



# Third Quarter 2014 Results

November 6<sup>th</sup>, 2014

*Q3 2013, Q1 2014, Q2 2014 and Q3 2014 are presented before Non-Recurring Charges (NRC), unless stated otherwise*

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# Forward-Looking Statements

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*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.*



# Key messages

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## Market overview

- Market conditions deteriorating further in Q3
- Global pressure on Marine pricing and utilization
- Reduction in Equipment demand, mainly in Marine
- Good market resilience in Geosciences

## CGG achievements

- Intensified and accelerated Transformation Plan on track
- Resilient Q3 financial results in difficult market environment
- Strong client interest and commitment to our StagSeis multi-client program in the Gulf of Mexico
- Focus on cash generation and balance sheet management



# Resilient Third Quarter 2014

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- Group Revenue at \$694m, stable sequentially
- Group OPINC at **\$51m** up 13% sequentially with a 7.3% margin
  - Equipment margin at 16%,
  - Acquisition at break-even,
  - GGR Margin at 24%
- EBIT at **\$40m** and at \$(24)m after Non-Recurring Charges related to the Transformation Plan \$(9)m and the Seabed Geosolutions JV impairment \$(55)m
- Net income at \$(116)m after Non-Recurring Charges and SBGS impairment
- Backlog at \$1.1bn as of 1 October 2014, stable sequentially. As of today, marine fleet coverage is at 92% in Q4 and 60% in Q1 2015



# Transformation Plan on track

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## Acquisition

- Accelerating the right-sizing of the fleet from 18 to 13 vessels as soon as 2014
- North American Land contract operations sale to Geokinetics
- Airborne restructuring



- Marine 3D fleet already reduced to 13 vessels
- Sale completed on September 30
- Effective at the end of Q4

## Asset Disposal

- Sale of non-core assets



- Optoplan divestment completed on October 30

## Headcount Reduction

- More than 10% headcount reduction



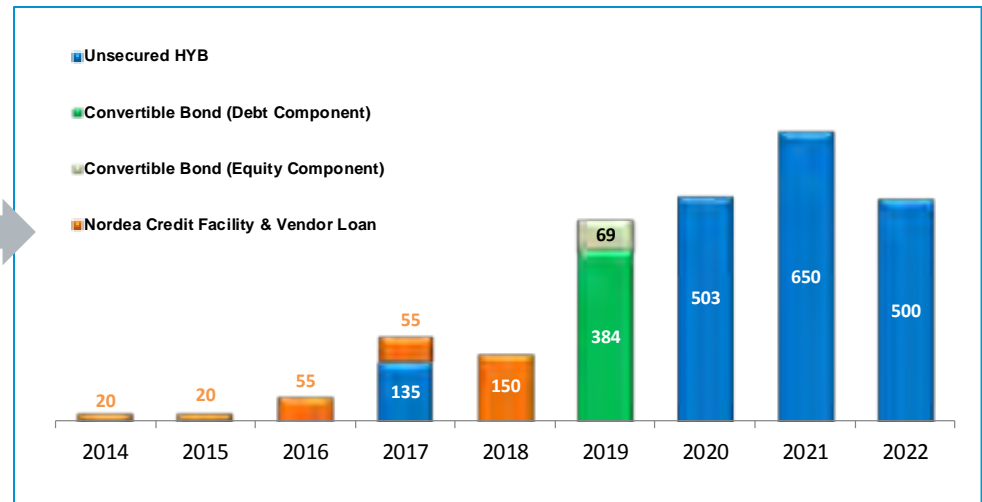
- More than 90% headcount reduction planned committed on October 31



