

## Exchange controls

### *Ownership of ADSs or shares by Non-French Persons*

Other than as described above, under French law, there is no limitation on the right of non-resident or foreign shareholders to own or to exercise their voting rights attached to the securities they hold in a French company.

Pursuant to the French Monetary and Financial Code, administrative authorization is no longer required of non-European residents prior to acquiring a controlling interest in a French company, with exceptions regarding sensitive economic areas such as defense, public health, etc. However a notice (*déclaration administrative*) must be filed with the French Ministry of the Economy in certain circumstances and in particular for the acquisition of an interest in us by any person not residing in France or any foreign controlled resident if such acquisition would result in (i) the acquisition of a controlling interest of more than 33.33% of our share capital or voting rights or (ii) the increase of a controlling interest in us unless such person not residing in France or group of non-French residents already controls more than 50% of our share capital or voting rights prior to such increase. In certain circumstances (depending upon such factors as the percentage and value of the acquired part of our share capital), an additional declaration, for statistical purposes shall be filled with the *Banque de France*.

### *Exchange controls*

Under current French exchange control regulations, there are no limitations on the amount of payments that may be remitted by us to non-residents. Laws and regulations concerning foreign exchange control do require, however, that all payments or transfers of funds (including payments of dividends to foreign shareholders) made by a French resident to a non-resident be handled by an accredited intermediary. In France, all registered banks and substantially all credit establishments are accredited intermediaries.

## Taxation

The following summarizes the material French tax and US federal income tax consequences to US Holders (as defined below) of the ownership and disposition of ADSs and shares.

For the purposes of this discussion, a US Holder means a beneficial owner of ADSs or shares that is, for US federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation, created or organized in or under the laws of the United States or of any State thereof, including the District of Columbia;
- an estate the income of which is subject to US federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

This discussion is not a complete description of all of the tax consequences of the ownership or disposition of ADSs or shares.

The summary assumes that each obligation in the deposit agreement between The Bank of New York and us (the "Deposit Agreement") and any related agreement will be performed in accordance with its terms and is based on the current tax laws of the Republic of France and the United States, including the US Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed Treasury Regulations thereunder published rulings and court decisions as well as the Convention between the Government of the United States of America and the Government of the French Republic for the Avoidance of Double Taxation and

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the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital dated August 31, 1994 (the "Treaty"), the 2004 Protocol amending the Treaty entered into force on December 21, 2006, and the 2009 Protocol amending the Treaty entered into force on December 23, 2009, all as of the date hereof and all subject to change, possibly with retroactive effect.

For purposes of the Treaty, French tax law and the Code, US Holders of ADSs generally will be treated as owners of the corresponding number of our shares underlying those ADSs held by The Bank of New York as depository (the "Depository").

Your individual circumstances may affect the tax consequences of the ownership or disposition of ADSs or shares to you, and your particular facts or circumstances are not considered in the discussion below.

This discussion summary does not address state, local or other tax laws other than French tax law and US federal income tax law. This summary also does not discuss all of the tax considerations that may be relevant to, nor is it intended to apply to, certain holders of ADSs or shares subject to special treatment under the relevant tax laws, such as:

- investors that own (directly, indirectly or by attribution) 5% or more of our voting stock;
- banks;
- dealers in securities or currencies;
- traders in securities who elect to apply a mark-to-market method of accounting;
- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- tax-exempt organizations;
- insurance companies;
- persons that hold ADSs or shares as part of a hedging, straddle, conversion or other integrated transaction;
- US Holders who hold ADSs or shares other than as capital assets;
- persons whose functional currency is not the US dollar;
- certain US expatriates;
- individual retirement accounts and other tax-deferred accounts;
- persons subject to the US alternative minimum tax or net investment income tax;
- investors that hold the ADSs or shares in connection with a trade or business conducted outside the United States; and
- persons who acquired ADSs or shares pursuant to an employee stock option or otherwise as compensation.

The US federal income tax treatment of a partner in an entity or arrangement treated as a partnership for US federal income tax purposes that holds ADSs or shares will depend on the status of the partner and the activities of the partnership. Holders that are entities or arrangements treated as partnerships for US federal income tax purposes should consult their tax advisors concerning the US federal income tax consequences to them and their partners of the ownership and disposition of ADSs or shares by the partnership.

