

## CGG

**Société anonyme with a share capital of 283,304,307 Euros**  
**Registered office : Tour Maine Montparnasse, 33 avenue du Maine, 75015 Paris**  
**969 202 241 R.C.S. Paris**

### **Supplementary report of the Board of Directors on the share capital increase in cash with preferential subscription rights**

Dear Sirs,

The Board of Directors has implemented the delegation of powers granted by the third resolution of the shareholders' general meeting of CGG ("**CGG**" or the "**Company**") held on 11 January 2016 in view of realizing a share capital increase of the Company in cash with preferential subscription rights.

This transaction was subject of a prospectus on which the French *Autorité des marchés financiers* granted a *visa* under number n°16-021 on 12 January 2016 (the "**Prospectus**"), the main terms and conditions of which are set out in the annex to this report.

The net proceeds of the issuance will be used to reinforce the shareholders' equity of CGG and improve its liquidity as it finances its Transformation Plan. The net proceeds will therefore be used principally to cover the shortfall in the consolidated net working capital of CGG of approximately U.S.\$175 million for 2016 and, secondly, to finance its activities, which will permit CGG to reduce its reliance on drawings under the Group's revolving credit facilities.

In accordance with the provisions of Article R. 225-116 of the French *Code de commerce*, we have prepared a supplementary report to the report of the Board of Directors which will be presented to the next shareholders' general meeting.

## **1 Terms of the capital increase**

### **1.1 Shareholders' combined general meeting held on 11 January 2016**

The combined general meeting of the Company's shareholders held on 11 January 2016, in its third resolution, decided to proceed with the issue of ordinary shares of the Company, with preferential subscription rights, up to a maximum nominal amount of three hundred fifty million Euros (€ 350,000,000), to which may be added, as the case may be, the nominal amount of any additional 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.

### **1.2 Resolution of the Board of Directors held on 11 January 2016**

The Board of Directors has decided to use the powers conferred upon it by virtue of the third resolution of the combined general meeting of the Company's shareholders held on 11 January 2016 and approved unanimously the principle of the share capital increase of the Company in cash with preferential subscription rights in favour of holders of existing shares of approximately 350 million Euros (issue premium included). Moreover, it has sub-delegated to Mr. Jean-Georges Malcor, Chief Executive Officer, all powers to determine the terms of the capital increase.

### **1.3 Decision of the Chief Executive Officer dated 12 January 2016**

On 12 January 2016, Mr. Jean-Georges Malcor, Chief Executive Officer, acting pursuant to the sub-delegation of powers granted by the Board of Directors dated 11 January 2016, has decided to proceed with the capital increase in cash with preferential subscription rights for a total nominal

amount of 212,478,230.40 Euros by issuing 531,195,576 new ordinary shares, with a nominal value of 0.40 Euro each.

The subscription price has been set at 0.66 Euro per new share, of which 0.40 Euro of nominal value and 0.26 Euro of issue premium, the gross proceeds of the issue (issue premium included) amounting to 350,589,080.16 Euros.

## 2 Description of the impact of the capital increase on the situation of the shareholders and holders of securities giving access to the share capital

### 2.1 Impact of the capital increase on shareholders' equity

By way of illustration, the impact of the capital increase on the portion per share of consolidated shareholders' equity attributable to the Group (a calculation made using consolidated shareholders' equity attributable to the Group as at 30 September 2015 as stated on the consolidated financial statements at 30 September 2015 and the 177,065,192 shares making up the Company's share capital as at 31 December 2015) would be as follows:

	Portion of shareholders' equity per share (in US dollars <sup>(1)</sup> )	
	Non-diluted basis	Diluted basis <sup>(2)</sup>
Prior to the issue of new shares arising from this capital increase	8.76	9.95
After the issue of 531,195,576 new shares arising from this capital increase	2.71	3.35

<sup>(1)</sup> Exchange rate Euro / US dollar as of 11 January is of 1.0857 US dollar for 1 Euro for the purposes of conversion in US dollars of the amount of this capital increase.

<sup>(2)</sup> In the event of the exercise of all of the 10,695,658 stock options and the conversion and/or exchange of all of the 26,372,016 bonds convertible into and/or exchangeable for new or existing shares issued by the Company due 1 January 2019 ("OCEANE 2019") and bonds convertible into and/or exchangeable for new or existing shares issued by the Company due 1 January 2020 ("OCEANE 2020").