# Managing the Balance Sheet

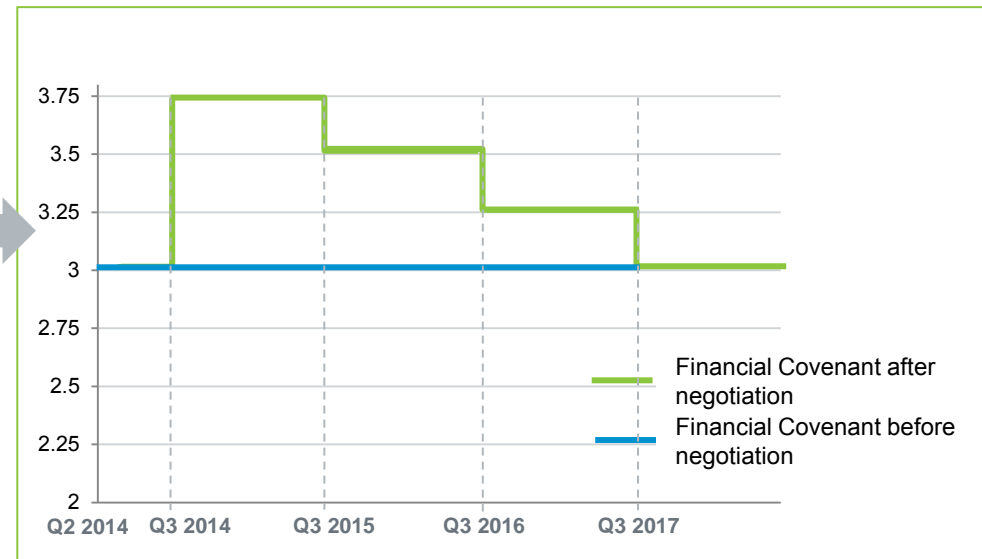
## Debt Maturity extension

- April refinancing operations with the issuance of two High Yield Bonds
- First major debt installment pushed forward to 2019



## Covenant Headroom

- Extended headroom negotiated with Revolving Credit Facility lenders to 3.75x from 3.0x
- Leverage ratio (Net Debt over EBITDA) at 2.9x as at September-end
- Coverage ratio (EBITDA over cash interest) at 6.0x as at September-end (versus a 4.0x floor)





