

# Q4 & FY 2018 Financial Results

FY'18 strong revenue growth and positive segment FCF at \$134m

*All figures are 'segment figures' used for management reporting  
(before non-recurring charges and IFRS 15), unless stated otherwise*

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# Disclaimer

This presentation contains forward-looking statements, including, without limitation, statements about CGG (“the Company”) plans, strategies and prospects. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, the Company’s actual results may differ materially from those that were expected.

The Company based these forward-looking statements on its current assumptions, expectations and projections about future events. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it is very difficult to predict the impact of known factors and it is impossible for us to anticipate all factors that could affect our proposed results. All forward-looking statements are based upon information available to the Company as of the date of this presentation.

Important factors that could cause actual results to differ materially from management's expectations are disclosed in the Company’s periodic reports and registration statements filed with the SEC and the AMF. Investors are cautioned not to place undue reliance on such forward-looking statements.

Implementation of the CGG 2021 strategic plan must comply with the undertakings and requirements in the CGG safeguard plan and other applicable local legal requirements.





# Change in Group profile & Multi-Client accounting estimate



**CHANGE  
IN  
GROUP  
PROFILE**

**Group “continued operations”**  
GGR (Geoscience and Multi-Client) & Equipment

**Group “discontinued operations”**  
Acquisition and Non-Operated Resources



**CHANGE IN  
MULTI-CLIENT  
ACCOUNTING  
ESTIMATE WITH  
PROSPECTIVE  
APPLICATION**

**New 4-year straight-line amortization**  
for multi-client surveys once completed

**Starting October 1, 2018,**  
surveys older than 4 years were fully amortized  
and all other surveys rebased





# Agenda

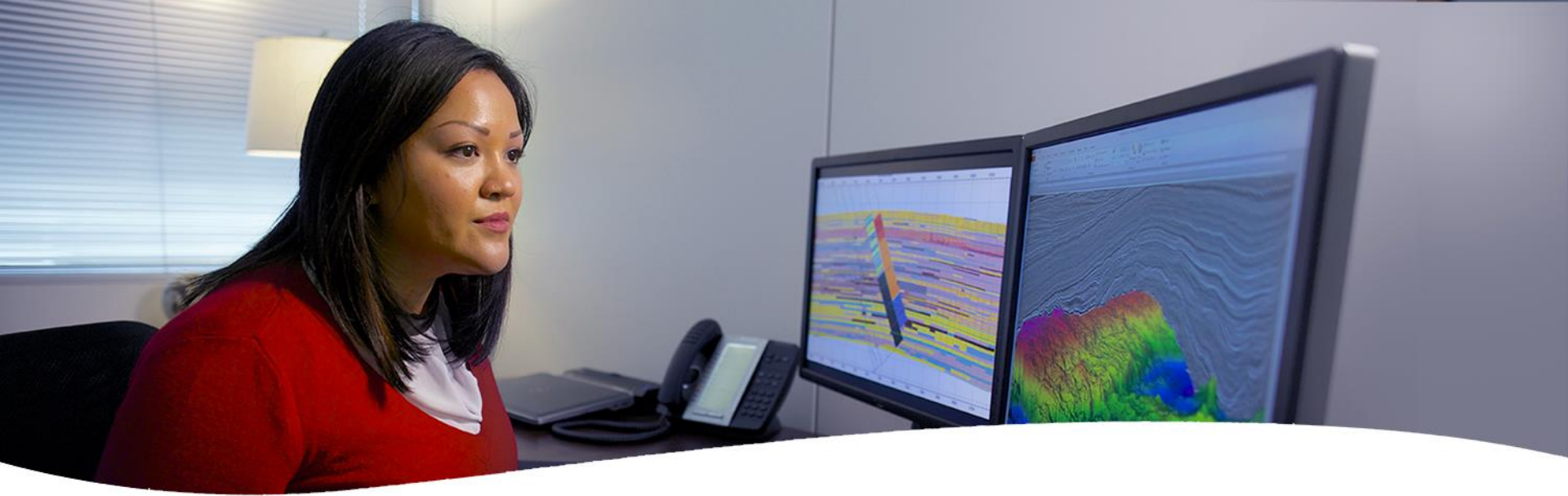


**01** OPERATIONAL REVIEW

**02** FINANCIAL REVIEW

**03** CONCLUSION



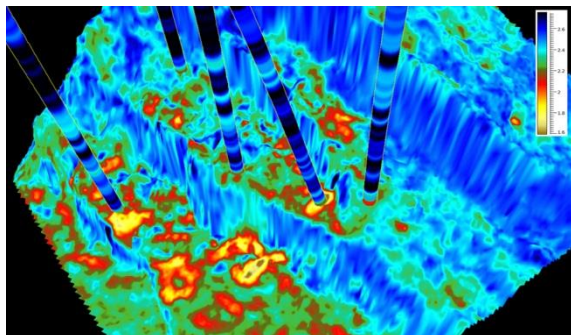


# Operational review

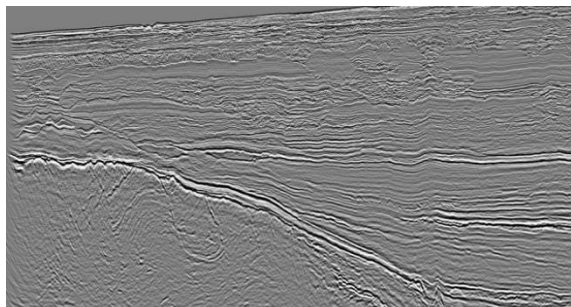
*All figures are 'segment figures' used for management reporting (before non-recurring charges and IFRS 15), unless stated otherwise*



# Q4 2018 key highlights



Cloud-ready reservoir characterization solutions



Multi-Client, Mozambique survey – Zambesi basin

## Segment revenue at \$438m, up 21% y-o-y

- GGR at \$333m, up 31% driven by strong \$224m multi-client sales
- Equipment at \$105m

## Segment EBITDAs at \$235m up 44% y-o-y, a 54% margin

## Segment operating income at \$10m

- Positive contribution from all segments
- Impacted by \$(94)m additional charges due to application of new multi-client amortization of which \$(57)m from the full amortization of surveys older than 4-years

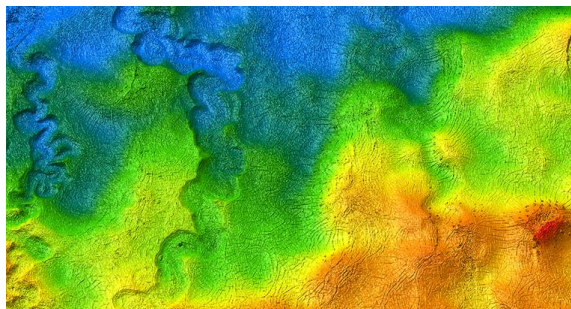
## Positive net cash flow at \$21m

## Group net income / (loss) of \$(790)m, impacted by:

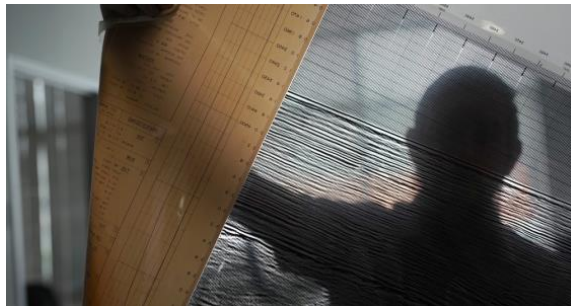
- Impairment charges of \$(240)m – mainly linked to US Gulf of Mexico StagSeis data library of \$(197)m – and Sercel inventory provision of \$(30)m
- Discontinued operations net loss of \$(488)m, including provisions and impairments of \$(406)m



