REPORT OF THE BOARD OF DIRECTORS
TO THE COMBINED GENERAL MEETING OF JANUARY 11, 2016

SIGNIFICANT EVENTS OF THE 2014 FISCAL YEAR AND THE FIRST NINE MONTHS OF 2015

2014 fiscal year

✓ Purchase option over Geomar SAS with Louis Dreyfus Armateurs Group (LDA)

On November 27, 2013, we agreed with LDA to exercise a purchase option on the shares held by LDA in Geomar SAS, the company owning the *CGG Alizé* vessel. This purchase took effect on April 1, 2014.

This transaction had no impact on the consolidation method of this subsidiary which remains fully consolidated. The change of ownership interests was accounted for as an equity transaction as of December 31, 2013.

✓ Framework agreement with Industrialization & Energy Services Company (TAQA) and sale of 2% of Ardiseis FZCO

CGG and TAQA are shareholders of 2 joint ventures in the Middle East: Argas, a Saudi company established in 1966, covering geophysical activities in the Kingdom of Saudi Arabia (KSA), of which TAQA owns 51% and CGG owns 49%; and Ardiseis, a company established in 2006 in Dubai, covering land and shallow water data acquisition activities in the rest of the Middle East, of which CGG (until the transactions described below) owned 51% and TAQA 49%.

On December 31, 2013, CGG and TAQA entered into a Framework Agreement to strengthen and extend their historical and long-term partnership in the Middle East.

Through the Framework Agreement, Argas would become the sole shareholder of Ardiseis, with Argas and Ardiseis pooling all their resources to create a more efficient and powerful combined Argas Group. The new Argas group would have a stronger capital base, would cover a larger business scope, and would be 51% owned by TAQA and 49% owned by CGG.

In relation with this agreement, net assets of Ardiseis were reclassified in Assets held for sales for an amount of US$22 million as of December 31, 2013 (see note 5 to our 2014 consolidated annual financial statements).

In June 2014, CGG and Industrialization & Energy Services Company (TAQA) signed a “share sale and purchase agreement” under which CGG Services (UK) Ltd, a subsidiary of CGG, sold 2% of the share capital of Ardiseis FZCO to TAQA for a total consideration of US$1.2 million. As a result of the transaction, CGG owns 49% of Ardiseis FZCO and does not control the company any longer. From June 30, 2014, Ardiseis FZCO is no longer fully consolidated in our consolidated financial statements but is accounted for under the equity method.

The net gain arising from this transaction amounts to US$11.9 million and is recorded in the line item “Other revenues (expenses), net” in the 2014 consolidated statement of operations.

✓ Agreement with Geokinetics

On September 30, 2014, CGG sold its North American land contract assets and activities to Geokinetics Inc. against a minority equity stake in this company. Our stake in Geokinetics has been presented as a non-consolidated investment for US$49 million in our balance sheet since this date and is measured at its fair value (see note 7 to our 2014 consolidated financial statements). The net gain arising from this transaction is not significant.

✓ Agreement with Alcatel-Lucent

On October 20, 2014, Sercel and Alcatel-Lucent Submarine Networks (ASN) signed a binding agreement for the sale of Optoplan AS, a fully consolidated subsidiary of CGG for a total consideration of US$20.7 million. The closing of the transaction was completed on October 31, 2014.

First nine months of 2015

✓ Group organization

Implementation of a new organization as of September 1, 2015

CGG is engaged in an ambitious transformation plan to adapt to the new environment and market conditions. A more centralized organization is now deployed to ensure we have the strongest possible foundation from which to operate and grow in the future.

The Corporate Committee (C-Com) is from now on chaired by the CEO, Jean-Georges Malcor, and formed by the CFO, Stephane-Paul Frydman, the two COO's, Pascal Rouiller and Sophie Zurquiyah, and the EVP, Human Resources, David Dragone.

The C-Com will share global management of the Group and responsibility for the various Business Lines, Group Functions and Group Departments.