### 2.2 Impact of the capital increase on shareholders

By way of illustration, the impact of the capital increase on the equity investment of a shareholder owning 1% of the Company's share capital before the issue and not subscribing for it (calculated on the 177,065,192 shares making up the Company's share capital as at 31 December 2015) would be as follows:

	Shareholder interest (%)	
	Non-diluted basis	Diluted basis <sup>(1)</sup>
Prior to the issue of new shares arising from this capital increase	1 %	0.83 %
After the issue of 531,195,576 new shares arising from this capital increase	0.25 %	0.24 %

<sup>(1)</sup> In the event of the exercise of all of the 10,695,658 stock options and the conversion and/or exchange of all of the 26,372,016 OCEANE 2019 and OCEANE 2020.

It is being reminded that the nominal value of OCEANE 2019 is 32.14 Euros (each OCEANE 2019 giving right to one CGG share), compared to a closing price of CGG shares on 11 January 2016 of 2.32 Euros.

It is being reminded that the nominal value of OCEANE 2020 is 12.86 Euros (each OCEANE 2020 giving right to one CGG share), compared to a closing price of CGG shares on 11 January 2016 of 2.32 Euros.

### 2.3 Impact on the situation of the stock option holders and holders of OCEANE 2019 and OCEANE 2020

The exercise rights attached to the stock options plans of CGG, with the exercise period in progress, and the exercise or conversion rights attached to OCEANE 2019 and OCEANE 2020 have been suspended with effect from 23 December 2015 (0:00, Paris time) until 22 March 2016 (23:59, Paris time), inclusive, at the latest, in accordance with applicable laws and regulations and the provisions of the stock options plans and the terms and conditions of OCEANE 2019 and OCEANE 2020. A notice of suspension has been published in the *Bulletin des Annonces légales obligatoires* on 16 December 2015 pursuant to Article R. 225-133 of the French *Code de commerce* and became effective on 23 December 2015 (0:00, Paris time).

On 18 February 2016, Mr. Jean-Georges Malcor, Chief Executive Officer, acting pursuant to the sub-delegation of powers granted by the Board of Directors dated 11 January 2016, has decided to carry-out adjustments to preserve the rights attached to the stock options plans and to OCEANE 2019 and OCEANE 2020 following the capital increase in cash with preferential subscription rights. He also decided, acting pursuant to the sub-delegation of powers granted by the Board of Directors dated 3 December 2015, to resume the exercise rights attached to the stock options plans and the exercise or conversion rights attached to OCEANE 2019 and OCEANE 2020 as from 29 February 2016. This information has been published in the *Bulletin des Annonces légales obligatoires* on 26 February 2016.

### 3 Theoretical impact of the issue of new shares on the current market value of a CGG share

Theoretical impact on the current market value of a CGG share, i.e., 2.55 Euros (the volume weighted average share price of the CGG share during the 20 trading days preceding 12 January 2016) would be as follows (calculated on the basis of shares making up the Company's share capital as at 31 December 2015) :

	Number of shares (non-diluted basis)	Market value per share (in Euros) (non-diluted basis)	Number of shares (diluted basis) <sup>(1)</sup>	Market value per share (in Euros) (diluted basis) <sup>(1)</sup>
Prior to the issue of new shares arising from this capital increase	177,065,192	2.55	214,132,866	2.11
After the issue of 531,195,576 new shares arising from this capital increase	708,260,768	1.13	745,328,442	1.08

<sup>(1)</sup> In the event of the exercise of all of the 10,695,658 stock options and the conversion and/or exchange of all of the 26,372,016 OCEANE 2019 and OCEANE 2020.

The market value (non-diluted basis) has been obtained by taking the market capitalization before the transaction, corresponding to the volume weighted average share price of the CGG share

during the 20 trading days preceding 12 January 2016 (i.e., 2.55 Euros) multiplied by the total number of shares (i.e., 177,065,192 shares as at 31 December 2015), adding the estimated net proceeds of the issue (i.e., approximately 350 million Euros) and dividing the whole by 708,260,768 corresponding to the sum of the number of shares as at 31 December 2015 (i.e., 177,065,192 shares) and the total number of shares resulting from this capital increase (i.e., 531,195,576 new shares).

In accordance with the applicable laws and regulations, this supplementary report is made available to the shareholders at the registered office of the Company and will be directly brought to the attention of the shareholders during the next general shareholders' meeting.