# FY 2018 key highlights



Top Miocene horizon, Gabon South Basin



Digitalization of historic data and information

**Segment revenue at \$1,227m, up 19% y-o-y**

- GGR at \$913m, up 11%
- Equipment at \$314m, up 46%

**Segment EBITDAs at \$556m, up 28%, a 45% margin**

**Segment operating income at \$142m, a 12% margin**

**Segment operating cash flow at \$430m**

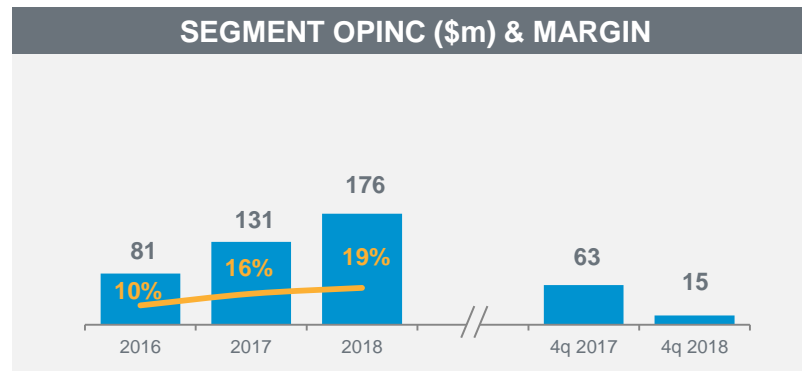
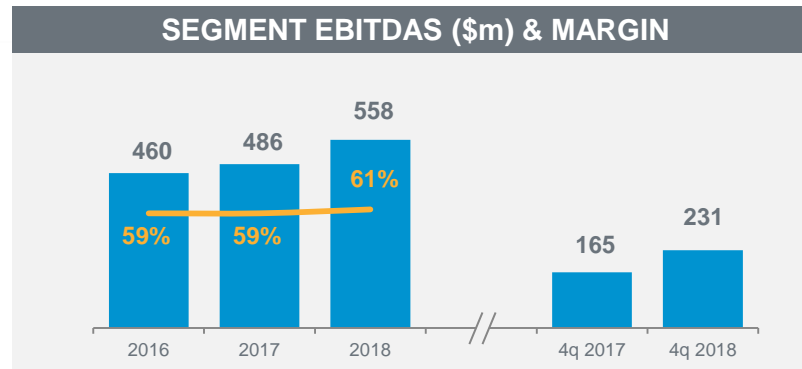
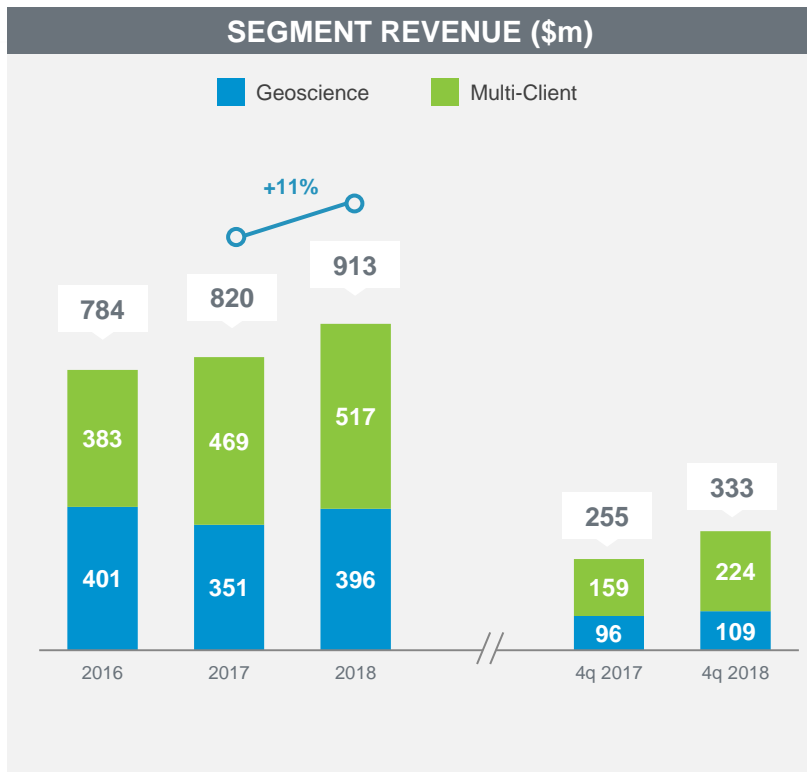
**Capex at \$301m, down 5% y-o-y**

**Segment free cash flow at \$134m**

**Group net income / (loss) of \$(96)m**

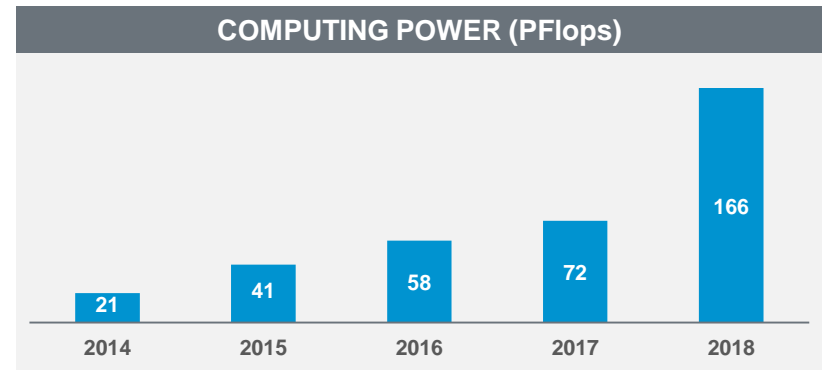
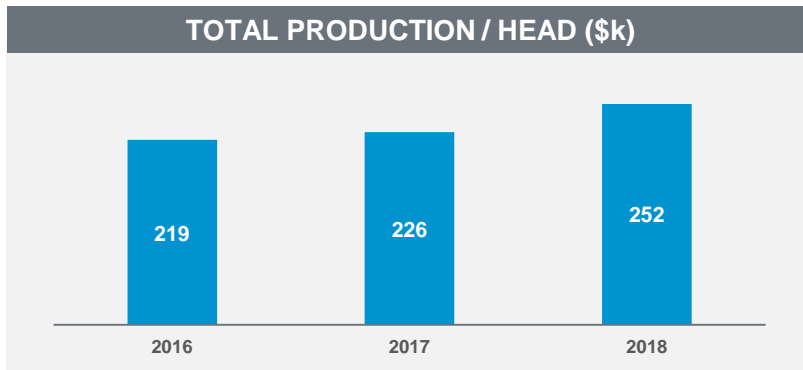
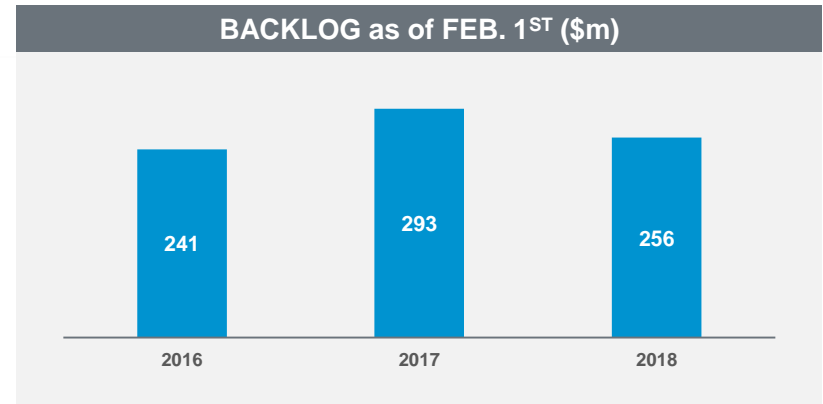
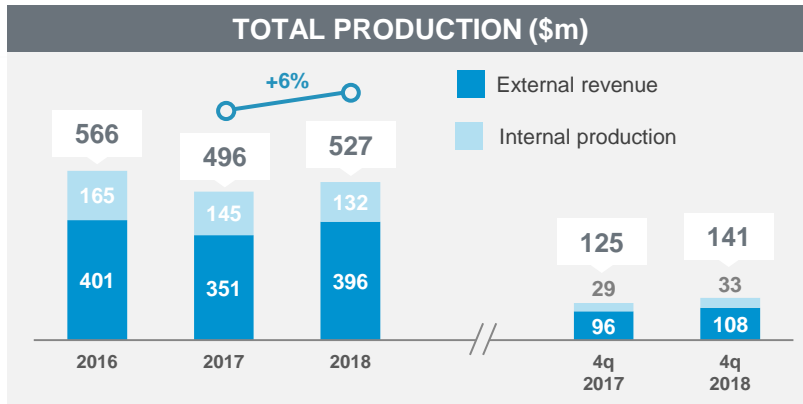