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You should consult your own tax advisor regarding the French and US federal, state and local and other tax consequences of the ownership and disposition of ADSs or shares in the light of your particular circumstances, including the effect of any state, local or other tax laws. In particular, you should confirm whether you are eligible for the benefits of the Treaty with your advisor and should discuss any possible consequences of failing to be so eligible. You should also consult your tax advisor in the event that you become entitled to receive any dividend that is approved to be paid.

### **French taxation**

The following describes the material French tax consequences of owning and disposing of ADSs relevant to US Holders which do not hold their ADSs in connection with a permanent establishment or fixed base in France through which a holder carries on business or performs personal services in France. The statements relating to French tax laws set out below are based on the laws in force as at the date hereof, and are subject to any changes in applicable French tax laws or in any applicable double taxation conventions or treaties with France occurring after such date.

This discussion is intended only as a descriptive summary and does not purport to be a complete analysis or list of all potential tax effects of the ownership of ADSs.

### **Taxation of dividends**

France generally imposes a 30% withholding tax on dividends distributed in cash or in the form of shares by a French corporation (such as our Company) to shareholders who are residents of the United States. Furthermore, dividends paid outside of France in a “non-cooperative state or territory” (*Etat ou territoire non-coopératif*) as defined in Article 238-0 A of the French Tax Code (i.e. a state or territory included in a list to be updated and published each year by way of an order (*arrêté*) of the French Ministers in charge of the economy and the budget) are subject to French withholding tax at a rate of 75%. However, the Treaty generally reduces the withholding tax rate to 15% on dividends paid in cash or in the form of shares to an Eligible US Holder (as defined below).

Under the Treaty, an “Eligible US Holder” is a US Holder whose ownership of ADSs is not attributable to a permanent establishment or fixed base in France and who is:

- an individual or other non-corporate holder; or
- a corporation that does not own, directly or indirectly, 10% or more of the capital of our Company, provided in each case that such holder;
  - is a resident of the United States under the Treaty;
  - is the beneficial owner of the dividends and is entitled to Treaty benefits under the limitation on benefits provisions in Article 30 of the Treaty; and
  - complies with the procedural rules to obtain Treaty benefits described below under “Taxation of Dividends – Procedure to Obtain Treaty Benefits”.

### **Taxation of dividends – procedure to obtain treaty benefits**

Eligible US Holders must follow certain procedures in order to be eligible for the 15% dividend withholding tax under the Treaty.

An Eligible US Holder who wishes to obtain a reduced withholding rate at source must complete and deliver to the US financial institution that is in charge of the administration of the ADSs of that Eligible US Holder a Treaty form establishing that such US Holder is a US resident for the purpose of the Treaty (Form 5000).

If Form 5000 is not filed prior to the dividend payment, we or the French paying agent will withhold tax from the dividend at the above rate of 30%, and the Eligible US Holder will be entitled to claim a refund of the excess withholding tax by filing Form 5001 with the Depositary or the French paying agent early enough to enable them to forward that application to the French tax authorities before December 31 of the second year following the calendar year in which the related dividend was paid.

The Depositary will provide to all US Holders of ADSs the applications or certificates, together with instructions, and will arrange for the filing with the French tax authorities of all applications and certificates completed by US Holders of ADSs and returned to the Depositary in sufficient time to complete the filing.

Form 5000 and Form 5001 and their respective instructions are available at the *trésorerie des non-résidents* (10, rue du Centre, 93160 Noisy-le-Grand, France). Copies of these forms may also be downloaded from the website of the French tax authorities ([www.impots.gouv.fr](http://www.impots.gouv.fr)), and English-language versions of these forms may be downloaded from the website of the French embassy in Washington, D.C. (<http://ambafrance-us.org/spip.php?article1315>).

#### **Taxation on sale or disposal of ADSs**

Subject to the provisions of any relevant double tax treaty, persons who are not French residents for the purpose of French taxation (as well as, under certain conditions, foreign states, international organizations and certain foreign public bodies), who are not established or domiciled in a non-cooperative state and who have held not more than 25%, directly or indirectly, of the dividend rights (*droits aux bénéfices sociaux*) of our Company at any time during the preceding five years, are not generally subject to any French income tax or capital gains tax on any sale or disposal of ADSs.

If a transfer of listed shares is evidenced by a written agreement, such share transfer agreement is, in principle, subject to registration formalities and therefore to a registration duty assessed on the higher of the purchase price or the market value of the shares, at the rate of 0.1%. Transfers subject to the French financial transaction tax are exempted from the 0.1% registration duty, where applicable.

