rightsizing measures.

Operating income

Operating income as reported amounted to a loss of US$40 million in 2020 as a result of the factors described above, compared to a gain of US$20 million in 2019. Excluding IFRS 15 adjustments, the impact of the Transformation Plan, the financial restructuring and provisions, segment operating income amounted to a loss of US$31 million in 2020 compared to a gain of US$11 million in 2019.

Segment operating income from our GGR segment was a loss of US$22 million in 2020 compared to a gain of US$5 million in 2019, mainly impacted by the multi-client library impairment loss of US$69 million.

Segment operating income from our Equipment segment fell to breakeven in 2020 compared to a gain of US$15 million in 2019, mainly due to lower volume and less favourable product mix.

Financial income and expenses

Net cost of financial debt in 2020 was US$33 million, the same as in 2019.

Other financial income and expenses amounted to an income of US$6 million in 2020, compared to an income of US$1 million in 2019, mainly due to the positive impact of exchange rates.

Income taxes

Income taxes as reported amounted to an expense of US$5 million in 2020 compared to an expense of US$3 million in 2019.

Net Income from continuing operations

Net income from continuing operations as reported was a loss of US$72 million in 2020 compared to a loss of US$15 million in 2019 as a result of the factors discussed above.

Net Income from discontinued operations

Operating revenues for Contractual Data Acquisition decreased 80% to US$14 million in 2020 from US$70 million in 2019, driven by the exit of from Data Acquisition business.

Net loss from discontinued operations amounted to US$27 million in 2020 compared to a loss of US$15 million in 2019.

Net income

Net income as reported was a loss of US$98 million in 2020 compared to a loss of US$30 million in 2019 as a result of the factors discussed above.

Liquidity and capital resources

Our principal financing needs are the funding of ongoing operations and capital expenditures, investments in our Multi-client data library, the funding of restructuring measures relating to the "CGG 2021 Plan" and of our debt services obligations. We do not have any major debt repayment scheduled before 2023, the maturity date of our first lien senior secured notes. We intend to fund our capital requirements through cash generated by operations and liquidity on hand. In the past, we have obtained financing through bank borrowings, capital increases and issuances of debt and equity-linked securities.

Our ability to make scheduled payments of principal, or to pay the interest or additional amounts, if any, or to refinance our indebtedness, or to fund planned capital expenditures will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

Cash flows from continuing operations

Operating activities

The following table presents a summary of the net cash as reported related to operating activities for each of the periods stated:

	Three months ended March 31,	
Amounts in millions of US$	**2020**	**2019**
Net cash before changes in working capital	104.2	95.8
Change in working capital	41.0	108.0
Net cash provided by operating activities	**145.2**	**203.8**

Before changes in working capital, net cash as reported provided by operating activities in 2020 was US$104 million compared to US$96 million in 2019, as a result of the solid performance of our segments in the first quarter of 2020. Changes in working capital had a positive impact on cash from operating activities of US$41 million in 2020, mostly due to the reduction in our receivables as a consequence of the collection of the high revenues of the last quarter of 2019.

Net cash provided by operating activities was US$145 million in 2020 compared to US$204 million in 2019.

Investing activities

The following table presents the main items linked to investing activities for each of the periods stated:

	Three months ended March 31,	
Amounts in millions of US$	**2020**	**2019**
Net cash used in investing activities	**87.4**	**58.3**
Of which		
Industrial capital expenditures	*8.0*	*10.5*
Capitalized development costs	*12.6*	*8.1*
Multi-client Data	*66.8*	*39.7*

The net cash used in investing activities was US$87 million in 2020 compared to US$58 million in 2019, mainly driven by multi-client data investments, increasing by US$27 million from a low point in 2019.

In 2020, we had four on-going multi-client projects, including two marine streamer surveys in Brazil and Australia (Nebula and Gippsland projects respectively) and two land surveys in the United-States (Bayou Boeuf and Central Basin Platform) and started one node survey in the UK North Sea in the Cornerstone area at the end of March.

As of March 31, 2020, the net book value of our multi-client data library as reported was US$475 million compared to US$531 million as of December 31, 2019. Excluding IFRS 15 adjustments, the segment net book value of our multi-client data library was US$318 million as of March 31, 2020, compared to US$376 million as of December 31, 2019.