# GGR key financial indicators





# Geoscience key business indicators





**Maintained healthy profitability  
through the downturn - well positioned  
for market recovery**

## Subsurface Imaging

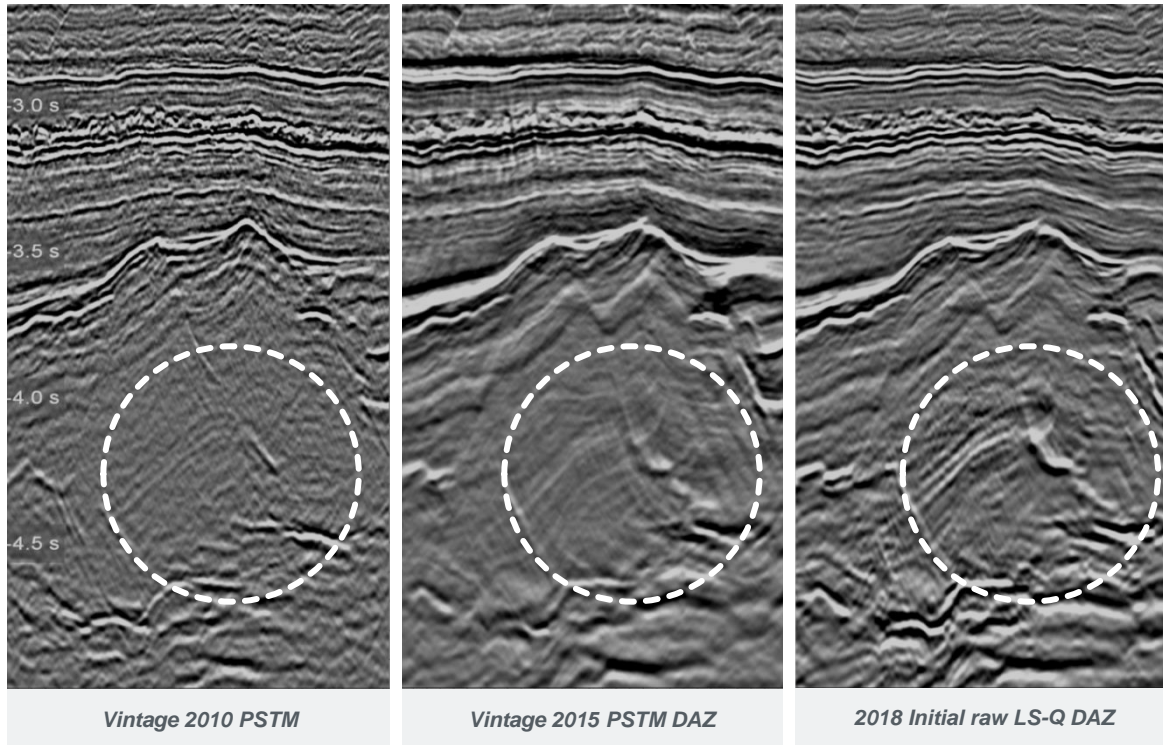
External market turned positive in 2018 (c. +7%), driven by OBN and Deepwater streamer  
Well positioned globally in high end markets  
Key provider to major IOCs as well as NOCs  
Recognized leader in technology and customer service enabling premium pricing  
Implementing machine learning to improve efficiency

## Software

Cloud-ready reservoir characterization software releases  
Advanced machine learning and AI technology for increased reservoir understanding



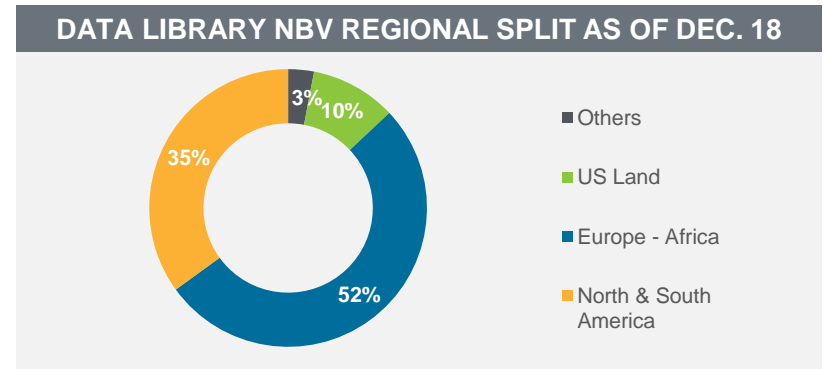
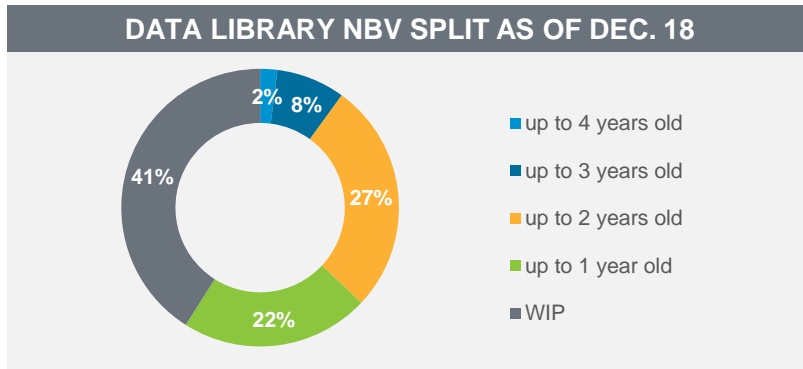
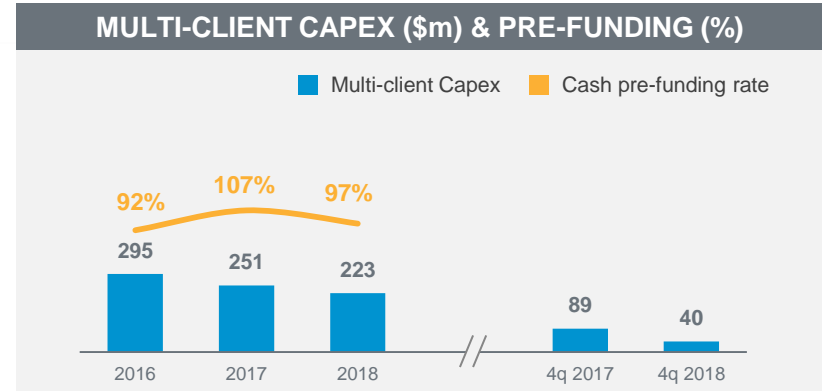
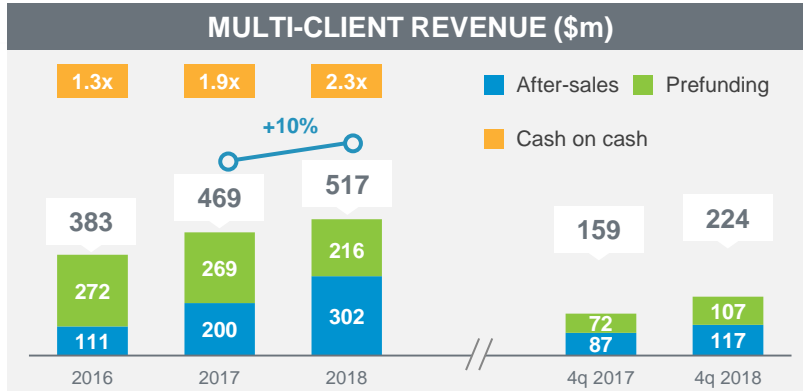
# Zoom on technology