Transfers of listed shares and certain other equity-linked instruments (including American depositary shares) that are admitted to trading on a French or foreign regulated or recognized market, issued by companies having their registered seat in France and whose market capitalization exceeds €1 billion as at December 1 of the year preceding the relevant taxable year, are subject to French financial transaction tax, at the rate of 0.2%, subject to certain exemptions. As at December 1, 2016, the market capitalization of our Company did not exceed €1 billion.

#### **French estate and gift taxes**

Pursuant to "The Convention Between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritance and Gifts" dated November 24, 1978 as amended by a protocol dated December 8, 2004, a transfer of ADSs by gift or by reason of the death of a US Holder will not be subject to French gift or inheritance tax, unless (i) the donor or the transferor is domiciled in France at the time of making the gift or at the time of his or her death, or (ii) the ADSs were used in, or held for use in, the conduct of a business through a permanent establishment or fixed base in France. In such a case, the French gift or inheritance tax may be credited against the US gift or inheritance tax. This tax credit is limited to the amount of the US gift or inheritance tax due on the ADSs.

#### **French wealth tax**

The French wealth tax (*impôt de solidarité sur la fortune*) does not generally apply to a US Holder who is a resident of the United States as defined in the provisions of the Treaty, unless the ADSs form part of the business property of a permanent establishment or fixed base in France.

## **United States federal income taxation**

Except as otherwise noted, the following summary assumes that we will not be a passive foreign investment company (a “PFIC”) for US federal income tax purposes. We do not believe that we were a PFIC for US federal income tax purposes for our taxable year ended December 31, 2016, but our possible status as a PFIC must be determined annually and therefore may be subject to change. If we were to be a PFIC in any taxable year, material adverse tax consequences could result for US Holders. See “US federal income taxation – Passive foreign investment company status” below.

**THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE US INTERNAL REVENUE CODE. US HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING AND DISPOSING OF THE ADSs, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### ***US Holders of ADSs***

For US federal income tax purposes, a US Holder of ADSs generally will be treated as the owner of the corresponding number of shares held by the Depositary, and references herein to shares refer also to ADSs representing the shares. Accordingly, no gain or loss generally will be recognized if a US Holder of ADSs exchanges the ADSs for the underlying shares represented by the ADSs. A US Holder’s adjusted tax basis in the withdrawn shares generally will be the same as the US Holder’s adjusted tax basis in the ADSs surrendered, and the holding period of the shares generally will include the holding period of the ADSs. However, the US Treasury has expressed concern that US holders of depositary receipts (such as holders of receipts representing our ADSs) may be claiming foreign tax credits in situations where an intermediary in the chain of ownership between such holders and the issuer of the security underlying the depositary receipts, or a party to whom depositary receipts or deposited shares are delivered by the depositary prior to the receipt by the depositary of the corresponding securities, has taken actions inconsistent with the ownership of the underlying security by the person claiming the credit, such as a disposition of such security. Such actions may also be inconsistent with the claiming of the reduced tax rates that may be applicable to certain dividends received by certain non-corporate holders, as described below. Accordingly, (i) the creditability of any French taxes and (ii) the availability of the reduced tax rates for any dividends received by certain non-corporate US Holders, each as described below, could be affected by actions taken by such parties or intermediaries.

### ***Dividends***

General. Distributions paid on our shares out of current or accumulated earnings and profits (as determined for US federal income tax purposes), before reduction for any French withholding tax paid by us with respect thereto, will generally be taxable to a US Holder as dividend income in the year in which the distribution is received (which, in the case of a US Holder of ADSs, will be the year of receipt by the Depositary), and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder’s adjusted tax basis in the shares and thereafter as capital gain. However, we do not maintain calculations of our earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by us with respect to our ordinary shares will be reported as ordinary dividend income. US Holders should consult their own tax advisors with respect to the appropriate US federal income tax treatment of any distribution received from us.

Dividends paid by us generally will be taxable to a non-corporate US Holder at the reduced rate normally applicable to long-term capital gains, provided either we qualify for the benefits of the Treaty or the shares are considered to be readily tradable on the NYSE, and certain other requirements are met. A US Holder will not be able to claim the reduced rate for any year in which we are treated as a PFIC or any year immediately following a year in which we are treated as a PFIC. See “Passive foreign investment company status” below.