Implementation of a new segment reporting

Taking into account the long cyclical trough of the seismic market, which further worsened during the summer of 2015 in the light of an updated bearish forward view on the price of oil, CGG has decided during the third quarter of 2015 to drastically reduce its marine fleet down to 5 vessels and to implement new adaptation measures throughout the Group. Going forward the downsized CGG fleet would be dedicated on average two-thirds to multi-client surveys and only one-third to shoot exclusive surveys. As a result of the reduction of its fleet, part of the owned assets will not be operated for a certain period of time. The costs of these non-operated resources as well as the costs of the Group Transformation Plan are reported in a new operating and reporting segment. Since September 30, 2015, we have organized our activities in four segments for our financial reporting. These segments are:

- **Contractual Data Acquisition**, which comprises the following operating segments:
  - Marine: offshore seismic data acquisition undertaken by us on behalf of a specific client;
  - Land and Multi-Physics: other seismic data acquisition undertaken by us on behalf of a specific client.

- **Geology, Geophysics & Reservoir ("GGR")**. This operating segment comprises the Multi-client business line (development and management of seismic surveys that we undertake and license to a number of clients on a non-exclusive basis) and the Subsurface Imaging and Reservoir business lines (processing and imaging of geophysical data, reservoir characterization, geophysical consulting and software services, geological data library and data management solutions). Both

business lines regularly combine their offerings, generating overall synergies between their respective activities. The GGR segment includes the costs, industrial capital expenditures and capital employed related to the vessels dedicated to the multi-client surveys.

- **Equipment**, which comprises our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and marine. We carry out the activity in the Equipment segment through our subsidiary Sercel.

- **Non-Operated Resources**, which comprises the costs of the non-operated marine resources as well as all the costs of our Transformation Plan (mainly restructuring provisions and provision for onerous contracts). The capital employed of this segment includes the non-operated marine assets and the provisions related to the Group Transformation Plan. In this segment, the recoverable value retained is the fair value less costs of disposal.

✓ Key figures over the nine first months of 2015 fiscal year

- Group revenue at US$1,512 million
- Operating income, before Non-Recurring Charges (NRC), at US$(2) million
- EBIT, before NRC, at US$25 million
- EBITDAS at US$379 million and negative free cash flow before NRC at US$(61) million
- Following the strong deterioration of market conditions and the reduction in CGG's fleet, assets impairment and write-off and NRC of US$1,015 million booked in the third quarter of 2015:
  - US$500 million split between US$365 million of Marine goodwill impairment and US$135 million of additional impairments, mainly vessels related
  - US$450 million write-off mainly related to non-allocated GGR goodwill
  - US$48 million depreciation of our deferred tax assets on past losses
  - US$17 million other restructuring costs, mainly related to redundancies
- Net income at US$(1,190) million after NRC
- Backlog at US$821 million as of October 1st, 2015. As of November 5, 2015, marine fleet coverage was at 92% for Q4 2015. Indicator no longer relevant in 2016, as the fleet will be mainly dedicated to Multi-Client activity

✓ Financial debt

Simplified public exchange of convertible bonds

In May 2015, CGG initiated a simplified public exchange offer for its outstanding 11,200,995 OCEANE convertible bonds due 2019, with purpose to issue new OCEANE convertible bonds due 2020 under a ratio of five 2020 OCEANE convertible bonds for two 2019 OCEANE convertible bonds tendered into the offer.

On June, 26 2015, holders exchanged 90.3% of the principal amount of the existing 2019 OCEANE convertible bonds (or 10,114,014 bonds). In consideration, CGG issued 25,285,035 bonds convertible into and/or exchangeable for new or existing shares of the company maturing on January 1, 2020 for a total nominal amount of €325.1 million (or U.S.$363.7 million converted at the closing exchange rate of U.S.$1.1189). 1,086,981 2019 OCEANE remain outstanding.

The 2020 OCEANE convertible bonds' nominal value was set at €12.86 per bond (versus €32.14 for the 2019 OCEANEs). The new bonds bear interest at a rate of 1.75% payable semi-annually in arrears on January 1 and July 1 of each year (versus 1.25% for the 2019 OCEANEs). The bonds entitle the holders to receive new and/or existing CGG shares at the ratio of one share per one bond, subject to

adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option.