**Technology developments  
drive reprocessing of old data**



# Multi-Client 2018 key business indicators





# Multi-Client

## 2018 increasing coverage in proven basins



Depth-slice from Brazil MC data

### Chickasha

- 855 sqkm
- High resolution

### North Viking Graben

- Added 7,600 sqkm
- Covering APA licensing round
- Mature producing basin

### Santos Phase 8

- 8,037 sqkm

### Barents Sea Test

- Leading to Castberg  
5,000 sqkm in 2019
- TopSeis application

### GoM

- CWAZ in Alaminos Canyon  
4,663 sqkm

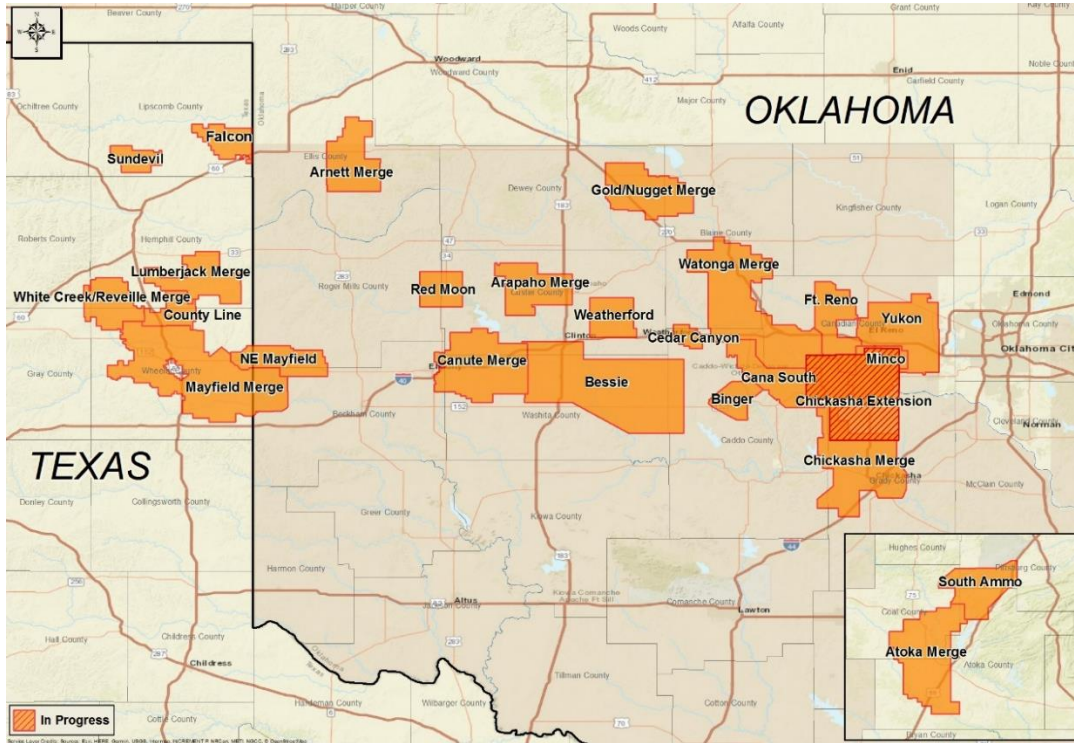
### Gippsland

- Reprocessing leading to  
new Survey in 2019





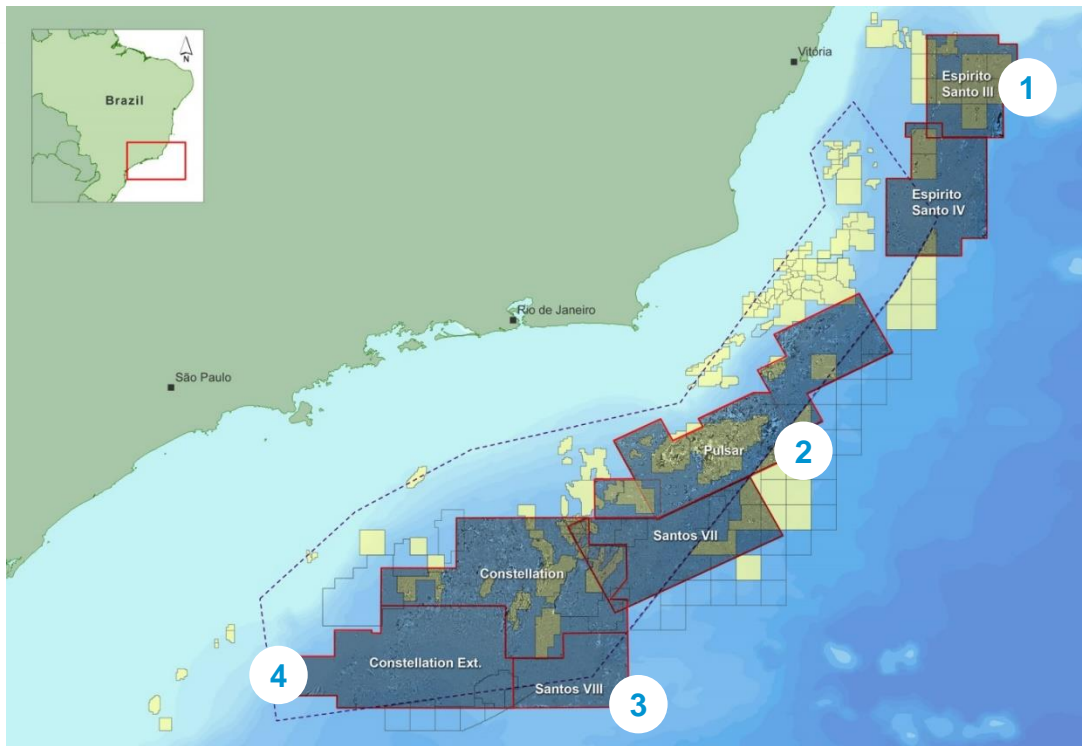
# Multi-Client



**Zoom on CGG's  
US shale play library**



# Multi-Client

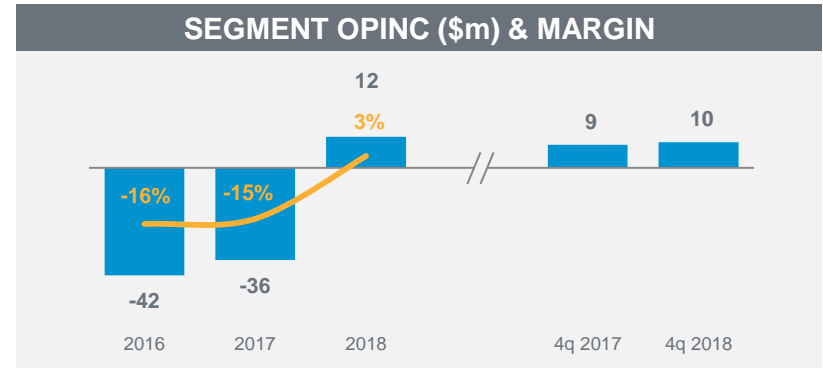
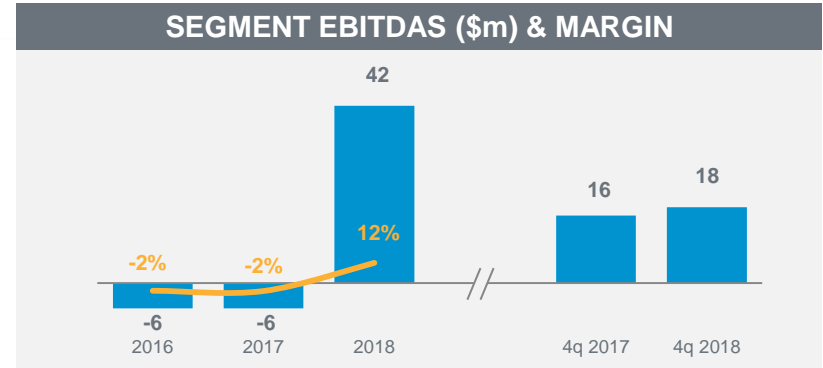
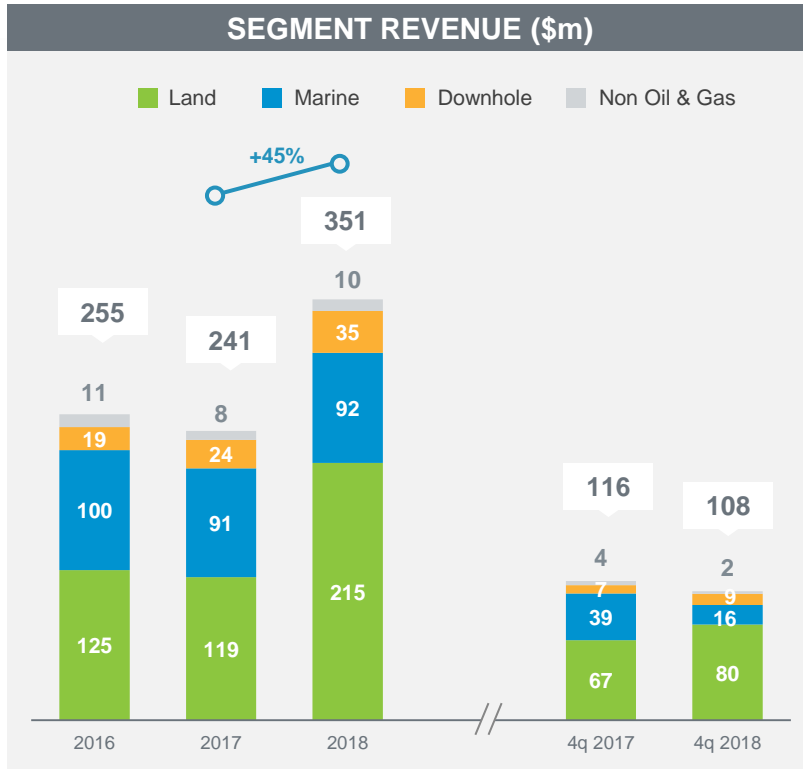


