

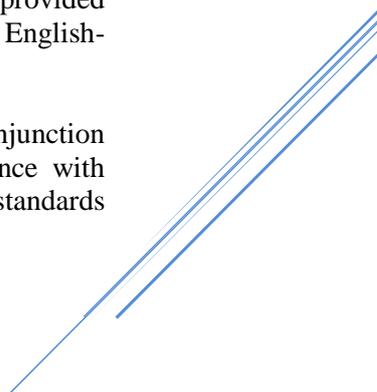
**CGG**

**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, 2017**

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

COMPANY IN THE FORM OF A FRENCH *SOCIETE ANONYME D'EXPERTISE COMPTABLE ET DE COMMISSARIAT AUX COMPTES* WITH SHARE CAPITAL OF €8,320,000 - RCS NANTERRE 784 824 153

REGISTERED STATUTORY AUDITOR (MEMBER OF THE VERSAILLES REGIONAL CHAPTER)

## **ERNST & YOUNG et Autres**

TOUR FIRST - TSA 14444 - 92037 PARIS-LA DEFENSE CEDEX

COMPANY IN THE FORM OF A FRENCH S.A.S. WITH VARIABLE SHARE CAPITAL – 438 476 913  
R.C.S. NANTERRE

REGISTERED STATUTORY AUDITOR (MEMBER OF THE VERSAILLES REGIONAL CHAPTER)

# **CGG**

A French joint stock company in the form of a *Société anonyme* with  
share capital of €5,854,573

Registered office: Tour Maine Montparnasse, 33 avenue du Maine,  
75015 Paris

R.C.S. 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, 2017

## **Statutory auditors' special report on related party agreements and commitments**

To the shareholders of CGG,

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 and interest for the company of the 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 if any other agreements and commitments exist. It is your responsibility, in accordance with article R225-31 of the French code of commercial law, to evaluate the benefits resulting from those agreements and commitments prior to their approval.

In addition we are required, where applicable, to inform you, in accordance with article R225-31 of the French code of commercial law, of any agreements and commitments previously approved by shareholders which were executed during the year.

We performed the procedures which we considered necessary to comply with the professional guidance applicable in France to this type of engagement. The procedures consisted of verifying that the information provided to us was consistent with the documentation from which it was extracted.

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

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### **Agreements and commitments authorized and signed in 2017**

In accordance with article L225-40 of the French code of commercial law, we were advised of the following agreements and commitments signed during the year which were previously approved by your Board of Directors.

#### 1. Agreements and commitments involving corporate officers

1.1 Commitments towards Mr. Jean-Georges Malcor in the event of cessation of his appointment as Chief Executive Officer of your company before October 1, 2018

Person concerned: Mr. Jean-Georges Malcor, in respect of his functions as Chief Executive Officer and a member of the Board of your company.

#### Terms and conditions

On December 1, 2017 your Board of Directors, following a recommendation by the Remuneration and Appointments Committee, authorized your company to sign the term sheet including the terms and conditions applicable to the termination of Mr. Jean-Georges Malcor's appointment. In the event of termination of Mr. Jean-Georges Malcor's corporate appointment before October 1, 2018, your Board of Directors has authorized the following commitments:

- (i) The signature of a permanent contract of employment recognizing Mr. Jean-Georges Malcor's length of past service, it being noted that Mr. Jean-Georges Malcor has undertaken to take his retirement with effect from October 1, 2018 so any contract of employment would end on October 1, 2018 in the absence of the parties' express agreement to prolong the contract beyond that date;
- (ii) The exercise by Mr. Jean-Georges Malcor of the functions of Senior Advisor as a member of the Executive Committee, mainly for the purpose of assisting your company's new Chief Executive Officer and advising him on matters relating to relationships with the company's shareholders or the company's operations;
- (iii) Mr. Jean-Georges Malcor's continued entitlement to the benefit of the defined benefit supplemental Pension and Retirement Plan applicable within the Group to certain members of the Executive Committee, the extension of which to Mr. Jean-Georges Malcor was authorized by the Board of Directors on June 30, 2010 and June 1, 2017 and approved by the General Meeting of Shareholders held on October 31, 2017;
- (iv) Gross monthly compensation of €52,500 and Mr. Jean-Georges Malcor's right to reimbursement of his professional expenses in accordance with the company's practices;
- (v) The subscription of non-solicitation and non-competition undertakings by Mr. Jean-Georges Malcor, for a period of twenty-four months following the termination of his contract of employment and in return for compensation set at 16/12<sup>ths</sup> of his annual compensation of