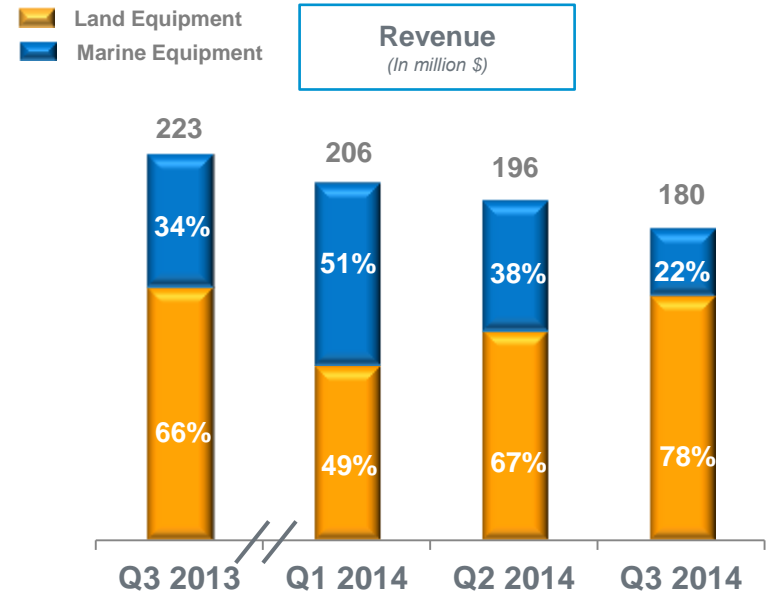
# 2014 Q3 Operational Review

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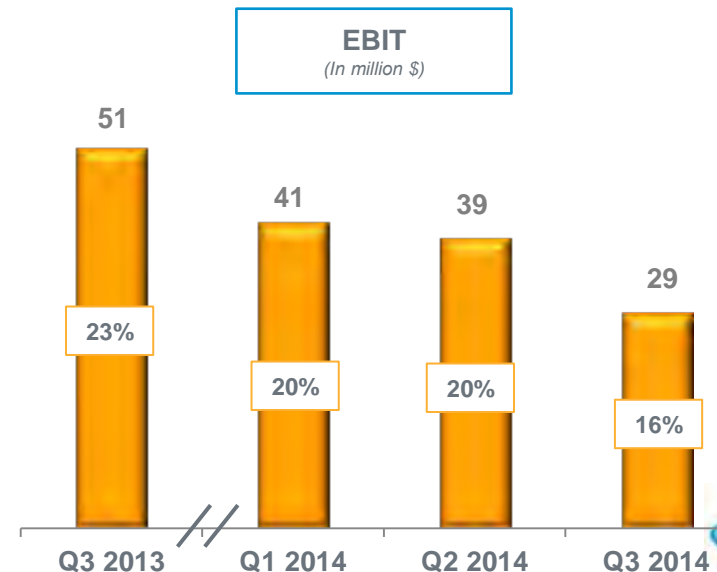


# Equipment: Impacted by low volume and unfavorable product mix

- Total sales were \$180m, down 8% q-to-q
  - Lower sales due to weak market conditions from seismic contractors and lower internal sales
    - CGG fleet reduced
  - External sales at \$167m, up 13% sequentially
    - Large deliveries to our Saudi Arabia high channel count crew
    - Ramp-up of 508<sup>XT</sup> delivery and orders



- EBIT margin at 16%
  - Low volume of sales
  - Unfavorable product mix with higher vibrators, and low electronic content



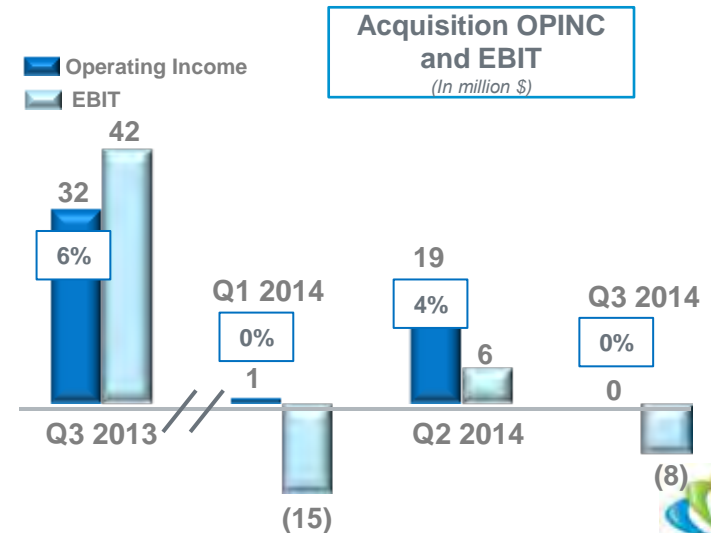
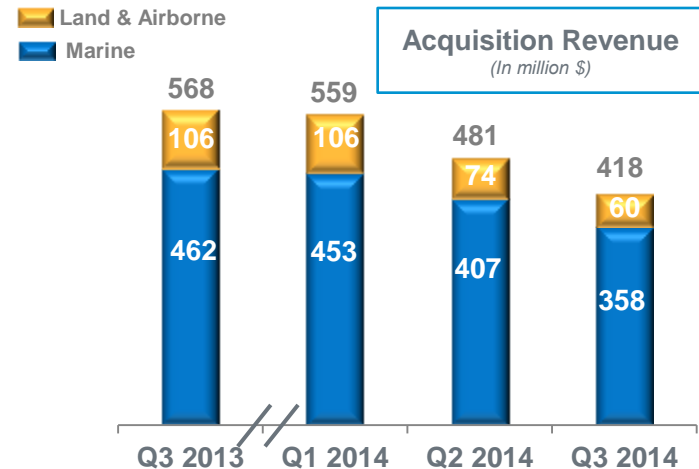
- Year-to-date EBIT margin at 19% with increased market share