Financing activities

Net cash used by financing activities was US$21 million during the three months ended March 31, 2020, compared to net cash used of US$25 million for the three months ended March 31, 2019 mainly related to lease repayments and financial expenses paid.

Net cash flows from discontinued operations

The following table presents a summary of the cash-flow of the discontinued operations for each of the periods stated:

Amounts in millions of US$	Three months ended March 31, 2020	2019
Net cash-flow from discontinued operations	**(19.3)**	**(78.3)**

Net financial debt

Net financial debt as of March 31, 2020 was US$705 million compared to US$716 million as of December 31, 2019. The ratio of net financial debt to equity was 49% as of March 31, 2020 compared to 46% as of December 31, 2019.

"Gross financial debt" is the amount of bank overdrafts, plus current portion of financial debt, plus financial debt, and "net financial debt" is gross financial debt less cash and cash equivalents. Net financial debt is presented as additional information because we understand that certain investors believe that netting cash against debt provides a clearer picture of our financial liability exposure. However, other companies may present net financial debt differently than we do. Net financial debt is not a measure of financial performance under IFRS and should not be considered as an alternative to any other measures of performance derived in accordance with IFRS

The following table presents a reconciliation of net financial debt to financing items of our statement of financial position at March 31, 2020 and December 31, 2019:

Amounts in millions of US$	March 31, 2020	December 31, 2019
Bank overdrafts	—	—
Current portion of long-term debt	69.8	59.4
Financial debt	1,258.7	1,266.6
Gross financial debt	**1,328.5**	**1,326.0**
Less cash and cash equivalents	(623.5)	(610.5)
Net financial debt	**705.0**	**715.5**

EBIT and EBITDAS (unaudited)

EBIT is defined as operating income plus our share of income in companies accounted for under the equity method. As a complement to operating income, EBIT may be used by management as a performance indicator for segments because it captures the contribution to our results of the significant businesses that we manage through our joint ventures.

EBITDAS is defined as earnings before interest, tax, income from equity affiliates, depreciation, amortization net of amortization expense capitalized to multi-client and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our share allocation plans. EBITDAS is presented as additional information because we understand that it is one measure used by certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements.

However, other companies may present EBIT and EBITDAS differently than we do. EBIT and EBITDAS are not a measure of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of EBITDAS and EBIT to net income for the periods indicated:

Amounts in millions of US$	Three months ended March 31, 2020			
	Segment figures	**Transformation Plan, provisions and impairments**	**IFRS 15 adjustment**	**As reported**
EBITDAS	**122.7**	—	**(18.1)**	**104.6**
Depreciation and amortization	(30.5)	—	—	(30.5)
Multi-client surveys depreciation and amortization	(126.1)	—	9.3	(116.8)
Depreciation and amortization capitalized to multi-client surveys	4.3	—	—	4.3
Stock based compensation expenses	(1.4)	—	—	(1.4)
Operating income	**(31.0)**	—	**8.8**	**(39.8)**
Share of (income) loss in companies accounted for under the equity method	0.3	—	—	0.3
EBIT	**(30.7)**	—	8.8	**(39.5)**
Cost of financial debt, net				(32.9)
Other financial income (loss)				5.7
Total income taxes				(4.8)
Net income (loss) from continuing operations				**(71.5)**

Amounts in millions of US$	Three months ended March 31, 2019			
	Segment figures	**Transformation Plan, provisions and impairments**	**IFRS 15 adjustment**	**As reported**
EBITDAS	**119.3**	—	**(11.0)**	**108.3**
Depreciation and amortization	(30.9)	—	—	(30.9)
Multi-client surveys depreciation and amortization	(77.2)	—	19.8	(57.4)
Depreciation and amortization capitalized to multi-client surveys	0.9	—	—	0.9
Stock based compensation expenses	(1.3)	—	—	(1.3)
Operating income	**10.8**	—	**8.8**	**19.6**
Share of (income) loss in companies accounted for under the equity method	0.1	—	—	0.1
EBIT	10.9	—	8.8	**19.7**
Cost of financial debt, net				(32.9)
Other financial income (loss)				0.9
Total income taxes				(2.9)
Net income (loss) from continuing operations				**(15.2)**

Net cash flow

"Net cash flow" is defined as "Net cash flow provided by operating activities" plus "Total net proceeds from disposals of assets", minus *(i)* "Total capital expenditures" and "Investments in multi-client surveys, net cash" as set out in our consolidated statement of cash flows in the "Investing section", *(ii)* "Lease repayment" and "Financial expenses paid" as set out in our consolidated statement of cash flows in the "Financing section", and *(iii)* "Net cash flows incurred by Discontinued Operations".