Credit Facility Amendments

In order to increase our financial flexibility, and following unanimous consent from the 16 different financial institutions involved, we have revised certain terms in several of our credit facilities, namely our French revolving credit facility, our US revolving credit facility, our Nordic term loan and revolving credit facilities and our U.S.$45 million term loan facility secured by the Geowave Voyager vessel.

Pursuant to such amendments,

(i) Looking at the financial covenants:

- the maximum leverage ratio (defined as total net financial debt to EBITDAS) was increased to a ratio of 4.00x for each rolling 4-quarter period ending on or before June 2016, 3.75x for each such period ending on or before June 2017, 3.50x for each such period ending on or before June 2018, 3.25x for each such period ending on or before June 2019, 3.00x for each such period ending on maturity dates thereafter;
- the minimum interest cover ratio (defined as EBITDAS to total interest costs) was reduced from 4.00:1 to 3.00:1.

(ii) Looking at the permitted indebtedness under the present credit agreements, the Group will have the ability to raise up to U.S.$500m of secured indebtedness ranking pari passu with the existing U.S. and French Revolving Credit Facilities in relation to an extended security package encompassing notably the fleet streamers, the US Multi-Client Library, and the shares of the main Sercel operating entities (Sercel SA and Sercel Inc).

✓ **Increase of CGG SA's equity**

As a consequence of the impairments and provisions for transformation costs recorded in 2014, negatively impacting the value of the shares held by the Group mother company, the net equity of CGG SA amounted to €1,122 million as of December 31, 2014. Following internal distribution of dividends, the CGG SA mother company equity has been increased by €1,582 million in July 2015.

✓ **Post-closing events (as of September 30, 2015)**

- On October 31, 2015, CGG sold its Canadian Multi-Client Library.

- On November 4, 2015, we obtained consent to waive the leverage ratio threshold at year end 2015 under all Credit Facilities which include such financial covenant.

- Exchange offer:

  On November 19, 2015, CGG S.A. announced that its subsidiary, CGG Holding (U.S.) Inc. (CGG US) had launched an Exchange Offer in relation to CGG S.A.'s 7.75% Senior Notes due 2017, 6.5% Senior Notes due 2021 and 6.875% Senior Notes due 2022 (the Notes).

  CGG US is offering senior secured term loans (Term Loans) in exchange for any and all of the 7.75% Senior Notes due 2017 and a combined total of up to US$135 million of the 6.5% Senior Notes due 2021 and/or 6.875% Senior Notes due 2022 if accompanied by the concurrent tender of an equal or greater corresponding amount of the 7.75% Senior Notes due 2017. There is currently US$135 million of the 7.75% Senior Notes due 2017 outstanding.

The Term Loans will mature on May 15, 2019 and bear an interest, at the option of CGG US, of adjusted LIBOR plus 5.50% per annum or adjusted base rate plus 4.50% per annum. Adjusted LIBOR shall not be less than 1.00% and adjusted base rate shall not be less than 2.00%.

Notes that are accepted for exchange will be cancelled. The Exchange Offer is being made on the terms and subject to the conditions contained in an Offer to Exchange Statement, and is subject to the conditions and restrictions set out therein.

The Exchange Offer commenced on November 19, 2015, and will expire at 11:59 P.M., New York City time, on December 17, 2015.

RESOLUTIONS TO BE SUBMITTED TO THE COMBINED GENERAL MEETING OF JANUARY 11, 2016

Five resolutions are submitted to the Combined General Meeting of January 11, 2016

Resolutions falling under the authority of the Ordinary General Meeting (Resolutions N°1 to 2)

✓ Ratification of the cooptation of two Directors

The purpose of the **1st resolution** is to approve the ratification of Mr. Didier Houssin's term of office as Director. Mr. Houssin holds 1,000 shares of the Company.

Mr. Houssin was appointed for the first time on July 30, 2015, by cooptation in replacement of Mr. Olivier Appert, for the remainder of the term of office of his predecessor, i.e. until the end of the General Meeting to be held to approve the financial statements for fiscal year ending December 31, 2015. Mr. Houssin represents IFP Energies nouvelles, a shareholder holding 3.58 % of the capital and 6.46 % of the voting rights in the Company as of September 30, 2015. He is also a member of the Strategy/Technology Committee and a member of the Audit Committee of the Company.

