

# **CGG SA**

## **Statutory Auditors' Special Report on Related Party Agreements and Commitments**

General Meeting of Shareholders to approve the financial  
statements for the year ended December 31, 2014

This is a free translation into English of a report issued  
in French and it is provided solely for the convenience  
of English-speaking users.

This report should be read in conjunction with and is  
construed in accordance with French law and  
professional standards applicable in France.

## **MAZARS**

61 RUE HENRI REGNAULT - 92400 COURBEVOIE – PARIS LA DEFENSE

SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES

CAPITAL DE 8 320 000 EUROS - RCS NANTERRE 784 824 153

COMMISSAIRE AUX COMPTES – MEMBRE DE LA COMPAGNIE REGIONALE DE VERSAILLES

## **ERNST & YOUNG et Autres**

1/2, PLACE DES SAISONS - 92400 COURBEVOIE – PARIS-LA DEFENSE 1

S.A.S. A CAPITAL VARIABLE

COMMISSAIRE AUX COMPTES – MEMBRE DE LA COMPAGNIE REGIONALE DE VERSAILLES

# **CGG SA**

"Société Anonyme" with a capital of 70,826,076 €  
Head Office: Tour Maine Montparnasse, 33 avenue du Maine  
75015 Paris  
RCS: Paris 969 202 241

## **Statutory Auditors' Special Report on Related Party Agreements and Commitments**

General Meeting of Shareholders to approve the financial  
statements for the year ended December 31, 2014



## **Statutory Auditors' Special Report on Related Party Agreements and Commitments**

To the Shareholders,

In our capacity as statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code (Code de commerce), to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French commercial code (Code de commerce) concerning the implementation, during the year, of the agreements and commitments already approved by the General Meeting of Shareholders.

We performed the procedures which we considered necessary to comply with professional guidance issued by the national auditing body (Compagnie nationale des commissaires aux comptes) relating to this type of engagement. These procedures consisted of verifying that the information provided to us is consistent with the documentation from which it has been extracted.

## **AGREEMENTS AND COMMITMENTS SUBJECT TO THE APPROVAL OF THE GENERAL MEETING OF SHAREHOLDERS**

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### **Agreements and commitments authorized in 2014**

In accordance with article L.225-40 of the French commercial code (Code de Commerce), we have been advised of certain related party agreements and commitments, which received prior authorization from your Board of Directors.

#### **1. Agreements and commitments with shareholders of the Company**

None.

#### **2. Agreements and commitments with companies having one or several executives in common with the Company**

##### ***2.1 Amendment to the Framework Agreement regarding Argas and Ardiseis***

##### **Between your company and TAQA**

Person involved: Mr Jean-Georges Malcor, as Chief Executive Officer and Director of your Company, as well as Director of Seabed Geosolutions B.V.

The Board of Directors, on February 26, 2014, authorized the amendment, which is intended to include Seabed Geosolutions BV - owned 40% by your Company and 60% by Fugro Consultants International NV – as a party to the agreement.

##### ***2.2 Guarantees issued for bond issues***

##### **Between your company, CGG Holding (U.S.) Inc., Sercel Inc., and Sercel-GRC Corp**

Persons involved: Mr Stéphane-Paul Frydman as Corporate Officer of your Company and Director of CGG Holding (U.S.) Inc., Mr Pascal Rouiller as Corporate Officer of your Company, Director and Chief Executive Officer of Sercel Inc. and Deputy Chairman of Sercel GRC.

On April 7, 2014, the Board of Directors has authorized your Company to accept the issuance by CGG Holding B.V., CGG Marine B.V., CGG Marine Resources Norge AS, CGG Holding (U.S.) Inc., CGG Services (U.S.) Inc., Veritas Investments Inc., CGG Land (U.S.) Inc., Viking Maritime Inc., Veritas

Geophysical (Mexico) LLC, Alitheia Resources Inc., Sercel Inc., and Sercel-GRC Corp of a guarantee covering the payment obligations by your Company related to the issuance, on April 23, 2014, of the Senior Notes 2020.

### ***2.3 Guarantees issued for bond issues***

#### **Between your Company, CGG Holding (U.S.) Inc., Sercel Inc. and Sercel-GRC Corp**

Persons involved: Mr Stéphane-Paul Frydman as Corporate Officer of your Company and Director of CGG Holding (U.S.) Inc., Mr Pascal Rouiller as Corporate Officer of your Company, Director and Chief Executive Officer of Sercel Inc. and Deputy Chairman of Sercel GRC.