reference; said non-competition undertaking replacing the undertaking subscribed by Mr. Jean-Georges Malcor in his capacity of Chief Executive Officer authorized by your Board of Directors on June 30, 2010 and approved by the General Meeting of Shareholders held on May 4, 2011.

Interest of the commitment for the company: your Board of Directors justifies the subscription of this commitment on the basis that it is useful and necessary to retain the services of Mr. Jean-Georges Malcor until the date at which he may take retirement, namely October 1, 2018, even should his appointment as Chief Executive Officer be terminated prior to that date. Further, the contract of employment proposed, in terms both of the nature of the functions which would be conferred on Mr. Jean-Georges Malcor and the financial terms and conditions which would be granted, appears entirely suitable and proportionate to the objective pursued and provides the company, given the associated non-competition clause, very useful protection.

## 2. Agreements and commitments with shareholders of the company

### 2.1 Commitments towards BPI France Participations SA on the part of your company and in the framework of its financial restructuring

With BPI France Participations SA in its quality of main stockholder of CGG prior to its financial restructuring

#### Terms and conditions:

On October 16, 2017, your Board of Directors made the following commitments to BPI France Participations SA:

- (i) Not to divest, in any form, its major assets through December 31, 2019 unless so authorized by the Paris commercial court;
- (ii) To confirm that its business plan equally provides for no divestment, in any form, of major assets held by its direct or indirect subsidiaries in France or abroad; should any such divestments be liable to result in substantial modification of the bases or objectives of the company's recovery plan, your company would be required to request the prior authorization of the Paris commercial court. It is nevertheless agreed that your company should retain sufficient flexibility to be able, if appropriate, to take an active part in the consolidation or in any other form of evolution of the seismic industry in terms of mergers and acquisitions;
- (iii) Not to envisage any social or industrial restructuring in France; more specifically, and unless otherwise authorized by the Paris commercial court, not to implement any job preservation plan in France before December 31, 2019 and to maintain intact the centers of decision of

the company and its French subsidiaries currently located in France, including your company's headquarters, until December 31, 2022;

- (iv) Not to take any measures to counter the governance undertakings subscribed to by the creditor signatories to the lockup agreement and to take part in the discussions with the company's creditors and other parties on the new composition of your company's Board of Directors.

Interest of the commitment for the company:

Your Board of Directors justifies the subscription of this commitment by the quality of controlling stockholder of BPI France Participations SA which, as of September 30, 2017, held 9.35% of the company's paid-in capital and 10.90% of its voting rights and which, at your company's General Meeting of Shareholders held on November 13, 2017 following a second convocation, undertook to vote in favor of the resolutions required for implementation of the company's Financial Restructuring Plan.

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## **AGREEMENTS AND COMMITMENTS AUTHORIZED AND APPROVED IN PREVIOUS YEARS BUT NOT APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS**

We hereby inform you of the following agreements and commitments which were authorized and approved by your Board of Directors in 2016 and which, as such, were included in our special report on related party agreements and commitments for 2016, but which were not approved by the General Meeting of Shareholders held to approve the financial statements for 2016. These commitments are not subject to the approval of the 2017 general meeting of shareholders.

### 1. Agreements and commitments involving corporate officers

#### 1.1 Agreements and commitments involving Mr. Jean-Georges Malcor, your company's Chief Executive Officer

Person concerned: Mr. Jean-Georges Malcor, in respect of his functions as Chief Executive Officer and a member of the Board of your company.