Board of Directors

## Annex 1

<b>Type, class and identification number</b>	Ordinary shares of the same class as the Company's existing shares. ISIN code : FR0000120164.
<b>Shares of the Company issued and nominal value per share</b>	The issue of 531,195,576 shares with a nominal value of 0,40 Euro each, to be paid in full upon subscription.
<b>Application for admission</b>	The new shares will be admitted to trading on the regulated market of Euronext Paris upon their issuance, which is scheduled for 5 February 2016, under the same ISIN code as the Company's existing shares (ISIN code: FR0000120164).
<b>Total net proceeds of the offering</b> <b>Estimate of total costs of the offering</b>	<ul style="list-style-type: none"> <li>- Gross proceeds of the capital increase: 350,589,080.16 Euros.</li> <li>- Estimate of costs of the capital increase: approximately 13 million Euros.</li> </ul>
<b>Reasons for the offering</b>	<p>The net proceeds of the issuance will be used to reinforce the shareholders' equity of CGG and improve its liquidity as it finances its Transformation Plan. The net proceeds will therefore be used principally to cover the shortfall in the consolidated net working capital of CGG of approximately U.S.\$175 million for 2016 and, secondly, to finance its activities, which will permit CGG to reduce its reliance on drawings under the Group's revolving credit facilities.</p> <p>Estimated net proceeds of the capital increase: approximately 338 million Euros.</p>
<b>Terms and conditions of the offering</b>	<p><b>Subscription price</b></p> <p>0.66 Euro per share (0.40 Euro of nominal value and 0.26 Euro of issue premium).</p> <p>The subscription price represents a 71.55% discount to the closing price of the Company's shares on 11 January 2016 (2.32 Euros on 11 January 2016).</p> <p><b>Preferential subscription right</b></p> <p>The subscription of new shares will be reserved preferentially to:</p> <ul style="list-style-type: none"> <li>- holders of existing shares recorded in their securities account at the close of trading on 13 January 2016, who will be allocated preferential subscription rights ; and</li> <li>- transferees of preferential subscription rights.</li> </ul> <p>Holders of preferential subscription rights will be entitled to subscribe:</p> <ul style="list-style-type: none"> <li>- by irrevocable entitlement (<i>à titre irréductible</i>), for 3 new shares for every 1 existing share owned (1 preferential subscription right will entitle the holder of such right to subscribe for 3 new shares at a price of 0.66 Euro per share); and</li> <li>- subject to reduction (<i>à titre réductible</i>), any additional new shares over and above the number of shares to which they are entitled as part of the exercise of their preferential subscription rights by irrevocable entitlement.</li> </ul> <p><b>Suspension of exercise and/or conversion rights of the stock option plans and OCEANE 2019 and OCEANE 2020</b></p> <p>The exercise rights attached to the stock options plans of CGG, with the exercise period in progress, and the exercise or conversion rights attached to bonds convertible into and/or exchangeable for new or existing shares issued by the Company due 1 January 2019</p>

("OCEANE 2019") and bonds convertible into and/or exchangeable for new or existing shares issued by the Company due 1 January 2020 ("OCEANE 2020") have been suspended with effect from 23 December 2015 (0:00, Paris time) until 22 March 2016 (23:59, Paris time), inclusive, at the latest, in accordance with applicable laws and regulations and the provisions of the stock options plans and the terms and conditions of OCEANE 2019 and OCEANE 2020. A notice of suspension has been published in the *Bulletin des Annonces légales obligatoires* on 16 December 2015 pursuant to Article R. 225-133 of the French *Code de commerce* and became effective on 23 December 2015 (0:00, Paris time).

***Theoretical value of the preferential subscription right***

1.245 Euros (on the basis of the closing price of the Company's shares on 11 January 2016, i.e., 2.32 Euros).

The subscription price represents a 38.60% discount to the theoretical ex-right price.

***Subscription intentions of the principal shareholders***

Bpifrance, which holds 7.04% of our share capital, and IFP Energies Nouvelles, which holds 3.58% of our share capital, have undertaken to exercise together all of their rights on an irreducible basis. Bpifrance and IFP Energies Nouvelles may terminate their undertakings up to the end of the rights exercise period under circumstances similar to those pursuant to which the joint global coordinators and joint bookrunners, on behalf of the managers, can terminate the underwriting agreement.

***Underwriting***

The issue of new shares excluding the above mentioned Bpifrance and IFP Energies Nouvelles subscription commitments, i.e., 313,358,770 Euros, will be fully underwritten pursuant to an underwriting agreement dated 12 January 2016 between the Company, BNP PARIBAS and Credit Suisse acting as Global Coordinators, Joint Lead Managers and Joint Bookrunners and Crédit Agricole Corporate and Investment Bank, HSBC, Natixis, Société Générale Corporate & Investment Banking acting as Joint Lead Managers and Joint Bookrunners, and ABN AMRO, Nordea Markets and RBC Capital Markets as Joint Lead Managers (the "**Underwriters**"). The underwriting agreement may be terminated at any time by the Global Coordinators, Joint Lead Managers and Joint Bookrunners, acting on behalf of the Underwriters, up to, and including, the settlement date, under certain circumstances. The underwriting agreement does not constitute an irrevocable, unconditional underwriting (*garantie de bonne fin*) as defined by Article L. 225-145 of the French Commercial Code. The capital increase may not be completed and subscriptions may be retroactively cancelled if the underwriting agreement is terminated by the Underwriters and if, in the latter event, the amount of subscriptions received is less than three-quarters of the proposed issue.