Your Company has authorized the issue by CGG Holding B.V., CGG Marine B.V., CGG Marine Resources Norge AS, CGG Holding (U.S.) Inc., CGG Services (U.S.) Inc., Veritas Investments Inc., CGG Land (U.S.) Inc., Viking Maritime Inc., Veritas Geophysical (Mexico) LLC, Alitheia Resources Inc., Sercel Inc. and Sercel-GRC Corp of a guarantee covering the payment obligations by your Company related to the issuance, on May 1, 2014, of the Senior Notes 2022.

### ***2.4 Guarantees issued for bond issues***

#### **Between your Company, Sercel Canada Ltd and Sercel Australia Pty Ltd**

Persons involved: Mr Pascal Rouiller as Corporate Officer of your Company, and Chairman of Sercel Canada Ltd and Sercel Australia Pty Ltd.

Your Company has designated CGG Canada Services Ltd, Sercel Canada Ltd and Sercel Australia Pty Ltd as additional guarantors for the issues of the Senior Notes 2020, completed on April 23, 2014, and of the Senior Notes 2022, completed on May 1, 2014.

### ***2.5 Amendment to the Financing Agreement for Seabed Geosolutions BV***

#### **Between your Company and Fugro N.V.**

Person involved: Mr Jean-Georges Malcor, as Chief Executive Officer and Director of your Company, as well as Director of Seabed Geosolutions B.V. until November 24, 2014.

The Board of Directors, on June 26, 2014, authorized the amendment through which your Company, Fugro N.V. and Seabed Geosolutions BV committed to

amend the Warrant Agreement signed on February 16, 2014, which allows Fugro N.V. to exercise a warrant in the event of your Company defaulting on the Vendor Loan initially signed between Fugro N.V. and your Company on January 31, 2013, in order to enable the exercise of the warrant by Fugro N.V. also in the case of your Company defaulting on the Financing Agreement.

### **3. Agreements and commitments with corporate officers ("mandataires sociaux")**

#### ***3.1 Allocation of performance shares to the Corporate Officers of the Company***

Persons involved: Messrs. Stéphane-Paul Frydman and Pascal Rouiller as Corporate Officers.

Your Company has allocated performance shares to Stéphane-Paul Frydman and Pascal Rouiller, Corporate Officers of the Company. This allocation is considered as an amendment to their employment contracts.

#### ***3.2 Benefits attributed to Mr Jean-Georges Malcor in case of termination of his term of office***

Persons involved: Mr Jean-Georges Malcor, as Chief Executive Officer and Director of your Company.

The Board of Directors, on June 4, 2014, renewed the Chief Executive Officer term of office of Jean-Georges Malcor for a 3-year period starting after the conclusion of the June 4, 2014 General Meeting of Shareholders.

In this context, your Company has renewed the benefits granted to Mr Jean-Georges Malcor in case of termination of his term of office. The benefits, as previously approved by the General Meeting of Shareholders on May 3, 2013, are unchanged, and are the following ones:

- The contractual termination indemnity shall be paid in case of a forced departure related to a change of control or a change of strategy, and is equal to the difference between:
  - a gross amount of 200% of the fixed compensation paid by your Company to Mr. Jean-Georges Malcor during the twelve-month period preceding his departure date, to which is added the yearly average of the variable compensation paid by your Company over the thirty-six months preceding his departure date, and



- any indemnity Mr. Jean-Georges Malcor may be entitled to as a result of such termination of his term of office, including any sums to be paid further to the application of his non-competition commitment.

Pursuant to article L.225-42-1 of the French Commercial Code, the payment of the contractual termination indemnity is subject to the achievement of the following performance conditions, related to your Company's performance:

- The average, over the sixty trading days preceding the departure date of Mr. Jean-Georges Malcor, of the ratio between the CGG ADS price over the PHLX Oil Service Sector SM (OSXSM) index shall equal at least two-third of the same average ratio: (i) four years before Mr. Jean-Georges Malcor departure date or (ii) as of January 1, 2010 in the case Mr. Jean-Georges Malcor leaves the Group before reaching a four-year seniority;
  - The average, over the sixty trading days preceding the departure date of Mr. Malcor, of the ratio between the CGG share price over SBF 120 index shall equal at least two-third of the same average ratio: (i) four years before Mr. Jean-Georges Malcor departure date (ii) as of January 1, 2010 in case Mr. Jean-Georges Malcor leaves the Group before reaching a four-year seniority;
  - The average margin rate of the Group EBITDAS (i) over the four years preceding the departure date of Mr. Jean-Georges Malcor or (ii) over a period starting as of January 1, 2010 in the case Mr. Jean-Georges Malcor leaves the Group before reaching a four-year seniority, shall be at least 25 %.
- Payment of the full amount of the special termination indemnity is subject to the fulfillment of two conditions out of three. In the case of only one condition being fulfilled, Mr. Jean-Georges Malcor will be entitled to receive only 50 % of the said special termination indemnity.

#### **Agreements and commitments authorized since the closing date**

**We have been advised of the following agreements and commitments, which have been authorized by the Board of Directors of your Company since the closing of the previous year.**

**1. Agreements and commitments with corporate officers ("mandataires sociaux")**

***1.1 Benefits attributed to Messrs. Stéphane-Paul Frydman and Pascal Rouiller in case of termination of their terms of office***

Persons involved: Messrs. Stéphane-Paul Frydman and Pascal Rouiller as Corporate Officers.

The Board of Directors, on February 25, 2015, renewed the term of office of Corporate Officers Stéphane-Paul Frydman and Pascal Rouiller for a 3-year period starting on the date the Board of Directors was held.

In this context your Company has renewed the benefits granted to Stéphane-Paul Frydman and Pascal Rouiller in case of termination of their terms of office. The benefits, as previously approved by the General Meeting of Shareholders on May 10, 2012, are unchanged, and are the following ones:

- The contractual termination indemnity shall be paid in case of a forced departure related to a change of control or a change of strategy, and is equal to the difference between:
  - a gross amount of 200% of the fixed compensation paid by your Company to the Beneficiaries during the twelve-month period preceding their departure dates, to which is added the yearly average of the variable compensation paid by your Company over the thirty-six months preceding their departure dates, and
  - any indemnity the Beneficiaries may be entitled to as a result of such termination of their terms of office, including any sums to be paid further to the application of their non-competition commitments.

Pursuant to article L.225-42-1 of the French Commercial Code, the payment of the contractual termination indemnity is subject to the achievement of the following performance conditions, related to your Company's performance:

- The average, over the sixty trading days preceding the departure date of the Beneficiaries, of the ratio between the CGG ADS price over the PHLX Oil Service Sector SM (OSXSM) index shall equal at least two-third of the same average ratio four years prior to their departure dates;
- The average, over the sixty trading days preceding the departure date of the Beneficiaries, of the ratio between the CGG share price over SBF 120 index shall equal at least two-third of the same average ratio four years prior to their departure dates.

- The average margin rate of the Group EBITDAS over the four years preceding the departure date of the Beneficiaries shall be at least 25%.

Payment of the full amount of the special termination indemnity is subject to the fulfillment of two conditions out of three. In the case of only one condition being fulfilled, the Beneficiaries will be entitled to receive only 50% of the said special termination indemnity.

### ***1.2 Extension of the Group general benefits plan with Swiss Life***

Person involved: Mr Rémi Dorval

The Board of Directors, on March 26, 2015, has authorized the extension of the general benefits plan with Swiss Life to Mr Rémi Dorval, under the same conditions applicable to the other employees of the Group.

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**AGREEMENTS AND COMMITMENTS AUTHORIZED IN PRIOR YEARS, FOR WHICH IMPLEMENTATION CONTINUED DURING THE CURRENT YEAR**

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Pursuant to article R. 225-30 of the French commercial code (Code de commerce), we have been advised that the implementation of the following agreements and commitments, which were approved by the General Meeting of Shareholders in prior years continued during the current year.

**2. Agreements and commitments with shareholders of the Company**

None.

**3. Agreements and commitments with companies having one or several executives in common with the Company**

*3.1 Issuance of a confirmation letter by Seabed Geosolutions B.V. to its shareholders, in the context of the amendment of the loan agreement signed on January 31, 2013*

**Between your Company, Fugro N.V. and Seabed Geosolutions B.V.**

Person involved: Mr Jean-Georges Malcor, as Chief Executive Officer and Director of your Company, as well as Director of Seabed Geosolutions B.V.

The Board of Directors, on March 20, 2013, authorized the issuance of a letter which confirms that the amendment to the loan agreement signed on January 31, 2013, does not affect the terms and conditions of the warrant agreement mentioned below.