Net cash flow is presented as additional information because we understand that it is one measure used by certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements. However, other companies may present net cash flow differently than we do. Net cash flow is not a measure of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or any other measures of performance derived in accordance with IFRS

Net cash flow amounted to inflows of US$17 million in 2020 compared to inflows of US$44 million in 2019. Net cash flow before net cash flow incurred by Discontinued Operations represented inflows of US$37 million in 2020, compared to inflows of US$122 million in 2019.

	Three months ended March 31,	
Amounts in millions of US$	**2020**	**2019**
Net cash flow provided by operating activities	145.2	203.8
Total capital expenditures (including variation of fixed assets suppliers, excluding multi-client surveys)	(20.6)	(18.6)
Investments in multi-client surveys, net cash	(66.8)	(39.7)
Total net Proceeds	0.1	0.1
Lease repayments	(14.0)	(15.9)
Financial expenses paid	(7.4)	(7.4)
Net cash flow before net cash flow incurred by Discontinued Operations	**36.5**	**122.3**
Net cash flow incurred by Discontinued Operations	(19.3)	(78.3)
Net cash flow	**17.2**	**44.0**

Contractual Obligations, commitments and contingencies

The following table sets forth our future cash obligations (not discounted) as of March 31, 2020:

	Payments Due by Period				
Amounts in millions of US$	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**	**Total**
Financial debt (including cumulated PIK) [(a)]	0.3	0.6	1,341.7	4.4	1,347.0
Other long-term obligations (cash interests)	81.5	170.7	64.1	—	316.3
Total long term debt obligations	**81.8**	**171.3**	**1,405.8**	**4.4**	**1,663.3**
Lease obligations	54.5	62.4	31.4	14.2	162.5
Financial debt (including cumulated PIK) [(a)]	0.3	0.6	1,341.7	4.4	1,347.0

(a) PIK : Payment In Kind interest
(b) Payments in other currencies are converted into U.S. dollar at March 31, 2020 exchange rates

Capacity Agreement

As described above in Note 2, on January 8, 2020, CGG and Shearwater entered in a Capacity Agreement, for which the main terms of the agreement are as follows:

- work exclusively with Shearwater's global fleet of high-end 3D and source vessels for our multi-client marine and nodes data acquisition projects up to 730 vessel days per year on average for the next five years:
  - pay a pre-agreed day rate for the first 2.5 years and the higher of market rate or the pre-agreed day rate for the remaining 2.5 years;
  - reimburse Shearwater for project-related operational costs and fuel; and
- compensate Shearwater for days during which more than one of its high end seismic vessels are idle for a maximum of three vessels. The maximum Idle Vessel Compensation for a full year represents US$(22) million. As of March 31, 2020 the Idle Vessels remainder maximum commitment was US$(105) million until the end of the five-year commitment period.

Contingencies

As described above in Note 2, CGG has agreed to substitute itself for Shearwater CharterCo AS as charterer of GSS subsidiaries' five high-end seismic vessels (equipped with streamers) in the event of a payment default under the charter party between the GSS subsidiaries and Shearwater CharterCo AS. This payment default can only be triggered either by CGG non-payment under the Payment Instructions Agreement, or by Shearwater's insolvency.

The Step-In Agreements will not impact the financial statement of position unless a trigger, as described above in Note 2, occurs. In such circumstances, the obligations under the Capacity Agreement should be terminated and replaced by the obligations under the Step-In Agreements, representing a lower amount of commitment compared to the Capacity Agreement.

Others

As described above in Note 2, CGG granted Eidesvik with put option, granting the latter the right to sell all its Shearwater shares to CGG at a strike price of US$30 million. The fair value of this put option has been assessed at US$(5) million as of March 31, 2020.