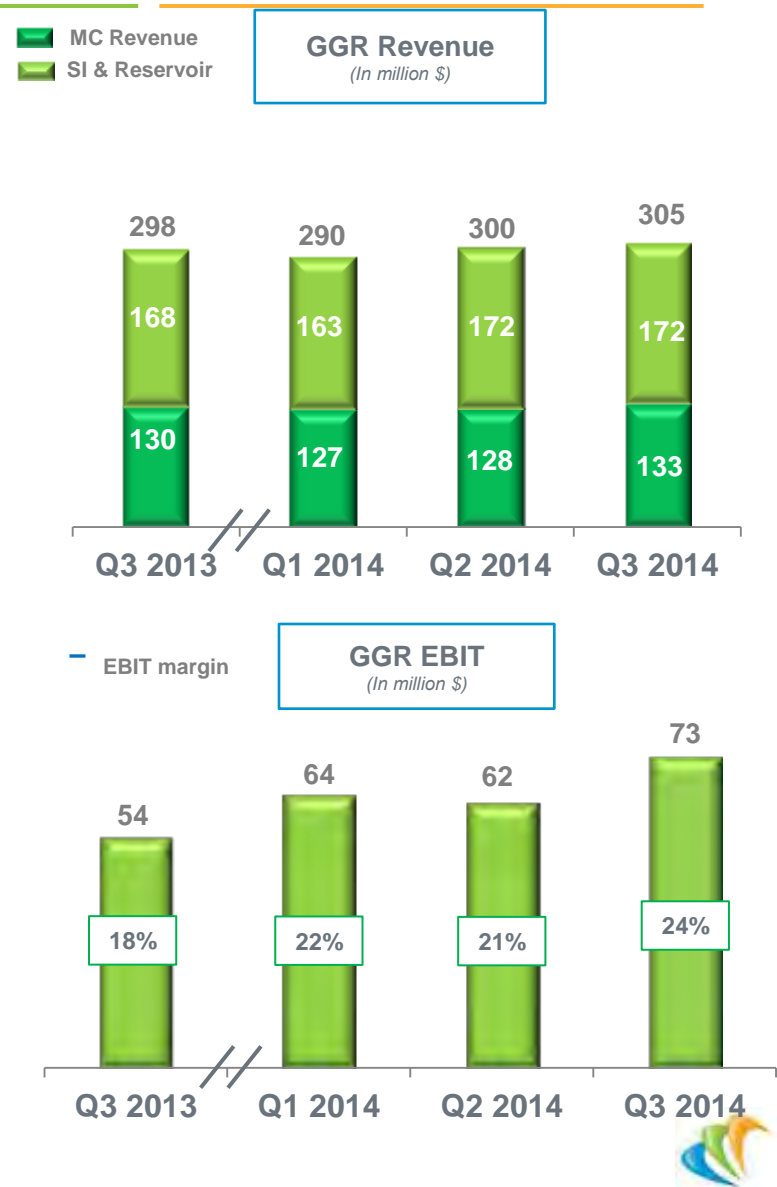
# Acquisition: Difficult market conditions

- Acquisition revenue at \$418m, down 13% q-to-q
  - Marine revenue at \$358m, down 12% q-to-q
    - 44% of the fleet dedicated to multi-client programs
  - Land & Airborne revenue at \$60m, down 19% q-to-q
  
- Acquisition Operating Income at break-even and EBIT at \$(8)m
  - Impacted by reduced fleet perimeter, lower prices in marine and partially offset by lower costs
  - Negative contribution from equity from investees mostly related to the Seabed Geosolutions JV