## Zoom on CGG's library in Pre-Salt Brazil

- 1 Espirito Santo IV**  
Fast Track: Available  
Final Volumes: Aug 2019
- 2 Pulsar**  
Final Volumes: Available
- 3 Santos VIII**  
Fast Track: Available  
Final Volumes: July 2019
- 4 Constellation Extension**  
Fast Track: Available  
Final Volumes: Mar 2019



# Equipment key financial indicators





# Equipment operational highlights

Sercel 508 XT land equipment



## Land

- Significant deliveries in India and Middle-East
- Russia picking up after a very low 2017

## Downhole tools

- Strengthening demand for gauges (Artificial Lift)
- Main deliveries in the US lower 48

## Marine

- Demand for replacement still constrained by low capex from our customers

## Non Oil & Gas

- Strategic partnership agreement with Apave for the delivery of a structural health monitoring (SHM) solution



# Financial Review



# FY 2018 P&L

| In million \$                                | FY 2017*     | FY 2018      |
|--|--------------|--------------|
| <b>Segment revenue (R.P.)</b>                | <b>1,035</b> | <b>1,227</b> |
| <i>IFRS 15 adjustment</i>                    | -            | (34)         |
| IFRS Revenue                                 | 1,035        | 1,194        |
| <b>Segment EBITDAs</b>                       | <b>434</b>   | <b>556</b>   |
| <b>Segment OPINC</b>                         | <b>48</b>    | <b>142</b>   |
| Non-recurring charges (NRC)                  | (106)        | (288)        |
| <i>IFRS 15 adjustment</i>                    | -            | (34)         |
| IFRS OPINC                                   | (58)         | (180)        |
| Equity from Investments                      | (0)          | (1)          |
| Net cost of financial debt                   | (211)        | (127)        |
| Other financial income (loss)                | 22           | 820          |
| Taxes  | (19)         | (7)          |
| <b>Net income from continuing operations</b> | <b>(267)</b> | <b>504</b>   |
| Net income from discontinued operations      | (248)        | (600)        |
| <b>Group net income / (loss)</b>             | <b>(514)</b> | <b>(96)</b>  |

**Segment revenue for the new scope at \$1,227m, up 19%**

**Positive segment OPINC at \$142m**, impacted by \$(94)m additional straight-line Mutli-Client amortization

**Group net income at \$(96)m, after:**

- Other financial income at +\$820m, mainly linked to the debt-to-equity swap in February 2018
- NRC at \$(288)m, including non-cash impairment charges of \$(240)m – mainly linked to StagSeis data library of \$(197)m – and Sercel inventory provision of \$(30)m
- Discontinued operations at \$(600)m, including \$(263)m provisions and \$(139)m non-cash impairments for Acquisition exit



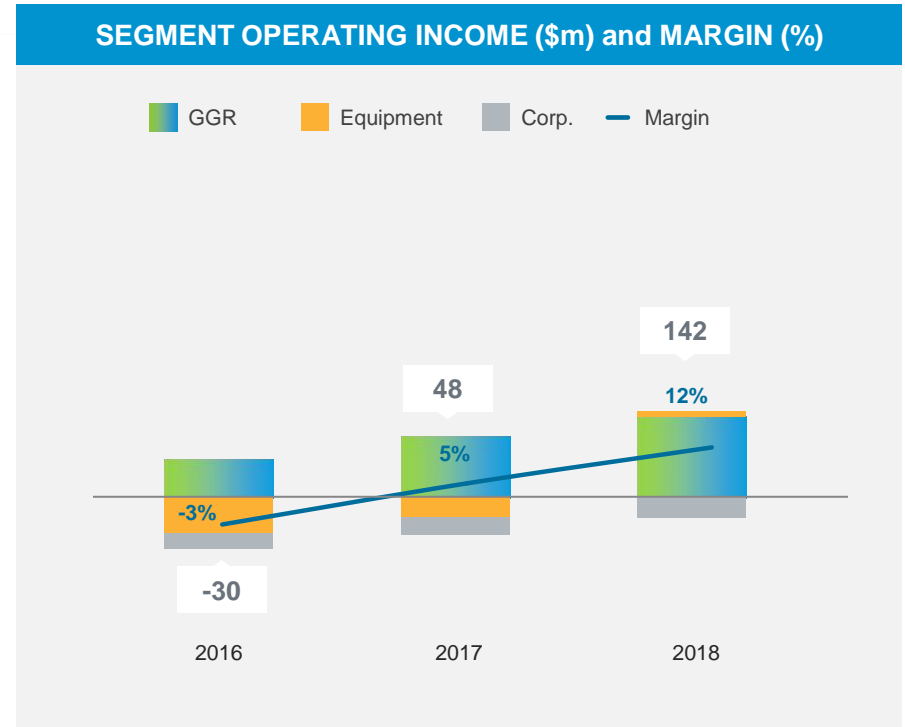
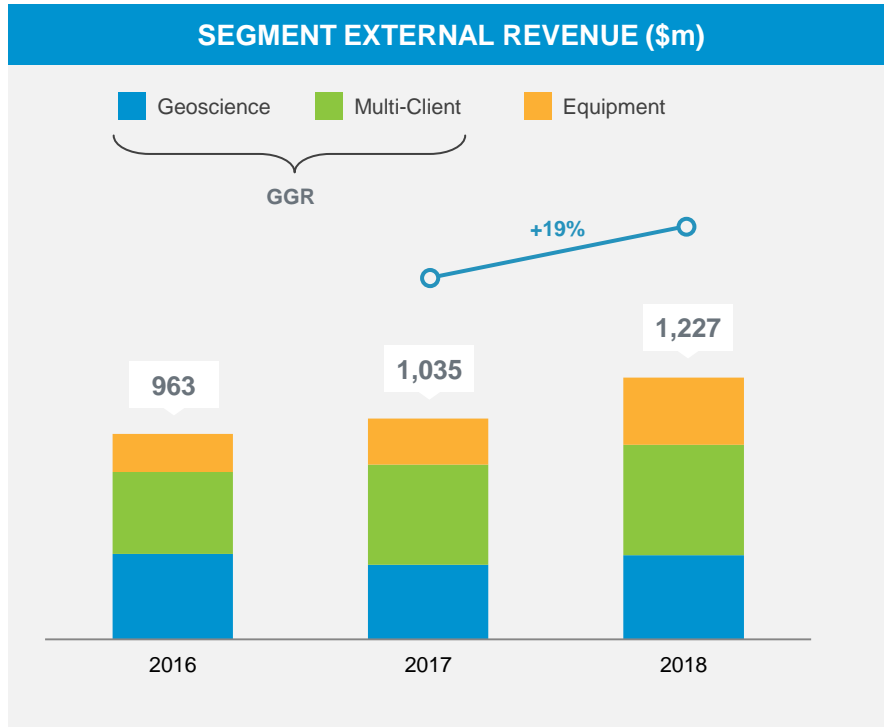
# 2018 bridge between IFRS, segment new profile and segment old profile figures