On 12 January 2016, Total S.A. undertook, strictly if necessary, to subscribe for new shares that may remain unsubscribed at the end of the rights exercise period, up to a maximum amount of €35 million. Total S.A. may terminate its undertaking up to and including the date of delivery of the new shares under circumstances similar to those pursuant to which the joint global coordinators and joint bookrunners, on behalf of the managers, can terminate the underwriting agreement.

	<p><b>Countries in which the capital increase is open to the public</b></p> <p>In France only.</p> <p><b>Restrictions applicable to the offering</b></p> <p>The distribution of the Prospectus, the sale of the shares and of the preferential subscription rights and the subscription of the new shares may, in certain countries including the United States of America, be governed by specific regulations.</p> <p><b>Procedure for exercising preferential subscription rights</b></p> <p>To exercise their preferential subscription rights, holders must submit a request to their authorized financial intermediary at any time between 14 January 2016 and up to and including 27 January 2016, and pay the applicable subscription price. Any preferential subscription rights not exercised by the end of the subscription period, i.e., at the close of trading on 27 January 2016, will automatically become null and void.</p> <p><b>Indicative timetable</b></p> <table border="0"> <tr> <td data-bbox="568 790 703 837">23 December 2015</td> <td data-bbox="767 790 1374 837">Commencement of the suspension period for the exercise of stock options and OCEANE 2019 and OCEANE 2020.</td> </tr> <tr> <td data-bbox="568 860 679 907">12 January 2016</td> <td data-bbox="767 860 1158 927">           Visa of the AMF on the Prospectus.            Execution of the underwriting agreement.         </td> </tr> <tr> <td data-bbox="568 949 679 996">13 January 2016</td> <td data-bbox="767 949 1374 1151">           Publication of a press release by the Company describing the main characteristics of the capital increase and the availability of the Prospectus.             Publication of a notice in the BALO to inform holders of stock options and OCEANE 2019 and OCEANE 2020.             Publication by Euronext Paris of the issuance notice regarding the capital increase.         </td> </tr> <tr> <td data-bbox="568 1173 679 1220">14 January 2016</td> <td data-bbox="767 1173 1374 1240">Opening of the subscription period – Detachment and commencement of trading of the preferential subscription rights on Euronext Paris.</td> </tr> <tr> <td data-bbox="568 1263 679 1310">27 January 2016</td> <td data-bbox="767 1263 1374 1310">Closing of the subscription period – End of trading of the preferential subscription rights.</td> </tr> <tr> <td data-bbox="568 1332 679 1379">3 January 2016</td> <td data-bbox="767 1332 1374 1469">           Publication of the press release announcing the results of the capital increase.             Publication by Euronext Paris of the admission notice for the new shares indicating the final amount of the capital increase and the allotment ratio for subscriptions subject to reduction.         </td> </tr> <tr> <td data-bbox="568 1491 679 1538">5 January 2016</td> <td data-bbox="767 1491 1318 1559">           Settlement and delivery of the capital increase.            Admission of the new shares to trading on Euronext Paris.         </td> </tr> <tr> <td data-bbox="568 1581 679 1628">22 March 2016</td> <td data-bbox="767 1581 1374 1628">Resumption of the right to exercise stock options and OCEANE 2019 and OCEANE 2020.</td> </tr> </table>	23 December 2015	Commencement of the suspension period for the exercise of stock options and OCEANE 2019 and OCEANE 2020.	12 January 2016	Visa of the AMF on the Prospectus. Execution of the underwriting agreement.	13 January 2016	Publication of a press release by the Company describing the main characteristics of the capital increase and the availability of the Prospectus.  Publication of a notice in the BALO to inform holders of stock options and OCEANE 2019 and OCEANE 2020.  Publication by Euronext Paris of the issuance notice regarding the capital increase.	14 January 2016	Opening of the subscription period – Detachment and commencement of trading of the preferential subscription rights on Euronext Paris.	27 January 2016	Closing of the subscription period – End of trading of the preferential subscription rights.	3 January 2016	Publication of the press release announcing the results of the capital increase.  Publication by Euronext Paris of the admission notice for the new shares indicating the final amount of the capital increase and the allotment ratio for subscriptions subject to reduction.	5 January 2016	Settlement and delivery of the capital increase. Admission of the new shares to trading on Euronext Paris.	22 March 2016	Resumption of the right to exercise stock options and OCEANE 2019 and OCEANE 2020.
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