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

On January 4, 2017 the Board of Directors authorized the modification of the protection letter for the benefit of Mr. Jean-Georges Malcor with regard to the payment of a contractual indemnity in case of revocation, non-renewal or any other instance of forced departure linked to a change of control or any substantial change in the company's circumstances or strategy (hereafter the "Special Termination Indemnity"). On June 1, 2017 the Board of Directors renewed Mr. Jean-Georges Malcor's appointment as Chief Executive Officer and therefore, as provided for by article L225-42-1 of the French code of commercial law, renewed his contractual termination indemnity as decided by the Board of Directors at its meeting of January 4, 2017 and summarized below. As a reminder, the principle of this commitment had been previously approved by your General Meeting of Shareholders held on May 29, 2015 after authorization of your Board of Directors on June 4, 2014. Your Board of Directors on January 4, 2017 had modified performance conditions of this commitment.

The dispositions of the protection letter presented to the Board of Directors appeared in line with the usual practice of the market and made in the company's interest.

The Special Termination Indemnity 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 undertaking.

The total amount of the Special Termination Indemnity is limited to 200% of the annual compensation of reference.

Pursuant to article L225-42-1 of the French code of commercial law, the payment of the contractual termination indemnity is subject to the achievement of the following performance conditions. The Special Termination Indemnity will be correlated to the average achievement of the objectives underpinning the variable annual compensation of the last three fiscal years, according to the following rule:

- ✓ If the average achievement rate is inferior to 40%, no Special Termination Indemnity will be paid;
- ✓ If the average achievement rate is superior to 40%, the Special Termination Indemnity will equal 100% of the amount.

#### Interest of the commitment for the company

Your Board of Directors justifies the subscription of this commitment by the fact that it is essential that the members of the company's general management be able to work in all serenity and independently of any external solicitation, and stresses in particular the need to ensure the best possible protection for the Chief Executive Officer in a context of very significant exposure.

## **AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS**

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### **Agreements and commitments approved during previous fiscal years:**

#### **a) which continued to be executed during the latest fiscal year**

In accordance with Article R225-30 of the French code of commercial law, we were informed that the following agreements and commitments, previously approved by General Meetings of Shareholders of previous fiscal years, continued to be executed during the year.

1. Agreements and commitments with companies having one or several executives in common with the company

- 1.1 Joint-venture agreement between CGG S.A and Fugro Consultants International B.V related to Seabed Geosolutions B.V.

Person concerned: Mr. Pascal Rouiller, Deputy Chief Executive Officer of your company until January 4, 2017 and a corporate officer of Seabed Geosolutions B.V.

#### Terms and conditions:

On November 18, 2015, your Board of Directors authorized the amendment of the joint-venture agreement between Fugro Consultants International B.V. and your company, in respect of Seabed Geosolutions B.V., to take into account the change in title of the executive director appointed by your company to the Board of Directors of Seabed Geosolutions B.V. The director is now designated as “Executive Director C” in the joint- venture agreement. This commitment has been approved by General Meeting of shareholders on May 27, 2016.

- 1.2 Recapitalization of Seabed Geosolutions B.V.

Person concerned: Mr. Pascal Rouiller, Deputy Chief Executive Officer of your company until January 4, 2017 and a corporate officer of Seabed Geosolutions B.V.

#### Terms and conditions:

On December 3, 2015, your Board of Directors authorized your company’s contribution to the recapitalization of Seabed Geosolutions B.V. by the conversion to capital of a USD40 million receivable. The agreement was approved by the General Meeting of Shareholders held on May 27, 2016.

On July 28, 2016 your Board of Directors further authorized your company’s contribution to the recapitalization of Seabed Geosolutions B.V. by the conversion to capital of USD19 million of a USD38 million receivable. The balance of USD19 million is intended to be repaid to your company. The agreement was approved by the General Meeting of Shareholders held on October 31, 2017.

## 2. Agreements and commitments with corporate officers

### 2.1 Agreements and commitments involving Mr. Jean-Georges Malcor, your company's Chief Executive Officer

Person concerned: Mr. Jean-Georges Malcor, in respect of his functions as Chief Executive Officer and a member of the Board of your company.