The credential of Mr. Didier Houssin is detailed hereafter.

Mr. Didier Houssin was born on February 8, 1957. Of French nationality, Mr. Houssin graduated from the *École nationale d'administration* and has a Master in International Law from Université de Paris 1 - La Sorbonne. He also has a degree in Political Science from the *Institut d'études politiques de Paris*.

On April 8, 2015, Didier Houssin was appointed Chairman and CEO of IFP Energies nouvelles. Prior to that, in December 2012, he was appointed Director of Sustainable Energy Policy and Technology at the International Energy Agency (IEA). In this role, he was responsible for the development of low-carbon technologies and energy transition (ETP scenarios to 2050, technology roadmaps, carbon capture and sequestration and the IEA's international RD&D network). From July 2007 to October 2012, he was Director of Energy Markets and Security at the IEA. In this role, he was responsible for analyzing energy markets, in particular oil, gas, electricity and renewable energies, and overseeing security of supply. Before joining the IEA, Mr. Houssin had wide-ranging experience in numerous posts both in the French Government and the private industrial sector. From 1997 to 2004, he was Director of Energy and Mineral Resources in the French Ministry of Economy and Finances, and from 2004 to 2007, he was Managing Director of BRGM, the French Geological Survey, with extensive management responsibilities over the 850-strong group. From 1987 to 1990, Mr. Houssin held a position in European Affairs at Total, where he was responsible for developing EU strategy.

The other positions held by Mr. Houssin are as follows:

<u>Positions within the Group</u>: none

<u>Positions held in other companies</u>:
French Companies and institutions:
- Chairman of Tuck Foundation (France)

The purpose of the **<u>2nd resolution</u>** is to approve the ratification of Mr. Michael Daly's term of office as Director. Mr. Daly holds 1,000 shares of the Company.

Mr. Daly was appointed for the first time on September 30, 2015, by cooptation in replacement of Mr. Terence Young, for the remainder of the term of office of his predecessor, i.e. until the end of the General Meeting to be held to approve the financial statements for fiscal year ending December 31, 2016. He is also a member of the Strategy/Technology Committee of the Company. Mr. Daly is an independent director.

The credential of Mr. Michael Daly is detailed hereafter.

Mr. Michael Daly was born on October 4, 1953. He is a graduate of The University College of Wales, Leeds University (PhD) and alumni of Harvard Business School (PMD).

Mr. Daly is a British geologist, oil and gas executive and academic. He joined the Geological Survey of Zambia in 1976, mapping the remote Muchinga Mountains of northeast Zambia. He began his business career with BP in 1986 as a research geologist. After a period of strategy work and E&P positions in Venezuela, the North Sea and London, he became President of BP's Middle East and S. Asia E&P business. In 2006, Mr. Daly became BP's Global Exploration Chief and a Group Vice President. He served on BP's Group Executive Team as Executive Vice President from 2010, and retired in 2014 after 28 years with the company.

The other positions held by Mr. Daly are as follows:

<u>Positions within the Group</u>: none

<u>Positions held in other companies</u>:
Foreign Companies and institutions:
- Partner at Macro Advisory Partners (UK)
- Non-executive director with Tullow Oil (UK)
- Visiting Professor in Earth Sciences at The University of Oxford (UK)

Resolutions falling under the authority of the Extraordinary General Meeting (Resolutions N°3 to 5)

✓ Financial delegations and authorizations

Share capital increase through the issue of ordinary shares with preferential subscription rights (3rd resolution)

As part of the new phase in the Transformation Plan announced on November 5, 2015, it is contemplated to carry out a capital increase of a maximum amount of three hundred and fifty (350) million euros (share premium included) to strengthen the shareholders' equity of the Company. Such capital increase would be carried out with preferential subscription rights in favor of holders of existing shares.