**3.2 Warrant agreement**

**Between your Company, Fugro Consultant International and Seabed Geosolutions B.V**

Person involved: Mr Jean-Georges Malcor, as Chief Executive Officer and Director of your Company, as well as Director of Seabed Geosolutions B.V.

Your company has authorized the signature of an Issuance Contract, through which Seabed Geosolutions B.V. grants Fugro a warrant which, if exercised, would

enable Fugro to subscribe to new shares of Seabed Geosolutions B.V. (which would dilute the ownership of your Company into Seabed Geosolutions B.V.). The warrant can be exercised only in case your Company defaults on the loan, pursuant to the terms of the loan agreement signed between Fugro N.V. and your Company on January 31, 2013, for a maximum amount of \$335 million.

Due to the fact that Mr Jean-Georges Malcor, Chief Executive Officer and Director of your Company, has also been appointed Director of Seabed Geosolutions B.V. on the same day the Joint-Venture Seabed had been enacted, the Issuance Contract shall be deemed a related party agreement, which has been authorized by the Board of Directors on February 11, 2013.

The Issuance Contract has been signed on February 16, 2013.

**4. Agreements and commitments with corporate officers ("mandataires sociaux")**

***4.1 Extension of the supplemental Pension and Retirement Plan***

Person involved: Mr Jean-Georges Malcor

Your Company has approved the extension of the supplemental Pension and Retirement Plan, implemented starting January 1, 2005, to the benefit of Mr Jean-Georges Malcor, under the same conditions applicable to the other beneficiaries.

Persons involved: Messrs. Stéphane-Paul Frydman and Pascal Rouiller

Your Company has approved the extension of the supplemental Pension and Retirement Plan, implemented starting January 1, 2005, to the benefit of Messrs. Stéphane-Paul Frydman and Pascal Rouiller, under the same conditions applicable to the other beneficiaries.

***4.2 Extension of the Group general benefits plan with Swiss Life***

Persons involved: Messrs. Jean-Georges Malcor and Robert Brunck

Your Company has approved the extension of the general benefits plan with Swiss Life to Messrs. Jean-Georges Malcor and Robert Brunck, under the same conditions applicable to the other employees of the Group.

Persons involved: Messrs. Stéphane-Paul Frydman and Pascal Rouiller

Your Company has approved the extension of the general benefits plan with Swiss Life to Messrs. Stéphane-Paul Frydman and Pascal Rouiller, under the same conditions applicable to the other employees of the Group.

#### ***4.3 Implementation of a complementary individual benefit plan***

Person involved: Mr Jean-Georges Malcor

Your Company has approved the complementary individual benefit plan signed with SPHERIA Vie for a single contribution around €40,000.

The contract has expired on December 31, 2014.

#### ***4.4 Individual insurance policy covering loss of employment***

Person involved: Mr Jean-Georges Malcor

Since July 1, 2010, Mr. Jean-George Malcor has been authorized to benefit from an individual insurance policy covering loss of employment subscribed by your Company with GSC GAN. The annual subscription fee payable by your Company amounts to €10,278.77. This insurance provides the maximum payment of 12.9% of his 2014 compensation (i.e. €162,941) upon a twelve-month period.

#### ***4.5 Non-competition agreement***

Person involved: Mr Jean-Georges Malcor

Your Company has approved the signature of a non-competition agreement between Mr. Jean-Georges Malcor and your Company.

In consideration of this agreement for an eighteen-month period, Mr. Jean-George Malcor will be entitled to receive compensation corresponding to 100% of his annual reference compensation, as defined in the protection letter, upon leaving the Group.

Persons involved: Messrs. Stéphane-Paul Frydman and Pascal Rouiller

Your Company has approved the signature of non-competition agreements between Messrs. Stéphane-Paul Frydman and Pascal Rouiller on one side, and your Company on the other side.

In consideration of these agreements for an eighteen-month period, Messrs. Stéphane-Paul Frydman and Pascal Rouiller will be entitled to receive compensation corresponding to 100% of their annual reference compensations, as defined in their protection letters, upon leaving the Group.

Paris-La Défense, April 13, 2015

The Statutory Auditors

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**MAZARS**

**JEAN-LUC BARLET**

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**ERNST & YOUNG et  
Autres**

**PIERRE JOUANNE**

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**LAURENT VITSE**

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