#### 2.1.1 Extension of the supplemental Pension and Retirement Plan

##### Terms and conditions

On May 4, 2011, after authorization by the Board of Directors on June 30, 2010, your General Meeting of Shareholders approved the extension of the supplemental Pension and Retirement Plan, implemented starting January 1, 2005, for the benefit of Mr. Jean-Georges Malcor, under the same conditions as applicable to the other beneficiaries.

#### 2.1.2 Extension of the Group general benefits plan with Swiss Life

##### Terms and conditions

On May 4, 2011, after authorization by the Board of Directors on June 30, 2010, your General Meeting of Shareholders approved the extension of the general benefits plan with Swiss Life for the benefit of Mr. Jean-Georges Malcor, under the same conditions as applicable to the other beneficiaries.

#### 2.1.3 Individual insurance policy covering loss of employment

##### Terms and conditions

On May 4, 2011, after authorization by the Board of Directors on June 30, 2010, your General Meeting of Shareholders approved the subscription of an individual insurance policy covering loss of employment subscribed by your Company with GSC GAN for the benefit of the Chief Executive Officer. The annual subscription fee paid in 2017 amounted to €10,738.67. This insurance provides for a maximum payment of 13.4% of the CEO's targeted compensation for 2017 (i.e. €172,603) for a twelve-month period.

#### 2.1.4 Non-competition commitment

##### Terms and conditions

On May 4, 2011, after authorization by the Board of Directors on June 30, 2010, your General Meeting of Shareholders approved the subscription of a non-competition commitment by Mr. Jean-Georges Malcor. In consideration for that commitment for an eighteen-month period following the cessation of his functions, Mr. Jean-Georges Malcor will be entitled to receive compensation corresponding to 100% of his annual compensation of reference as defined in his protection letter.

### 2.1.5 Allocation of performance shares to the company's Deputy Chief Executive Officers

#### Terms and conditions

Your General Meetings of Shareholders held on May 29, 2015, May 27, 2016 and October 31, 2017 approved the allocation of performance shares to Stéphane-Paul Frydman and Pascal Rouiller as authorized by the Board of Directors at its meetings of June 24, 2013, June 26, 2014, June 25, 2015 and June 23, 2016. The allocation is considered as an amendment to their employment contracts.

### 2.2 Agreements and commitments involving Mr. Rémi Dorval

Person concerned: Mr. Rémi Dorval in his capacity as Chairman of the Board of Directors.

#### 2.2.1 Extension of the Group general benefits plan with Swiss Life

#### Terms and conditions

On May 29, 2015, your General Meeting of Shareholders approved the extension of the Group general benefits plan with Swiss Life for the benefit of Mr. Rémi Dorval, under the same conditions as applicable to the other beneficiaries.

### **b) which were not subject to any execution during the latest fiscal year**

We were also informed that the following agreements and commitments, previously approved by General Meetings of Shareholders of previous fiscal years, did not continue to be executed during the year.

#### 1. Agreements and commitments involving Mr. Jean-Georges Malcor

##### 1.1 Benefits granted to Mr. Jean-Georges Malcor in the event of cessation of his appointment as Chief Executive Officer

#### Terms and conditions

As authorized by the Board of Directors at its meeting of June 4, 2014, on May 29, 2015 the General Meeting of Shareholders approved the benefits granted to Mr. Jean-Georges Malcor in the event of cessation of his appointment as Chief Executive Officer.

The company's commitment was subsequently modified by the Board of Directors at its meeting of January 4, 2017 and then renewed in the same terms, in the framework of the renewal of Mr. Jean-Georges Malcor's appointment as Chief Executive Officer, by the Board of Directors at its meeting of June 1, 2017. The company's commitment was however not approved by the General Meeting of

Shareholders held on October 31, 2017. The terms and conditions of this commitment have been described in the second part of the present report “Agreements and commitments authorized and approved in previous years but not approved by the general meeting of shareholders”.