In the 3rd resolution, the General Meeting is invited to grant its authority to the Board of Directors, with the authority to sub-delegate within the conditions provided for by applicable law, to issue shares, subject to the preferential right to subscribe in favor of the holders of existing shares, and increase the Company's capital within the limit of a nominal amount of up to three hundred and fifty (350) million euros with maximum gross proceeds (including premiums) not exceeding three hundred and fifty (350) million euros, to which will be added, as the case may be, any additional number of shares to be issued in accordance with laws, regulations or, as the case may be, contractual provisions, in order to protect the rights of holders of the securities or other rights granting access to shares of the Company. It is specified that this cap is independent of any other capital increase cap authorized by the General Meeting of Shareholders.

This authorization would supersede the authorization granted to the Board of Directors by the General Meeting held on May 29, 2015, in its 23rd resolution to issue shares, with preferential right to subscribe in favor of the holders of existing shares, it being specified that the amount of any capital increases which may result either immediately or in the future from the issues performed in accordance with the delegations granted to the Board of Directors by the General Meeting held on May 29, 2015 in its 25th and 26th resolutions will be included in the global amount set forth in the present resolution.

If the Board of Directors were to use this authorization to carry out the capital increase:

a) existing shareholders would be granted preferential subscription rights to subscribe the shares, an irreducible preferential right to subscribe for the new shares so issued, in proportion to the number of shares they then own, in accordance with conditions and limits set by the Board of Directors;
b) the Board of Directors would be able to institute for the benefit of the shareholders a reducible right to subscribe, proportional to their rights and within the limits of their request, any shares not taken up by other shareholders;
c) in accordance with Article L. 225-134 of the French Commercial Code, if the irreducible rights to subscribe and, where appropriate, the reducible rights to subscribe, do not cover the whole of the issue of the new shares, the Board of Directors would be able take one or more of the following courses of action, in the order of its choice: i) to offer all or part of them in a public offering, and/or (ii) freely allocate all or some of the unsubscribed shares and/or (iii) generally limit the amount of the issue to the subscriptions received provided that at least threequarters of the issue is taken up, after use, if any, of the two abovementioned courses of action.

It will not be possible to use this authorization during a take-over bid.

Lastly, the General Meeting is invited to grant to the Board of Directors full powers, which may be sub-delegated within the conditions provided for by applicable law and in accordance with the Company's bylaws, to use this authorization.

This authorization would be given for a period of six months from the date of this Meeting.

✓ Employee shareholding

- **Employee savings plan (*4th resolution*):**

Pursuant to the provisions of Article L. 225-129-6 of the French Commercial Code, whenever shareholders are asked to give an authorization in order to carry out a capital increase in cash, a separate resolution must be presented to the general meeting in order to increase the share capital by issuing shares or securities giving access to the share capital of the Company which subscription will be reserved to employees who are members of an employee savings plan (*Plan d'Epargne d'Entreprise* "PEE"), in accordance with the conditions set forth in Articles L.3332-18 et seq. of the Labour Code.

This General Meeting being invited, as part of the 3rd resolution above, to grant an authorization to issue shares, the Board of Directors is under the obligation to also submit to this General Meeting a separate resolution intended to authorize one or more employee share issues, in order to comply with the above-mentioned legal and regulatory requirements.

The purpose of the 4th resolution is therefore to renew the authorization previously granted to the Board of Directors, for twenty-six months, to increase the share capital by issuing shares or securities giving access to the share capital of the Company which subscription will be reserved to employees who are members of an employee savings plan, up to a maximum nominal amount of two million five hundred thousand (2,500,000) euros, i.e. 3.5% of the share capital, such amount being included into the aggregate amount set forth in the 3rd resolution submitted to this General Meeting.

Nevertheless, given that the 26th resolution adopted by the General Meeting held on May 29, 2015 has already authorized the Board of Directors, for twenty-six months, to increase the share capital by issuing shares or securities giving access to the share capital of the Company which subscription will be reserved to employees who are members of an employee savings plan, up to a maximum nominal amount of two million five hundred thousand (2,500,000) euros, i.e. 3.5% of the share capital at the date of such General Meeting, the Board of Directors indicates that it is not in favor of the adoption of the 4th resolution and therefore proposes to this General Meeting to vote against the adoption of such resolution.

✓ Powers

The **5th resolution** is a standard resolution granting necessary powers to proceed with publication and formalities required by French law after the meeting.