# GGR: Increased profitability across the board

- GGR revenue at \$305m, up 2% q-to-q
- Multi-Client at \$133m, up 4% sequentially
  - Prefunding revenue at \$104m, up 13%
  - Amortization rate at 66%, driven by high prefunding
  - Excellent quarter on a historical basis
- Subsurface Imaging (SI) & Reservoir at \$172m, stable sequentially
  - Strong demand for Imaging, Geosciences & Reservoir Services and Software activities
- GGR EBIT at \$73m, a 24% margin
  - Subsurface Imaging: strong performance for imaging activity in main centers
  - Good contribution from Multi-Client





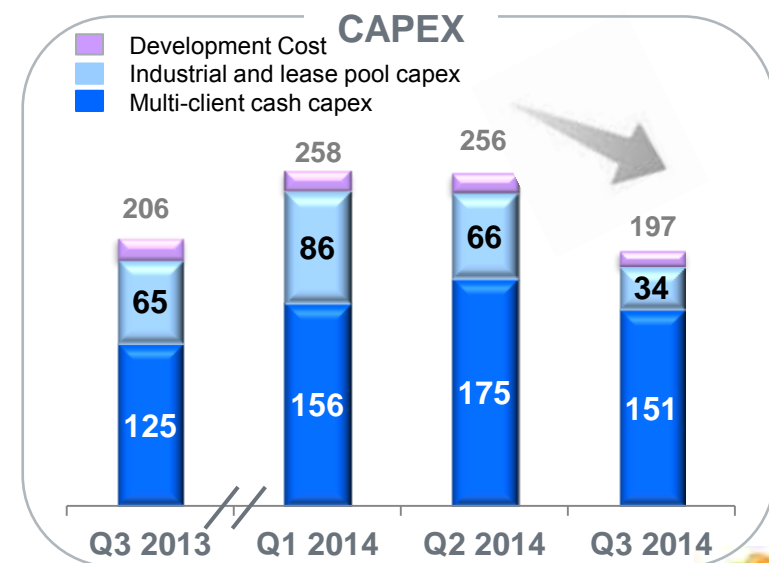
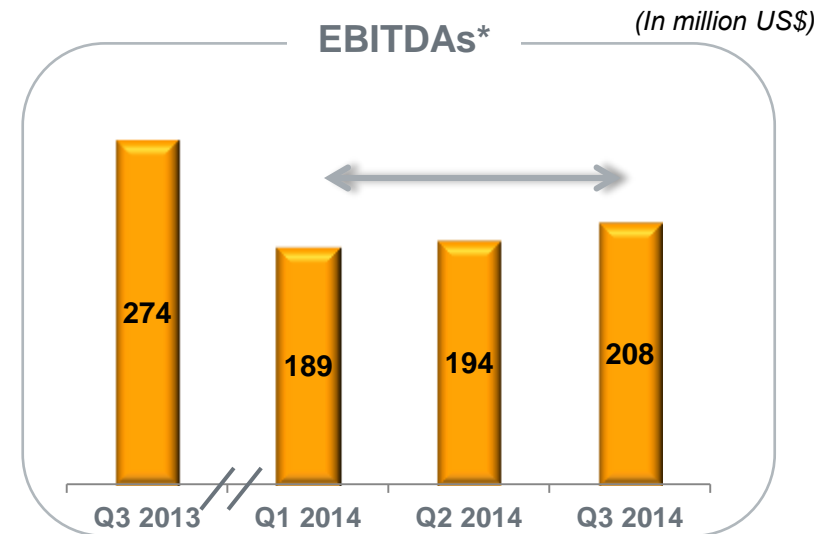
# Balance Sheet management