## 2. Agreements and commitments involving Messrs Stéphane-Paul Frydman and Pascal Rouiller in their capacity as Deputy Chief Executive Officers

### 2.1 Extension of the supplemental Pension and Retirement Plan

#### Terms and conditions

On May 10, 2012, after authorization by the Board of Directors on February 29, 2012, your General Meeting of Shareholders approved the extension of the supplemental Pension and Retirement Plan, implemented starting January 1, 2005, for the benefit of Messrs Stéphane-Paul Frydman and Pascal Rouiller, under the same conditions as applicable to the other beneficiaries.

It may be noted that in order to simplify the Group’s governance, on January 4, 2017 the Board of Directors terminated the appointments of Messrs Stéphane-Paul Frydman and Pascal Rouiller. The above commitment is no longer a related party agreement since January 4, 2017 and was not subject to any execution in 2017.

### 2.2 Extension of the Group general benefits plan with Swiss Life

#### Terms and conditions

On May 10, 2012, after authorization by the Board of Directors on February 29, 2012, your General Meeting of Shareholders approved the extension of the Group general benefits plan with Swiss Life for the benefit of Messrs Stéphane-Paul Frydman and Pascal Rouiller, under the same conditions as applicable to the other beneficiaries.

It may be noted that in order to simplify the Group’s governance, on January 4, 2017 the Board of Directors terminated the appointments of Messrs Stéphane-Paul Frydman and Pascal Rouiller. The above commitment is no longer a related party agreement since January 4, 2017 and was not subject to any execution in 2017.

### 2.3 Non-competition commitment

#### Terms and conditions

On May 10, 2012, after authorization by the Board of Directors on February 29, 2012, your General Meeting of Shareholders approved the subscription of non-competition commitments by Messrs Stéphane-Paul Frydman and Pascal Rouiller. In consideration for their commitments for an eighteen-month period following the cessation of their functions, they would be entitled to receive

compensation corresponding to 100% of their annual compensation of reference as defined in their protection letters.

It may be noted that in order to simplify the Group's governance, on January 4, 2017 the Board of Directors terminated the appointments of Messrs Stéphane-Paul Frydman and Pascal Rouiller. The above commitments is no longer related party agreements since January 4, 2017 and were not subject to any execution in 2017.

#### 2.4 Benefits granted to Messrs Stéphane-Paul Frydman and Pascal Rouiller in the event of their departure from the Group

##### Terms and conditions

On May 29, 2015 your General Meeting of Shareholders approved the renewal of the benefits granted to Messrs Stéphane-Paul Frydman and Pascal Rouiller in the event of their departure from the Group, subject to the same terms and conditions as previously approved by the General Meeting of Shareholders held on May 10, 2012.

It may be noted that in order to simplify the Group's governance, on January 4, 2017 the Board of Directors terminated the appointments of Messrs Stéphane-Paul Frydman and Pascal Rouiller. The above commitment is no longer a related party agreement since January 4, 2017 and was not subject to any execution in 2017.

#### 3. Agreements and commitments involving Mrs. Sophie Zurquiyah

Person concerned: Mrs. Sophie Zurquiyah in her capacity as a Deputy Chief Executive Officer.

#### 3.1 Benefits granted to Mrs. Sophie Zurquiyah in the event of her departure from the Group

##### Terms and conditions

On July 30, 2015 the Board of Directors appointed Mrs. Sophie Zurquiyah as a Deputy Chief Executive Officer from September 1, 2015 until February 25, 2018, and authorized the potential payment of a contractual termination indemnity to be paid in the event of forced departure related to a change of control or a change of strategy. The commitment was approved by your General Meeting of Shareholders on May 27, 2016. The indemnity is equal to the difference between:

- ✓ A gross amount of 200% of the annual compensation of reference; and
- ✓ Any indemnity Mrs. Sophie Zurquiyah may be entitled to as a result of such termination of her term of office, including any sums to be paid further to the application of her non-competition commitment.

The total amount of contractual termination indemnity shall not exceed 200% of the annual compensation of reference.