| FY 2018 figures in \$m                       | IFRS figures | Bridge IFRS 15 | NRC new profile | Segment new profile | Discontinued operations | Segment old profile |
|--|--------------|----------------|-----------------|---------------------|-------------------------|---------------------|
| <b>Revenue</b>                               | <b>1 194</b> | 34             | -               | <b>1 227</b>        | 226                     | <b>1 453</b>        |
| <b>EBITDAs</b>                               | <b>474</b>   | 34             | 48              | <b>556</b>          | -84                     | <b>472</b>          |
| <b>OPINC</b>                                 | <b>-180</b>  | 34             | 288             | <b>142</b>          | -110                    | <b>32</b>           |
| NRC old perimeter                            | -            |                |                 |                     | -429                    |                     |
| Contribution from investments                | -1           |                |                 |                     | -4                      |                     |
| Cost of debt                                 | -127         |                |                 |                     | -                       |                     |
| Taxes  | -7           |                |                 |                     | -25                     |                     |
| Other Financial Items                        | 820          |                |                 |                     | -32                     |                     |
| <b>Net income from continuing operations</b> | <b>504</b>   |                |                 |                     | -                       |                     |
| Net income from discontinued operations      | -600         | ←-----         |                 |                     | <b>-600</b>             |                     |
| <b>Group net income/ (loss)</b>              | <b>-96</b>   |                |                 |                     | -                       |                     |



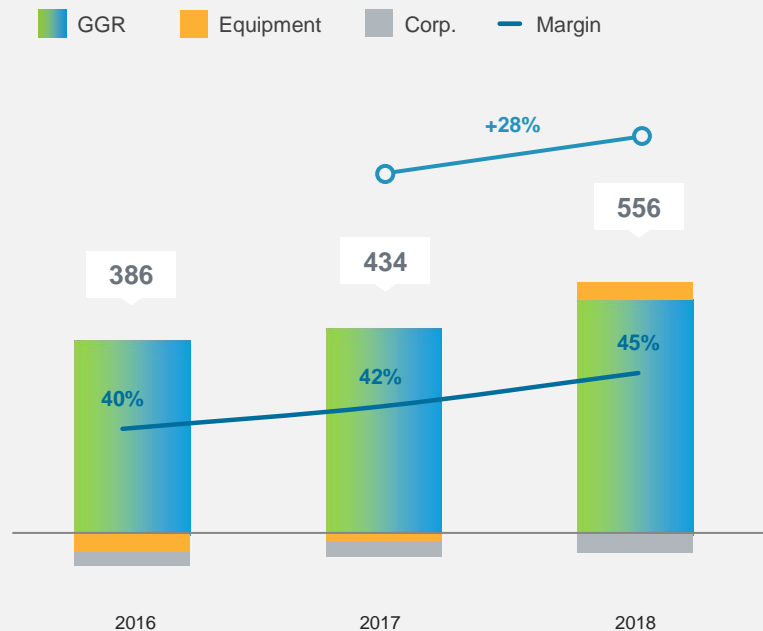


# CGG new profile: solid revenue and profitability growth

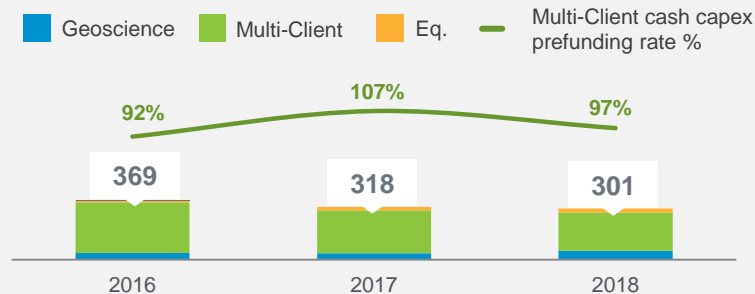


# CGG new profile: doubling 'free EBITDAs'

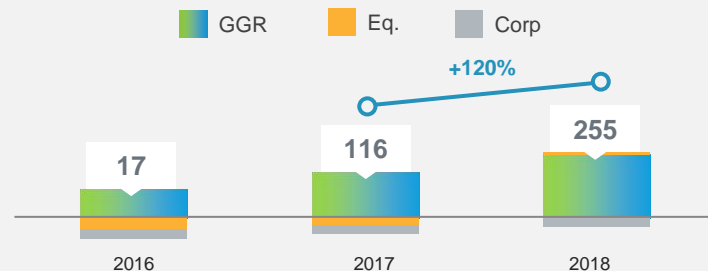
## SEGMENT EBITDAs (\$m) and MARGIN (%)