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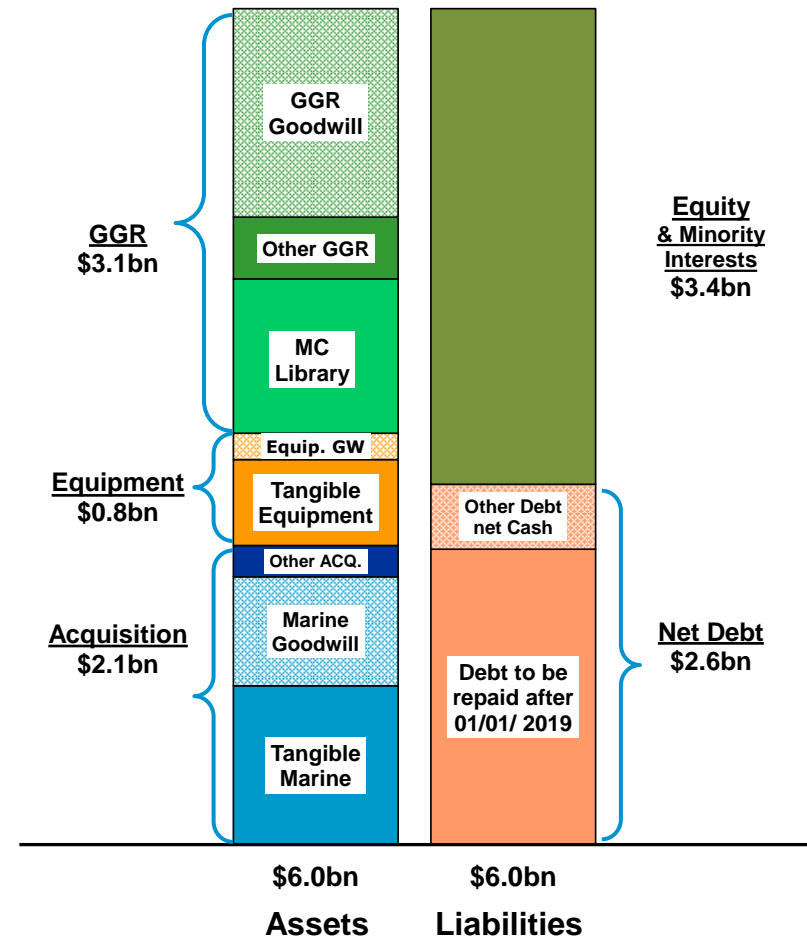
# Preserving Cash generation

- Q3 **EBITDA** at \$208m, sequentially up 7%, with a 30% margin
- Q3 **Operational Cash Flow** of \$136m
- Q3 **Industrial Capex** at \$34m, sequentially down 39%
- **Multi-client cash Capex** revised up to \$550m-\$600m in 2014 with offshore Gabon multi-client program
  - (14)% sequential decrease in Q3
  - Q3 2014 **Prefunding** at 69% and year-to-date at 57%
  - Full year prefunding target confirmed at 70%
- End of September **Free Cash Flow** at \$(267)m, the lowest point of the year
  - Not including \$ (26)m cash payment related to the Transformation Plan



# Well balanced Capital Employed

- \$6.0bn Capital Employed financed by
  - Equity ratio at 77% as at September-end
  - Cash at \$252m as at September-end
  - 82% of the Net Debt to be repaid only after January 1<sup>st</sup>, 2019
- \$2.1bn Data Acquisition Capital Employed 90% Marine related
- \$0.8bn Equipment Capital Employed half-made by inventories
- \$3.1bn GGR Capital Employed embedding MC Library peaking at \$1.1bn
  - Split 88%-12% between Offshore & Onshore
  - Gulf of Mexico weighting more than 50% within Offshore





# Conclusion

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# 2014 Management priorities

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- Resilient to deteriorated market conditions that could last longer
  - Still oversupply in Marine data acquisition. Industrial discipline remains critical
  - However good opportunities in GGR and Multi-Client
  - Resilient Equipment profitability in a low volume environment
- Differentiate through technology and partnership
- Deliver our intensified and accelerated Transformation Plan
- Focus on tight cash management
  - Industrial Capex at \$225-250m, down (20)% year-on-year
  - Multi-client Cash Capex decreasing, down (20)% from H1 to H2
  - Multi-Client Cash Prefunding rate maintained above 70%





# Thank you

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