Pursuant to article L225-42-1 of the French code of commercial law, the payment of the contractual termination indemnity is subject to the achievement of the following performance conditions:

- ✓ An objective regarding the performance of the ADS CGG share price relative to that of the PHLX Oil Service Sector SM index (OSXSM);
- ✓ An objective regarding the performance of the CGG share price relative to that of the general SBF 120 index;
- ✓ An objective evaluated with regard to the EBITDAS financial indicator, denominated in USD.

Payment of the full amount of the contractual termination indemnity is subject to the fulfilment of at least two conditions out of three. In the case of only one condition being fulfilled, Mrs. Sophie Zurquiyah will be entitled to receive only 50% of the said contractual termination indemnity.

It may be noted that in order to simplify the Group's governance, on January 4, 2017 the Board of Directors terminated the appointment of Mrs. Sophie Zurquiyah. The above commitment is no longer a related party agreement since January 4, 2017 and was not subject to any execution in 2017.

### 3.2 Extension of the Group general benefits plan with Swiss Life

#### Terms and conditions

On May 27, 2016, after authorization by the Board of Directors on March 2, 2016, your General Meeting of Shareholders approved the extension of the Group general benefits plan with Swiss Life for the benefit of Mrs. Sophie Zurquiyah, under the same conditions as applicable to the other beneficiaries. The corresponding premium is based on the €80,000 of remuneration for Mrs. Sophie Zurquiyah's Board appointment.

It may be noted that in order to simplify the Group's governance, on January 4, 2017 the Board of Directors terminated the appointment of Mrs. Sophie Zurquiyah. The above commitment is no longer a related party agreement since January 4, 2017 and was not subject to any execution in 2017.

### 3.3 Extension of the supplemental Pension and Retirement Plan

#### Terms and conditions

On May 27, 2016, after authorization by the Board of Directors on March 2, 2016, your General Meeting of Shareholders approved the extension of the article 83 supplemental Pension and Retirement Plan for the benefit of Mrs. Sophie Zurquiyah. The corresponding premium of €1,639 is based on the €80,000 of remuneration for Mrs. Sophie Zurquiyah's Board appointment.

It may be noted that in order to simplify the Group's governance, on January 4, 2017 the Board of Directors terminated the appointment of Mrs. Sophie Zurquiyah. The above commitment is no longer a related party agreement since January 4, 2017 and was not subject to any execution in 2017.

### **Agreements and commitments approved during the latest fiscal year**

We were also informed of the implementation, during fiscal year 2016, of the following agreements and commitments previously approved by the General Meeting of Shareholders held on October 31, 2017 following perusal of the auditors' special reports issued on May 1 and October 10, 2017.

#### 1. Agreements and commitments involving corporate officers

##### 1.1 Agreements and commitments involving Mr. Jean-Georges Malcor, your company's Chief Executive Officer

Person concerned: Mr. Jean-Georges Malcor, in respect of his functions as Chief Executive Officer and a member of the Board of your company.

##### 1.1.1 Supplemental Pension and Retirement Plan benefits attributed to Mr. Jean-Georges Malcor in case of termination of his term of office

#### Terms and conditions

On June 1, 2017 the Board of Directors renewed Mr. Jean-Georges Malcor's appointment as Chief Executive Officer and decided to submit the supplemental Pension and Retirement Plan benefits attributed to Mr. Jean-Georges Malcor in case of termination of his term of office to the same performance conditions as applicable to his Special Termination Indemnity.

We recall that the Special Termination Indemnity will be correlated to the average achievement of the objectives underpinning the variable annual compensation of the last three fiscal years, according to the following rule:

- ✓ If the average achievement rate is inferior to 40%, no Special Termination Indemnity will be paid;
- ✓ If the average achievement rate is superior to 40%, the Special Termination Indemnity will equal 100% of the amount.

Paris-La Défense and Courbevoie, March 29, 2018

The statutory auditors

**ERNST & YOUNG et  
Autres**

Nicolas PFEUTY

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**MAZARS**

Jean-Luc BARLET

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