## CAPEX (\$m)

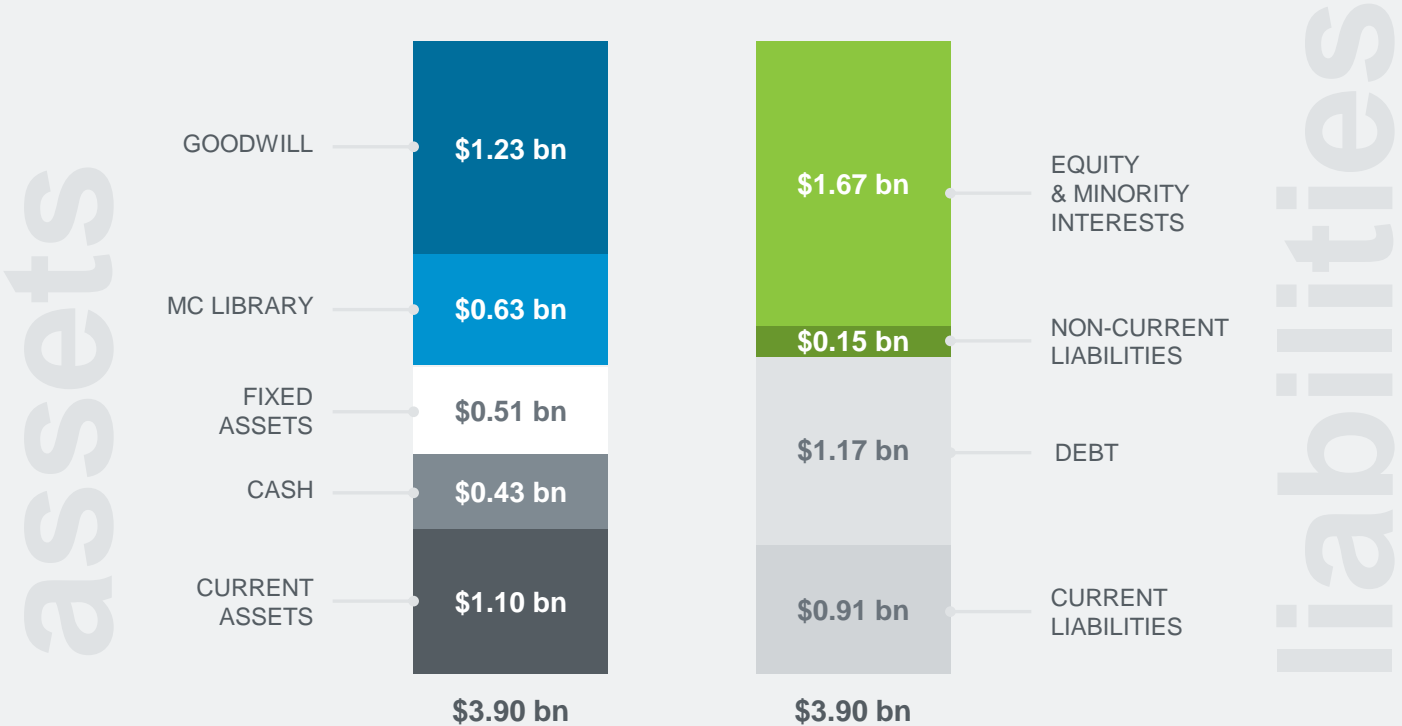


## [EBITDAs-CAPEX] (\$m)





# Group balance sheet at year-end 2018



# Sound financial situation

## Net debt at \$733m by end of 2018

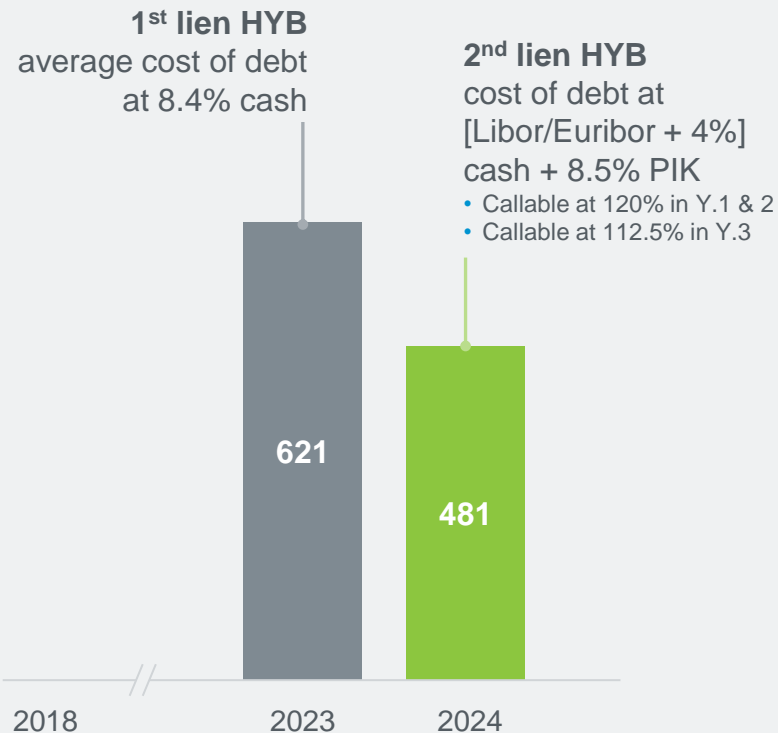
### 2018 cash flow generation

- Segment free cash flow at \$134m, up 3% y-o-y
- Paid cost of debt at \$(73)m
- Discontinued operations and cash NRC at \$(184)m
- Net cash flow at \$(124)m [\$(197)m in 2017]

### Solid liquidity at \$434m

### Gross debt at \$1,167m with maturities in May 2023 and February 2024

### 2019 cash cost of debt at c. \$85m







# Conclusion

# Acquisition exit update

## MARINE

On-going discussions with several potential strategic partners

Lean marine organization being implemented

Currently operating fleet of 4 vessels, after the early redelivery of the Champion

Fleet coverage extends well into Q3 at improved rates

## LAND

Wind down progressing per plan with exit to be completed in H2 2019

## MULTI-PHYSICS

Interested parties identified



# 2019 outlook on track with CGG 2021 plan



**Continuing gradual market recovery**

**Expected high single digit revenue growth in line with increase in E&P spending**

**EBITDAs margin expected at c. 45%, depending on revenue mix**

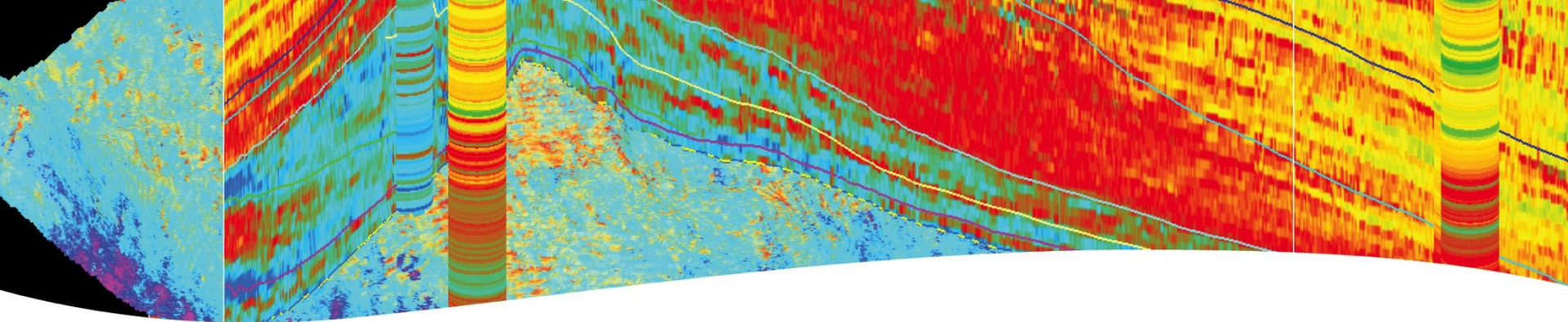
**Capex spending:**

- Multi-client cash capex at \$250-275m with a cash prefunding rate above 70%
- Industrial and R&D capex at \$80-90m

**OPINC in the range of \$75-125m, including multi-client amortization of \$(365)-(385)m**

**Higher cash generation, with segment FCF in the range of \$175-200m**





# THANK YOU!

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Passion for Geoscience



# Appendix



# 2018 contribution from Discontinued Operations

| In million \$  | FY 2017      | FY 2018      |
|--|--------------|--------------|
| <b>Segment revenue</b>                                 | <b>285</b>   | <b>226</b>   |
| Segment EBITDAs  | (62)         | (84)         |
| <b>Segment OPINC</b>                                   | <b>(126)</b> | <b>(110)</b> |
| NRC  | (80)         | (429)        |
| Equity from investments                                | (20)         | (4)          |
| Taxes  | (5)          | (25)         |
| Other financial income (losses)                        | (17)         | (32)         |
| <b>Net income/ (loss) from discontinued operations</b> | <b>(248)</b> | <b>(600)</b> |

**Segment revenue at \$226m, down 21% y-o-y**

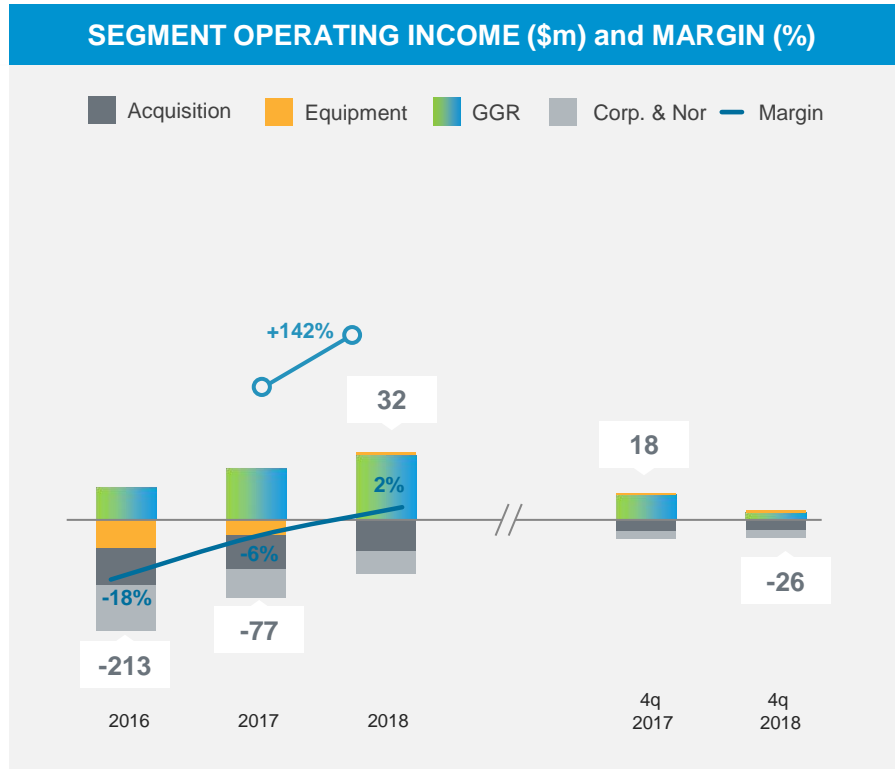
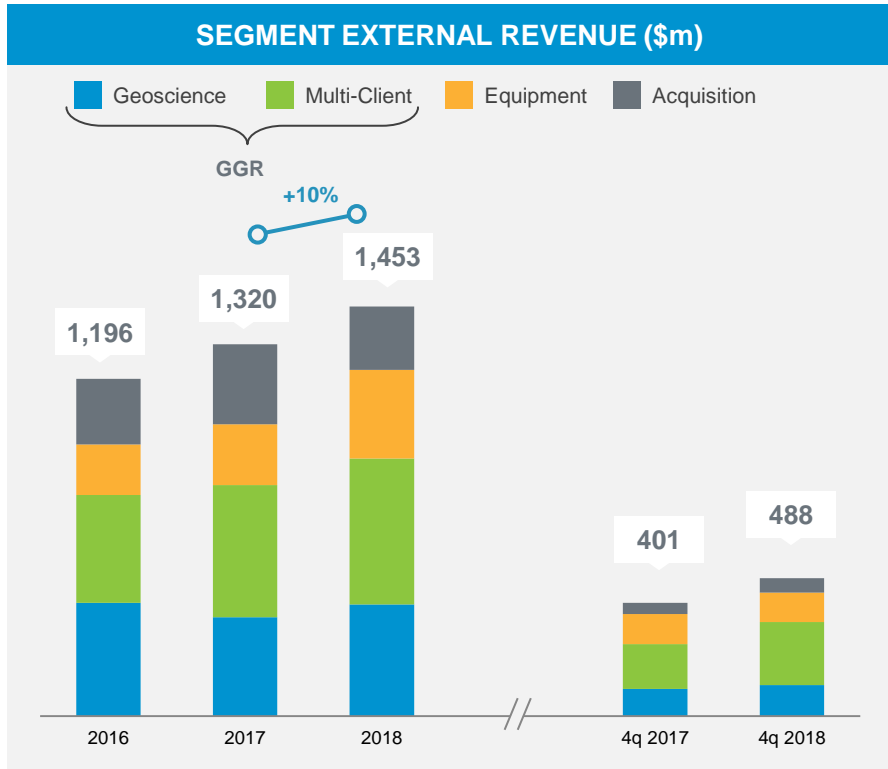
**Negative OPINC at \$(110)m, including Acquisition at \$(89)m and NOR at \$(21)m**