**Foreign Currency Dividends.** Dividends paid in euro will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holders (or, in the case of ADSs, by the Depositary), regardless of whether the euro are converted into US dollars at that time. If dividends received in euro are converted into US dollars on the day they are received by the US Holders (or, in the case of ADSs, by the Depositary), the US Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

#### ***Effect of French withholding taxes***

US Holders will be treated as having received the amount of French withholding taxes withheld by us, and as then having paid over the withheld taxes to the French taxing authorities. As a result of this rule, the amount of dividend income included in gross income for US federal income tax purposes by a US Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the US Holder from us with respect to the payment. Please see “Taxation – French taxation – Taxation of dividends” for additional discussion on French withholding taxes.

A US Holder will generally be entitled, subject to certain limitations, to a credit against its US federal income tax liability, or a deduction in computing its US federal taxable income, for any French income taxes withheld from a dividend. Eligible US Holders that are eligible for benefits under the Treaty will not be entitled to a foreign tax credit for the amount of any French taxes withheld in excess of the maximum rate under the Treaty, and with respect to which the holder is entitled to obtain a refund from the French taxing authorities. The rules governing foreign tax credits are complex. US Holders should consult their tax advisors concerning the foreign tax credit implications of the payment of French taxes.

#### ***Sale or other Disposition***

Upon a sale or other disposition of shares (other than an exchange of ADSs for shares), a US Holder generally will recognize capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the US Holder’s adjusted tax basis in the shares. This capital gain or loss will be long-term capital gain or loss if the US Holder’s holding period in the shares exceeds one year. Any gain or loss will generally be US source.

A US Holder’s adjusted tax basis in a share generally will be its US dollar cost. The amount realized on a sale or other disposition of shares for an amount in foreign currency generally will be the US dollar value of this amount on the date of sale or other disposition. On the settlement date, the US Holder generally will recognize US source foreign currency gain or loss (taxable as ordinary income or loss) equal to the difference (if any) between the US dollar value of the amount received based on the exchange rates in effect on the date of sale or other disposition and the settlement date. However, in the case of shares traded on an established securities market that are sold by a cash basis US Holder (or an accrual basis US Holder that so elects), the amount realized will be based on the exchange rate in effect on the settlement date for the sale, and no exchange gain or loss will be recognized at that time.

#### ***Passive foreign investment company status***

We do not believe that we were a PFIC for US federal income tax purposes for our taxable year ended December 31, 2016, but our possible status as a PFIC must be determined annually and therefore may be subject

to change. A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable “look-through rules,” either (i) 75% or more of its gross income consists of “passive” income or (ii) the average percentage of its assets (by value) that produce or are held for the production of passive income is at least 50%.

If we were a PFIC in any taxable year during which a US Holder owned shares and the US Holder has not made a mark to market or qualified electing fund election, the US Holder would generally be subject to special rules (regardless of whether we continued to be a PFIC) with respect to (i) any “excess distribution” (generally, any distributions received by the US Holder on shares in a taxable year that are greater than 125% of the average annual distributions received by the US Holder in the three preceding taxable years or, if shorter, the US Holder’s holding period for the shares) and (ii) any gain realized on the sale or other disposition of shares. Under these rules (a) the excess distribution or gain would be allocated ratably over the US Holder’s holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are a PFIC would be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. Additionally, dividends paid by us would not be eligible for the reduced rate of tax described above under “US federal income taxation – Dividends – General”. If we were a PFIC, a US Holder of shares would generally be subject to similar rules with respect to distributions to us by, and dispositions by us of the stock of, any direct or indirect subsidiaries of ours that were also PFICs.

A US Holder who owns, or who is treated as owning, PFIC stock during any taxable year in which we are a PFIC may be required to file IRS Form 8621. US Holders should consult their tax advisors regarding the potential application of the PFIC regime, including the requirement to file Form 8621.

#### ***Backup withholding and information reporting***

Payments of dividends and other proceeds with respect to shares by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain US Holders (including, among others, corporations) are not subject to backup withholding. US Holders should consult their tax advisors about these rules and any other reporting obligations that may apply to the ownership or disposition of shares, including requirements related to the holding of certain specified foreign financial assets.

#### **Dividends and paying agents**

Not applicable.

#### **Statement by experts**

Not applicable.

#### **Documents on display**

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) applicable to foreign private issuers. In accordance with the Exchange Act, we electronically file or submit reports, including annual reports on Form 20-F and interim reports on Form 6-K, and other information with the Securities and Exchange Commission. You may obtain these reports and other information by sending a written request to CGG, Tour Maine-Montparnasse, 33, avenue du Maine, BP 191, 75755 Paris cedex 15, France, Attention: Investor Relations Officer, Telephone: (33) 1 64 47 45 00.