**Non-Recurring Charges of \$(429)m, split as such:**

- \$(263)m provisions linked to our 2021 plan
- \$(139)m non-cash impairments linked to our 2021 plan
- \$(27)m provisions linked to our old Transformation Plan



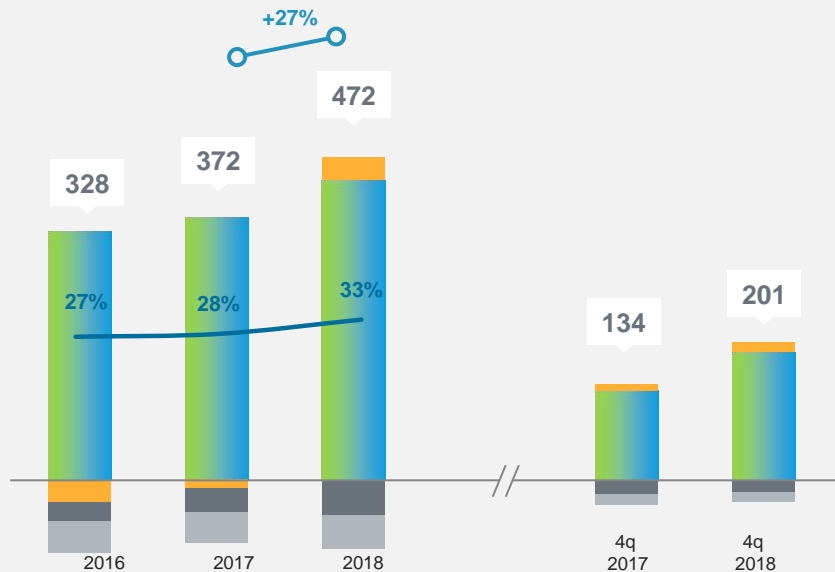
# Total Group old profile (1/2)



# Total Group old profile (2/2)

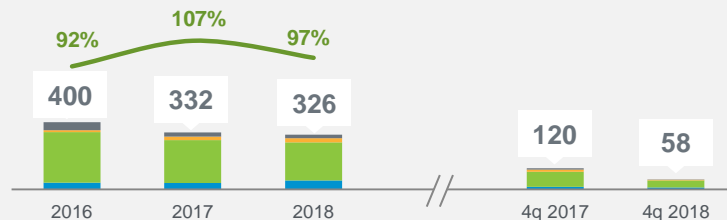
## SEGMENT EBITDAs (\$m) and MARGIN (%)

Acquisition Equipment GGR Corp. & Nor Margin



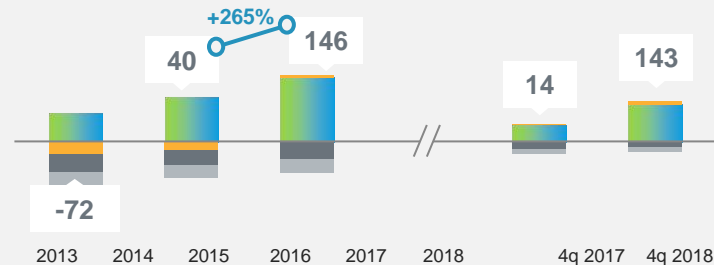
## CAPEX (\$m)

Acq. Eq. Multi-Client Geoscience Multi-Client cash capex prefunding rate %



## [EBITDAs-CAPEX] (\$m)

Eq. GGR Acquisition Corp. & Nor





# Q4 2018 bridge between IFRS, segment new profile and segment old profile figures

| Q4 2018 figures in \$m                       | IFRS figures | Bridge IFRS 15 | NRC new profile | Segment new profile | Discontinued operations | Segment old profile |
|--|--------------|----------------|-----------------|---------------------|-------------------------|---------------------|
| <b>Revenue</b>                               | <b>370</b>   | 68             | -               | <b>438</b>          | 50                      | <b>488</b>          |
| <b>EBITDAs</b>                               | <b>138</b>   | 68             | 29              | <b>235</b>          | -35                     | <b>201</b>          |
| <b>OPINC</b>                                 | <b>-282</b>  | 23             | 269             | <b>10</b>           | -35                     | <b>-26</b>          |
| NRC old perimeter                            | -            |                |                 |                     | -406                    |                     |
| Contribution from investments                | 0            |                |                 |                     | -                       |                     |
| Cost of debt                                 | -31          |                |                 |                     | -                       |                     |
| Taxes  | 19           |                |                 |                     | -20                     |                     |
| Other Financial Items                        | -8           |                |                 |                     | -27                     |                     |
| <b>Net income from continuing operations</b> | <b>-302</b>  |                |                 |                     | -                       |                     |
| Net income from discontinued operations      | -488         | ←-----         |                 |                     | <b>-488</b>             |                     |
| <b>Group net income/ (loss)</b>              | <b>-790</b>  |                |                 |                     | -                       |                     |



# Share count update

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

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

The 24,997 Warrants #1 allocated to the Company in connection with the treasury shares were cancelled

|   | Share<br>(actual & potential) | Number<br>of warrants | Parity | Maturity | Subscription<br>price (€) | Subscription<br>price (\$) |
|---|-------------------------------|-----------------------|--------|----------|---------------------------|----------------------------|
| Initial share count                         | 22,133,149                    | -                     | -      | -        | -                         | -                          |
| Rights issue with PSR                       | 71,932,731                    | -                     | -      | -        | -                         | -                          |
| Debtor share 1 (OCEANES)                    | 35,311,528                    | -                     | -      | -        | -                         | -                          |
| Debtor share 2 (Senior Notes)               | 449,197,594                   | -                     | -      | -        | -                         | -                          |
| <b>Subtotal on February 21, 2018</b>        | <b>578,575,002</b>            | -                     | -      | -        | -                         | -                          |
| Penny Warrants**                            | 131,332,974                   | 131,332,974           | 1:1    | 08/21/18 | 0.01                      | 0.01                       |
| <b>Subtotal post-Penny Warrants</b>         | <b>709,907,976</b>            |                       |        |          |                           |                            |
| Warrants #1                                 | 29,477,536***                 | 22,133,149            | 3:4    | 4 years  | 3.12                      | 3.50                       |
| <b>Subtotal post-Warrants #1</b>            | <b>739,385,512</b>            |                       |        |          |                           |                            |
| Warrants #1                                 | 47,955,154                    | 71,932,731            | 3:2    | 5 years  | 4.02                      | 4.50                       |
| <b>Maximum share count post-Warrants #2</b> | <b>787,340,666</b>            |                       |        |          |                           |                            |



**709,947,758** shares outstanding as of **February 28, 2019**

